FORSYTH BARR

Reporting Season

Lopsided Scorecard

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Low expectations meant the reporting season came in more or less in line and the expected deterioration in operating leverage was less. Still a lack of positive revisions leaves little excitement on the Quantitative Scorecard. Taking into account outliers relative to revisions and return vs. risk, NZK and SPK appear attractive and we believe THL should get the benefit of the doubt. There is still downside earnings risk for FBU which is not cheap enough for us to change our tack yet. It now appears time to take profits in MCY with CEN the best of this group.

The Quantitative Scorecard

The Quantitative Scorecard assigns a score to the result beat/miss, FY+1 revision, price reaction and outlook statement. This is then tabulated to show a frequency distribution of the results.

While the group's scorecard was skewed to the left for the results released in February 2019, the August 2019 season stands out for the lack of positives. This reflects positive FY1 EPS revisions (17%) at the lowest level since we began tracking this in September 2012.

Figure 1. Reporting Season Quantitative Scorecard

			EBO	ABA				
			GNE	AIR				
ATM		AIA	MCY	MEL				
FRE		CVT	MHJ	NZR				
PGW		DGL	NZM	PFI	CEN			
SKL		OCA	NZX	POT	FBU		CNU	
VCT		SKC	SKT	SCL	NZK		SPK	
VGL	MET	VHP	STU	THL	PCT		SUM	
-4	-3	-2	-1	0	1	2	3	4

Source: Forsyth Barr analysis, (beat vs miss, EPS FY20 revision, price reaction, outlook)

Revenue expectations have largely stayed intact outside *Cyclicals*. EBITDA margins are slightly better than previously forecast except for *Structural Growth*. However, EPS revisions are flat or lower across all groups.

Figure 2. Revisions by thematic (median)

	Cyclicals		Defensive Yield		Structural Growth	
	FY20	**FY21**	**FY20**	**FY21**	**FY20**	**FY21**
Revenue	-0.5%	-1.7%	+0.7%	+0.3%	+0.7%	+1.0%
EBITDA	+1.1%	-0.1%	+1.0%	+1.2%	-3.1%	-2.3%
EPS	-0.6%	-1.5%	-0.4%	+0.2%	-4.7%	-3.7%

Source: Forsyth Barr analysis

Figure 3 compares current growth estimates versus the start of the reporting season. Our estimates for FY20 remain weak and while we have a recovery moving into FY21, we see downside risk to these estimates.

Figure 3. Market Normalised EPS Growth (current versus July 2019)

	Weighted		Median		Weighted ex Prop	
	Jul-19	**Current**	**Jul-19**	**Current**	**Jul-19**	**Current**
FY20	+3.4%	▼ **+3.2%**	+5.8%	▼ **+3.4%**	+3.8%	▼ **+3.5%**
FY21	+6.2%	▲ **+6.4%**	+6.6%	▼ **+6.3%**	+6.4%	▲ **+6.7%**
Annualised:	+4.8%	**+4.8%**	+6.2%	▼ **+4.9%**	+5.1%	**+5.1%**

Source: Forsyth Barr analysis

Meeting low expectations

Entering the August 2019 reporting season, expectations for six months on pcp growth were low. Underlying EBITDA growth expectations at an aggregate level were just +1.0% and +2.7% on a median basis. EPS growth was similarly low at -2.4% and -1.0% respectively.

The positive was that these low expectations were actually exceeded and meant 12 month forward earnings, on a weighted basis, have been lifted slightly. However, on a median basis, Forsyth Barr forecast earnings have declined -0.8% for FY19, -3.0% for FY20 and -3.3% for FY21. Growth expectations also remain modest with ~+3% in FY20 before jumping to +6% in FY21.

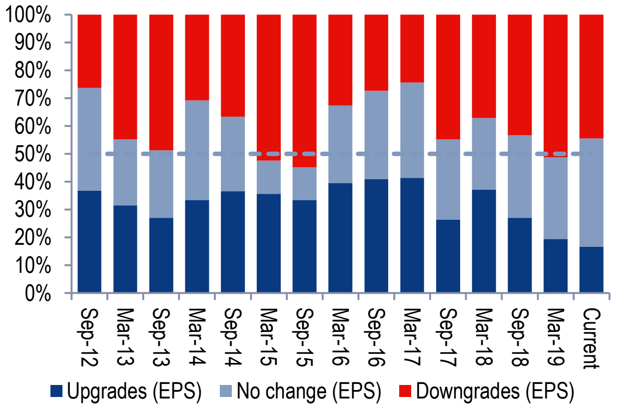
Figure 4. Indexed earnings pre and post earnings season

	Weighted EPS (indexed)					Median EPS (indexed)				
	Jul-19	Growth	Current	Growth	Change	Jul-19	Growth	Current	Growth	Change
FY18 base	100.00		100.00			100.00		100.00		
FY19	105.20	+5.2%	105.60	+5.6%	**+40bp**	103.10	+3.1%	102.30	+2.3%	**-80bp**
FY20	108.78	+3.4%	108.98	+3.2%	**+20bp**	109.08	+5.8%	105.78	+3.4%	**-300bp**
FY21	115.52	+6.2%	115.95	+6.4%	**+40bp**	116.28	+6.6%	112.44	+6.3%	**-330bp**

Source: Forsyth Barr analysis

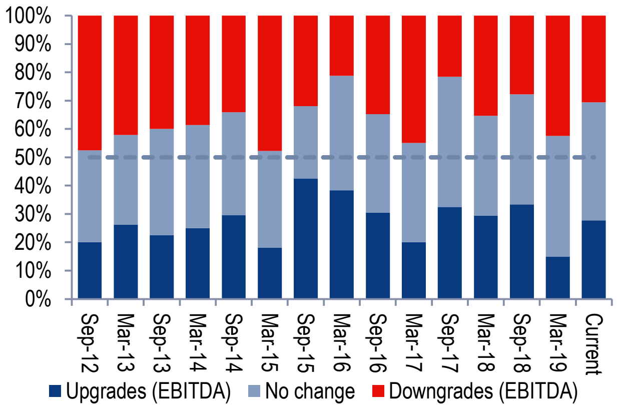
Another advantage of the low expectations was that there have been less downward revisions relative to the last major results season. However, EPS forecast upward revisions set a new low.

Figure 5. Forecast+1 revision history (EPS)



Source: Forsyth Barr analysis

Figure 6. Forecast+1 revision history (EBITDA)



Source: Forsyth Barr analysis

Downward revisions regardless of thematic

Reviewing both FY1 & FY2 revisions, some improvement in operating leverage has begun to be priced although EPS revisions are negative across all thematic groups.

Companies within the *Defensive Yield* thematic fared the best during the reporting season with only minor negative revisions made. The largest negative EPS revisions were to Genesis Energy (GNE), Mercury Energy (MCY) and Vector (VCT). Contact Energy (CEN) had the largest upgrade.

Structural Growth was the one thematic to see EBITDA margins being lowered and this translated to -4% to -5% EPS declines over the next two years. The a2 Milk Company (ATM) and Vista Group (VGL) saw double-digit revisions. Scales (SCL) and Summerset (SUM) saw the best positive revisions.

Cyclicals continue to be impacted by weaker revenue growth expectations and again EPS growth has been revised down. Fletcher Building (FBU) was the exception although despite the upgrade our rating remains UNDERPERFORM.

Figure 7. Revisions by thematic

		Cyclicals		Defensive Yield		Structural Growth	
		Median	Average	Median	Average	Median	Average
Forecast 1	Revenue	-0.5%	-0.4%	+0.7%	+1.3%	+0.6%	-0.9%
	EBITDA	+1.1%	+2.8%	+1.0%	+0.9%	-3.0%	-4.5%
	EPS	-0.6%	-1.7%	-0.4%	-1.1%	-4.3%	-5.2%
Forecast 2	Revenue	-1.7%	-1.5%	+0.3%	+0.7%	+0.7%	-1.2%
	EBITDA	-0.1%	+1.6%	+1.2%	+0.7%	-1.8%	-4.0%
	EPS	-1.5%	-3.3%	+0.2%	-0.7%	-3.4%	-4.2%

Source: Forsyth Barr analysis

Looking for Outliers

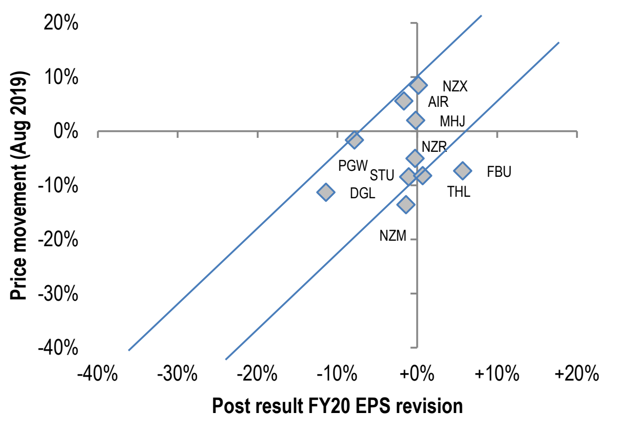
Segmenting reporting companies into thematics and then reviewing how share prices have performed relative to earnings revisions, we found for the most part company performance reflected earning revisions.

Where there were some outliers, *Cyclical* outliers generally performed worse than we would have expected relative to the revisions undertaken (FBU, NZM, THL).

Defensive Yield members were more tightly grouped though GNE, MCY and SPK outperformed relative to revisions while CEN and SKT underperformed.

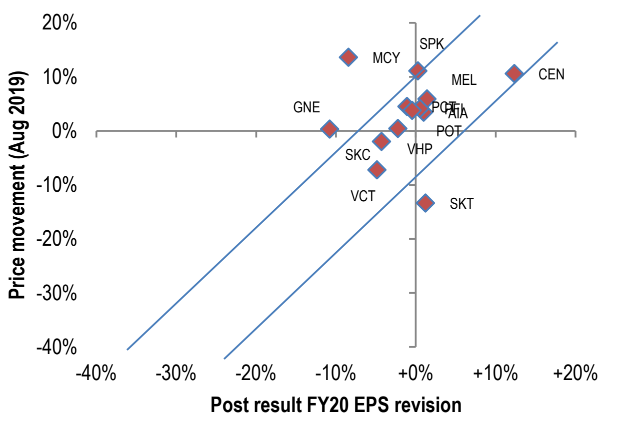
Outliers within the *Structural Growth* thematic generally performed better than the respective revisions would have implied (CVT and NZK).

Figure 8. Share price performance vs. revision (Cyclicals)



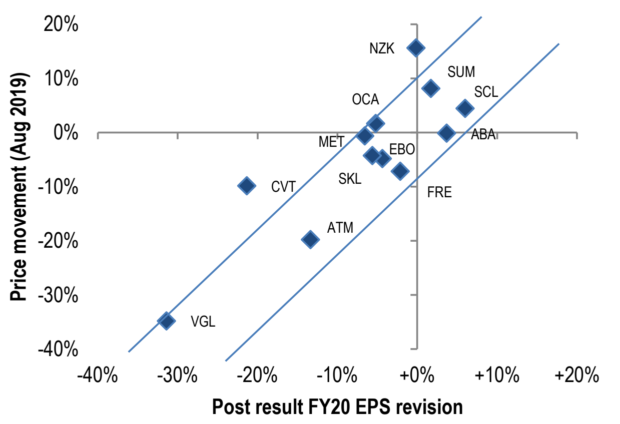
Source: Forsyth Barr analysis

Figure 9. Share price performance vs. revision (Defensive Yield)



Source: Forsyth Barr analysis

Figure 10. Share price performance vs. revision (Structural Growth)



Source: Forsyth Barr analysis

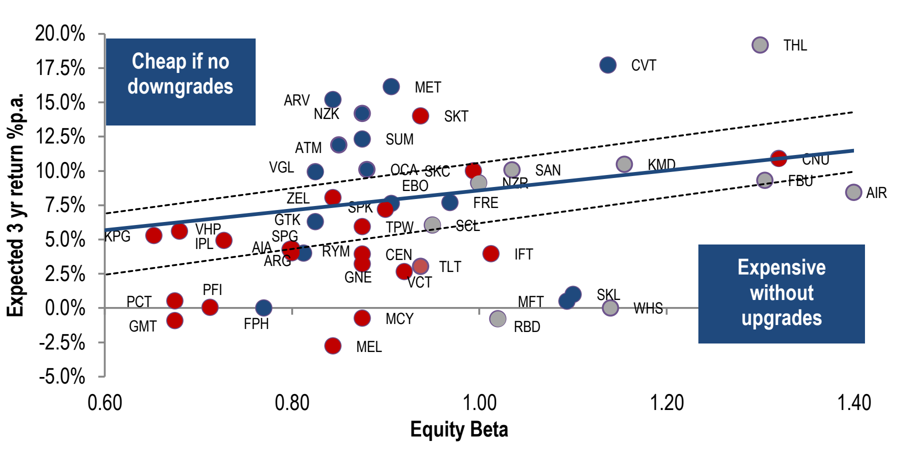
Return versus risk

Of the outliers, FBU appears close to fair value, however, the pricing is short of where we would advocate buying and our UNDERPERFORM rating infers downside bias risk to our forecasts. THL would be preferred.

Within *Defensive Yield*, despite a stronger rerating than implied by earnings revisions, GNE appears slightly expensive as does CEN while profit-taking would be indicated in the case of MCY.

Structural Growth outliers CVT and NZK continue to offer value based on our three year expected return versus risk. NZK provides the best risk return outlook and this is reflected in our positive rating. CVT is still to appoint new management or turn earnings around. At this point backing out net assets (inventory and land/buildings and equipment) the market is paying $28m for the brand. This may prove cheap but will take some time to prove up.

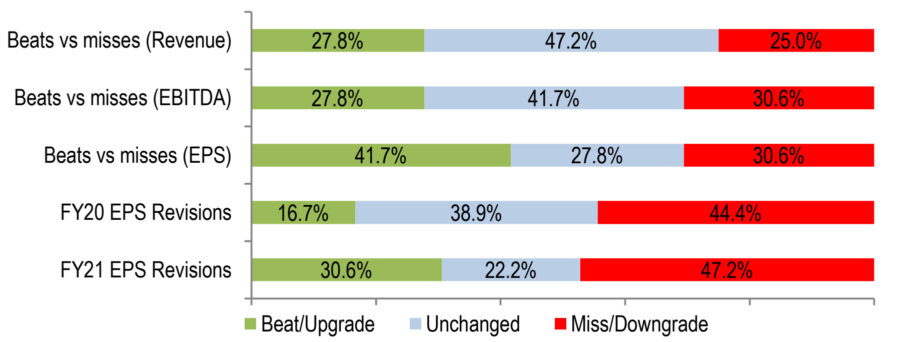
Figure 11. 3yr estimated %pa return vs. beta



Source: Forsyth Barr analysis, Cyclicals Defensive Yield Structural Growth

Charting the Season

Figure 12. Translation of results through to forecasts



Source: Forsyth Barr analysis

Figure 13. Reporting Season Quantitative Scorecard (beat vs miss, EPS FY20 revision, price reaction, outlook)

Result Season Scorecard: -4	Result Season Scorecard: -3	Result Season Scorecard: -2	Result Season Scorecard: -1	Result Season Scorecard: 0	Result Season Scorecard: +1	Result Season Scorecard: +2	Result Season Scorecard: +3	Result Season Scorecard: +4
ATM	MET	AIA	EBO	ABA	CEN		CNU	
FRE		CVT	GNE	AIR	FBU		SPK	
PGW		DGL	MCY	MEL	NZK		SUM	
SKL		OCA	MHJ	NZR	PCT			
VCT		SKC	NZM	PFI				
VGL		VHP	NZX	POT				
			SKT	SCL				
			STU	THL				

Source: Forsyth Barr analysis

Figure 14. Operating Leverage FY19: Actual vs Expected (> +/-3%), *Positive* expected Revenue growth

Code	Expected FY19 Tot Revenue Growth	FY19 EBITDA Growth	Expected difference	Actual FY19 Tot Revenue Growth	FY19 EBITDA Growth	Actual Difference	vs pre season
MEL	+8.4%	+25.3%	16.9%	+24.5%	+25.8%	1.3%	-1550bp
ATM	+45.9%	+57.7%	11.8%	+41.4%	+46.1%	4.8%	-700bp
VCT	+2.1%	+5.6%	3.6%	-0.1%	+4.3%	4.4%	80bp
SKL	+4.7%	+8.2%	3.6%	+2.2%	+3.6%	1.3%	-230bp
POT	+7.9%	+10.4%	2.6%	+10.4%	+12.4%	2.0%	-60bp
DGL	+13.3%	+13.8%	0.5%	+8.7%	+10.8%	2.1%	160bp
AIA	+7.8%	+7.9%	0.2%	+8.7%	+9.6%	0.9%	70bp
VHP	+7.4%	+7.3%	-0.1%	+7.7%	+6.9%	-0.8%	-70bp
SKC	+0.9%	+0.2%	-0.7%	+1.3%	+1.3%	0.0%	70bp
CEN	+10.5%	+8.3%	-2.2%	+10.7%	+8.1%	-2.6%	-40bp
FRE	+6.4%	+3.6%	-2.9%	+6.0%	+4.2%	-1.8%	110bp
MET	+10.9%	+7.6%	-3.3%	+8.9%	+7.1%	-1.8%	150bp
PCT	+5.7%	+0.3%	-5.3%	+2.3%	-4.6%	-6.9%	-150bp
OCA	+3.3%	-3.3%	-6.7%	+5.3%	-0.7%	-6.1%	60bp
GNE	+16.3%	+0.7%	-15.7%	+17.2%	+0.8%	-16.4%	-70bp
NZK	+5.1%	-11.4%	-16.6%	+7.7%	-11.6%	-19.3%	-270bp
AIR	+5.6%	-15.5%	-21.1%	+5.5%	-12.2%	-17.7%	340bp
MCY	+11.8%	-11.0%	-22.9%	+11.2%	-10.8%	-22.0%	90bp
		Median	**-1.4%**			**-1.3%**	**10bp**

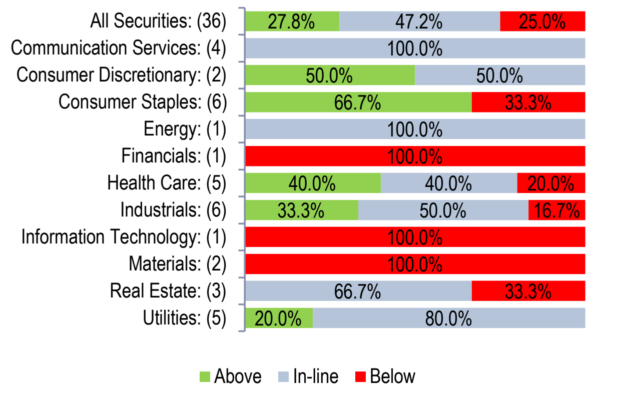
Source: Forsyth Barr analysis

Figure 15. Operating Leverage FY19: Actual vs Expected (> +/-3%), *Negative* expected Revenue growth

Code	Expected FY19 Tot Revenue Growth	FY19 EBITDA Growth	Expected difference	Actual FY19 Tot Revenue Growth	FY19 EBITDA Growth	Actual Difference	vs pre season
THL	-4.9%	+2.7%	7.5%	-0.7%	+3.5%	4.2%	-330bp
EBO	-1.0%	+3.9%	4.9%	-3.1%	+2.2%	5.3%	40bp
SPK	-0.1%	+3.5%	3.6%	+0.0%	+5.8%	5.8%	220bp
CNU	-2.0%	-3.7%	-1.7%	-2.0%	-2.6%	-0.6%	110bp
MHJ	-8.7%	-19.7%	-11.0%	-7.4%	-12.3%	-4.9%	610bp
SKT	-7.2%	-18.8%	-11.6%	-6.8%	-15.7%	-9.0%	260bp
PGW	-5.5%	-26.8%	-21.3%	+0.1%	-29.2%	-29.3%	-800bp
		Median	**-1.7%**			**-0.6%**	**110bp**

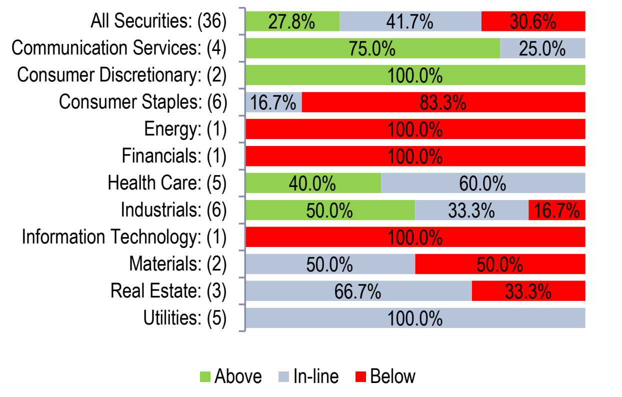
Source: Forsyth Barr analysis

Figure 16. Beats vs Misses: Total Revenue



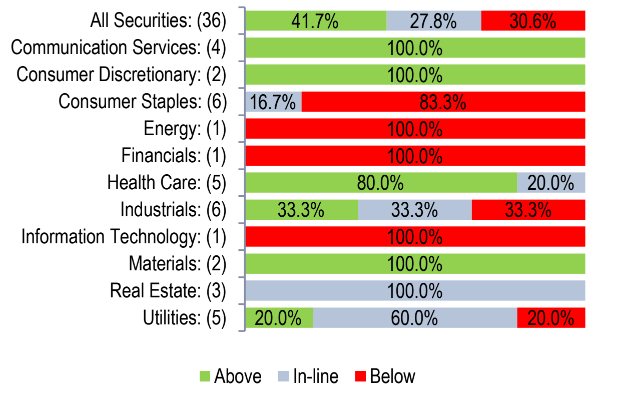
Source: Forsyth Barr analysis

Figure 17. Beats vs Misses: EBITDA



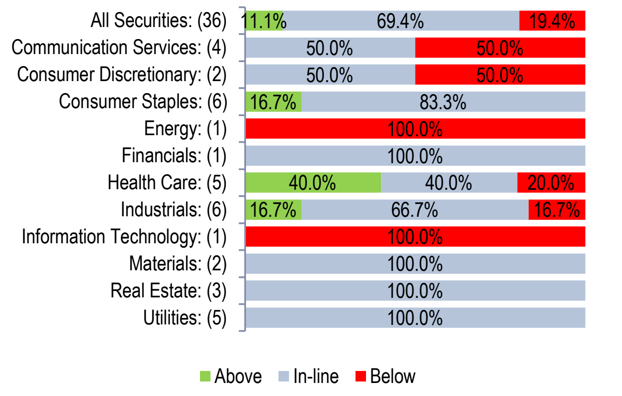
Source: Forsyth Barr analysis

Figure 18. Beats vs Misses: Normalised EPS



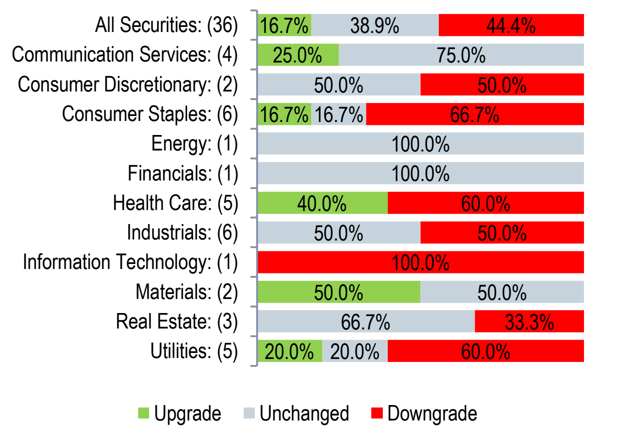
Source: Forsyth Barr analysis

Figure 19. Beats vs Misses: Dividend per Share



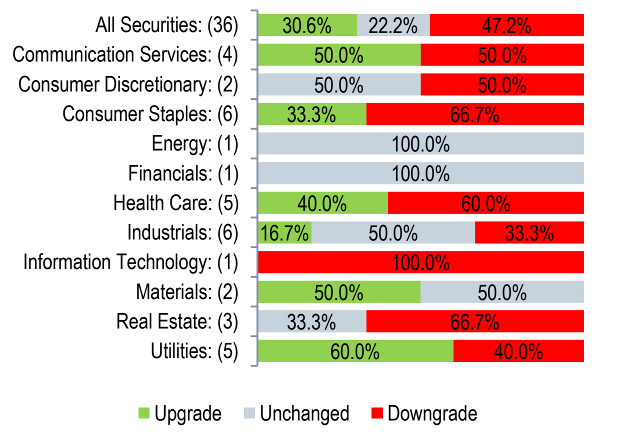
Source: Forsyth Barr analysis

Figure 20. Post Result EPS Revisions (FY20)



Source: Forsyth Barr analysis

Figure 21. Post Result EPS Revisions (FY21)



Source: Forsyth Barr analysis

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Analysis of the Numbers

August Reporting Season Conclusions

Slightly better but subdued growth

The August 2019 reporting season (ex the Agriculture and Retail sectors) has all but drawn to a close, with actual profit growth slightly better than expectations (albeit negative/flat) at both the aggregated and median levels. Revenue and EBITDA beats and misses were balanced, with a slightly better outcome at the EPS line (15:11) however net negative at the DPS line (4:7). Meridian Energy (MEL) has a marked effect on aggregated growth, with Fletcher Building's (FBU) return to paying a dividend is also skewing growth at the DPS line. We have, therefore, presented aggregated growth with these companies excluded.

Actual aggregated Revenue growth finished at +3.9% (vs +4.6%), EBITDA growth is +1.5% (vs +1.0%), whilst normalised EPS was negative at -1.2% (but better than expectations of -2.4%). Dividend per Share growth was flat at +0.2% (vs +3.8%).

Figure 22. Reporting Season Snapshot (6mth growth on pcp) for companies reported

	Aggregated (For Companies Reported)		Aggregated (For Companies Reported) ex MEL		Median (For Companies Reported)		Beats vs Misses*
	Forecast	Actual	Forecast	Actual	Forecast	Actual	
Total Revenue	+4.3%	+6.2%	+4.6%	+3.9%	+4.0%	+4.3%	10:9
EBITDA	+3.5%	+4.1%	+1.0%	+1.5%	+2.7%	+3.2%	10:11
EBIT	+8.0%	+8.4%	+4.3%	+4.7%	+2.5%	+2.9%	12:17
Normalised NPAT	+4.8%	+6.0%	-0.3%	+0.8%	-1.0%	+1.0%	16:12
Normalised EPS	**+2.8%**	**+4.0%**	**-2.4%**	**-1.2%**	**-1.0%**	**+0.3%**	**15:11**
Dividend per Share (ex FBU)	+5.6%	+3.1%	+3.8%	+0.2%	+1.3%	+1.3%	4:7
No of Companies:	36	36	35	35	36	36	36

Source: Forsyth Barr analysis
*vs Forsyth Barr expectations: +/- 2.5%

Post result revisions saw a slight upward bias at the Revenue line, with EBITDA revisions balanced. However, the stand out was the number of downgrades at the bottom line, with EPS revisions for FY20 finishing with just six upgrades versus 16 downgrades. FY21 revisions were also net negative with 11 upgrades and 17 downgrades.

Figure 23. Reporting Season Snapshot: Summary

EPS Result vs Expectations*	Dividend vs Expectations*	Post Result Revenue FY20 Revision	Post Result EBITDA FY20 Revision	Post Result EPS FY20 Revision	Post Result DPS FY20 Revision	Outlook Statement
15 Above	4 Above	10 Upgrades	10 Upgrades	6 Upgrades	9 Upgrades	6 Positive
10 In-line	25 In-line	19 Unchanged	15 Unchanged	14 Unchanged	18 Unchanged	20 Neutral
11 Below	7 Below	7 Downgrades	11 Downgrades	16 Downgrades	8 Downgrades	10 Negative

Source: Forsyth Barr analysis
*vs Forsyth Barr expectations: +/- 2.5%
Post result revisions > +/- 1.5%

Price reaction

The S&P/NZX 50 G benchmark index experienced a volatile month during August, finally closing down -0.9% for the month, predominately driven by the fall in The a2 Milk Company (ATM) which was down -20%. Excluding ATM, the market would have been up +1.7%.

Despite EPS beats outweighing misses (15:11), three-day post result price reaction versus the benchmark, suggests the market was more negative on the outcomes and outlook statements.

For results to date, 11 companies outperformed the market (post reporting), with 15 companies underperforming and 10 in-line (using a ± 2% tolerance level).

Companies that have had the most notable positive price reaction (absolute vs market, >+/-2%) include: SPK (+11.2%), NZK (+9.0%), CVT (+7.2%), AIR (+4.7%), MCY (+3.9%), NZX (+3.7%), PFI (+3.5%) and MEL (+3.1%).

Whereas the market appears disappointed with the results of VGL (-29.1%), ATM (-12.5%), NZM (-10.9%), ABA (-9.2%), SKL (-6.6%), STU (-6.1%), SKT (-5.2%), OCA (-4.1%), MHJ (-3.8%) and AIA (-3.8%).

Figure 24. Reporting Season Snapshot: Results versus expectations and market surprise

Code	EPS Result vs Expectations*	Dividend vs Expectations*	Market Surprise 3 Day Post Result (Absolute Price Reaction vs Market)	Post Result EPS FY20 Revision	Post Result DPS FY20 Revision	Ratings Change
CNU	▲ Above	In-line	-1.9%	▲ +134.6%	+0.0%	
FBU	▲ Above	In-line	-0.0%	▲ +5.7%	+0.0%	
ABA	▲ Above	In-line	▼ -9.2%	▲ +3.7%	▼ -4.0%	
SUM	▲ Above	▲ Above	+0.6%	▲ +1.8%	▲ +1.8%	
SKT	▲ Above	▼ Below	▼ -5.2%	+1.3%	▼ -100.0%	▲ UNDERPERFORM to NEUTRAL
THL	▲ Above	In-line	+1.6%	+0.7%	+0.0%	
SPK	▲ Above	In-line	▲ +11.2%	+0.3%	▲ +13.6%	▲ NEUTRAL to OUTPERFORM
MHJ	▲ Above	▼ Below	▼ -3.8%	-0.1%	-1.2%	
STU	▲ Above	In-line	▼ -6.1%	-1.0%	▼ -16.7%	▲ UNDERPERFORM to NEUTRAL
NZM	▲ Above	▼ Below	▼ -10.9%	-1.4%	+0.0%	
AIR	▲ Above	In-line	▲ +4.7%	▼ -1.6%	+0.0%	
SKC	▲ Above	In-line	▼ -2.1%	▼ -4.2%	+0.0%	
EBO	▲ Above	In-line	+1.1%	▼ -4.3%	+0.0%	
OCA	▲ Above	▼ Below	▼ -4.1%	▼ -5.1%	▼ -5.1%	
GNE	▲ Above	In-line	+0.1%	▼ -10.7%	-1.4%	
CEN	In-line	In-line	▲ +2.0%	▲ +12.4%	-1.3%	
MEL	In-line	In-line	▲ +3.1%	▲ +1.5%	▲ +2.6%	
AIA	In-line	▼ Below	▼ -3.8%	+1.0%	+1.0%	
PFI	In-line	In-line	▲ +3.5%	+0.6%	+0.0%	
POT	In-line	In-line	▲ +2.2%	-0.4%	-0.6%	
PCT	In-line	In-line	+0.8%	-1.0%	▲ +1.6%	
VHP	In-line	In-line	+0.9%	▼ -2.2%	+0.0%	
MET	In-line	▲ Above	▼ -2.7%	▼ -6.5%	▲ +2.3%	
MCY	In-line	In-line	▲ +3.9%	▼ -8.4%	-0.6%	
DGL	In-line	▲ Above	-0.5%	▼ -11.4%	▼ -2.7%	
SCL	▼ Below	In-line	▲ +2.9%	▲ +6.0%	▲ +5.3%	
NZX	▼ Below	In-line	▲ +3.7%	+0.2%	+0.0%	
NZK	▼ Below	In-line	▲ +9.0%	-0.1%	+0.0%	
NZR	▼ Below	▼ Below	-1.2%	-0.2%	+0.0%	▲ UNDERPERFORM to NEUTRAL
FRE	▼ Below	In-line	▼ -2.2%	▼ -2.1%	▼ -2.1%	▲ UNDERPERFORM to NEUTRAL
VCT	▼ Below	In-line	▼ -2.1%	▼ -4.8%	▲ +1.5%	
SKL	▼ Below	▲ Above	▼ -6.6%	▼ -5.6%	▲ +3.8%	
PGW	▼ Below	In-line	▼ -2.6%	▼ -7.8%	▲ +6.7%	
ATM	▼ Below	In-line	▼ -12.5%	▼ -13.3%	n/a	
CVT	▼ Below	In-line	▲ +7.2%	▼ -21.3%	▼ -100.0%	
VGL	▼ Below	▼ Below	▼ -29.1%	▼ -31.4%	▼ -37.5%	

Source: Forsyth Barr analysis
*vs Forsyth Barr expectations: +/- 2.5%
Post result revisions > +/- 1.5%
Market surprise > +/- 2.0%

Rating changes

Over the course of the reporting season our analysts have made five (positive) ratings changes.

FRE (UNDERPERFORM to NEUTRAL)

- *Notwithstanding the emerging risks of a more sustained cyclical downturn, we believe underlying earnings growth will strengthen materially in FY20 given its 'pricing for effort' initiative. Having fallen to ~18x one year forward PE, we believe FRE's valuation now fairly reflects the balance between the near-term margin opportunity and a slower volume environment. We, therefore, upgrade our rating from UNDERPERFORM to NEUTRAL*

NZR (UNDERPERFORM to NEUTRAL)

- *We are lifting our target price +33cps to $2.15 and upgrading our rating to NEUTRAL from UNDERPERFORM. In lifting our target price the main changes have been a ~+30cps increase in our DCF valuation due to the lower long-term capex assumption — highlighting once again the high operating leverage present in NZR. The changes to our WACC (main change being the risk free rate lowered to 2.0% from 2.75%) have had a relatively minor impact on NZR's DCF — less than +3%. The near-term outlook has also improved as the sector gets closer to the Marpol implementation date of 1 January 2020, and we believe there is more likely to be upside risk to our forecasts in the short-term.*

SKT (UNDERPERFORM to NEUTRAL)

- *We believe (1) long-term there is likely a role for a sporting content aggregator in NZ, (2) SKT is strongly positioned to fill that role, and (3) the share price does not unreasonably reflect what the economics of that position may look like. We upgrade to NEUTRAL.*

SPK (NEUTRAL to OUTPERFORM)

- *In a world hungry for yield SPK offers an attractive income relative to other defensive NZ stocks, global telco peers, and fixed income. Additionally, valuation metrics are robust, we believe SPK can maintain earnings growth led by mobile, cloud, and cost savings, and the company has a strong track record on execution, consistently outperforming market expectation. SPK's defensive appeal is supported by its strong, A- rated balance sheet. Attractive income in a yield hungry world: upgrade to OUTPERFORM*

STU (UNDERPERFORM to NEUTRAL)

- *There is no doubt competition is impacting margins across the industry, but with industry players pointing fingers in different directions, it is difficult to be certain who are the chief antagonists. STU remains an inherently high risk, but with the share price at a >25 year low, we view the medium-term investment proposition as balanced; upgrade to NEUTRAL.*

Dividends

Aggregated dividend per share growth finished below expectations, whilst median growth finished in-line. Beats fell short of misses with four companies exceeding our forecasts and seven falling below. Twenty five companies met our analysts' expectations.

Companies where dividends positively surprised include: DGL, MET, SKL and SUM.

Companies that reported dividends below our expectations include: AIA, MHJ, NZM, NZR, OCA, SKT and VGL.

Post these results, our analysts have made nine positive revisions to FY20 dividend estimates and eight negative revisions (using a tolerance level of +/- 1.5%). We are now forecasting a weighted average 12-month forward gross dividend yield of +4.3% (median +5.3%) with a corresponding pay-out ratio of 73% (median 82%).

Earnings revisions

Figures 25 & 26 show our two year growth estimates for Revenue and EBITDA for the New Zealand market as a whole (versus July 2019, pre reporting season).

Weighted average two-year annualised Revenue growth is now +2.9% (median +3.8%), with EBITDA growth at +5.1% (median +5.1%). On-balance, two-year annualised growth has reduced slightly post the results season.

Figure 25. Market Revenue Growth (current versus July 2019)

	Weighted		Median		Weighted ex Prop	
	Jul-19	**Current**	**Jul-19**	**Current**	**Jul-19**	**Current**
FY20	+1.8%	**+1.8%**	+3.4%	▼ **+2.6%**	+1.1%	▼ **+0.9%**
FY21	+4.5%	▼ **+4.1%**	+5.3%	▼ **+5.1%**	+4.3%	▼ **+3.8%**
Annualised:	+3.1%	▼ **+2.9%**	+4.3%	▼ **+3.8%**	+2.7%	▼ **+2.4%**

Source: Forsyth Barr analysis

Figure 26. Market EBITDA Growth (current versus July 2019)

	Weighted		Median		Weighted ex Prop	
	Jul-19	**Current**	**Jul-19**	**Current**	**Jul-19**	**Current**
FY20	+3.9%	▲ **+4.3%**	+3.8%	▼ **+3.2%**	+3.3%	▲ **+3.5%**
FY21	+5.9%	▲ **+6.0%**	+7.0%	▲ **+7.1%**	+5.8%	▲ **+5.9%**
Annualised:	+4.9%	▲ **+5.1%**	+5.4%	▼ **+5.1%**	+4.5%	▲ **+4.7%**

Source: Forsyth Barr analysis

Of the 36 companies that have reported to date, post result FY20 EPS revisions include 6 upgrades and 16 downgrades, with 14 unchanged. Following the revisions to our FY20 EPS forecasts, our overall market weighted EPS growth has been pulled back to +3.2% (median +3.4%).

The most notable upgrades were CNU (>+100%), CEN (+12.4%), SCL (+6.0%), FBU (+5.7%), and ABA (+3.7%). Whereas ATM, CVT, DGL, GNE, MCY, MET, OCA, PGW, SKL and VGL have all been downgraded in excess of -5%.

Annualising our total market growth for FY20–21, the weighted average two year annualised growth remains at +4.8%, however, median growth is now +4.9% (down from +6.2%, as at July 2019).

Figure 27. Market Normalised EPS Growth (current versus July 2019)

	Weighted		Median		Weighted ex Prop	
	Jul-19	**Current**	**Jul-19**	**Current**	**Jul-19**	**Current**
FY20	+3.4%	▼ **+3.2%**	+5.8%	▼ **+3.4%**	+3.8%	▼ **+3.5%**
FY21	+6.2%	▲ **+6.4%**	+6.6%	▼ **+6.3%**	+6.4%	▲ **+6.7%**
Annualised:	+4.8%	**+4.8%**	+6.2%	▼ **+4.9%**	+5.1%	**+5.1%**

Source: Forsyth Barr analysis

Outlook statements

Figures 28 & 29 include the summary of the outlook statements and guidance comments. Of the companies that have reported to date, six companies, CNU, NZK, NZR, PCT, SPK and SUM provided a positive outlook, whereas the outlook for 10 companies, AIA, DGL, FBU, MET, MHJ, PGW, POT, SKC, SKT, and VGL appears more challenging.

Figure 28. New Zealand Reporting Season Snapshot: Outcomes, FY20 Revisions and Outlook Statements

Code	EPS Result vs Expectations*	Dividend vs Expectations*	Post Result Revenue FY20 Revision	Post Result EBITDA FY20 Revision	Post Result EPS FY20 Revision	Post Result DPS FY20 Revision	Outlook Statement
CNU	▲ Above	In-line	+0.0%	▲ +2.4%	▲ +134.6%	+0.0%	Slight positive. EBTIDA guidance slightly ahead of our expectations was supported by "a continued reduction" in opex.
FBU	▲ Above	In-line	+0.4%	▲ +1.5%	▲ +5.7%	+0.0%	Negative. No formal guidance. FY19 result reemphasised concerns regarding downside risk to expectations.
ABA	▲ Above	In-line	▲ +3.6%	-0.2%	▲ +3.7%	▼ -4.0%	**Neutral**. A pause in acquisitions and materially lower capex guidance for FY20 should help to improve free cash flow.
SUM	▲ Above	▲ Above	+0.8%	▲ +1.6%	▲ +1.8%	▲ +1.8%	Slight positive. No formal guidance. 1H19 result slightly ahead of expectations.
SKT	▲ Above	▼ Below	+0.6%	▲ +2.0%	+1.3%	▼ -100.0%	Slight negative. No formal guidance. Announced termination of dividend for foreseeable future. High degree of uncertainty to outlook.
THL	▲ Above	In-line	▲ +3.6%	+1.1%	+0.7%	+0.0%	**Neutral**. No formal earnings guidance. Commentary of "we are confident in the medium and long term outlook for the wider tourism industry ".
SPK	▲ Above	In-line	-0.4%	▲ +2.9%	+0.3%	▲ +13.6%	Positive. SPK committed to retaining its dividend, hoping for it to be covered by FCF from FY20 by lower medium-term CAPEX and slowing working capital growth.
MHJ	▲ Above	▼ Below	-0.7%	▼ -2.6%	-0.1%	-1.2%	Slight negative. No formal guidance. Commentary for jewellery retail environment to remain challenging in FY20.
STU	▲ Above	In-line	▼ -4.6%	+1.1%	-1.0%	▼ -16.7%	**Neutral**. No formal guidance. Commentary of "improved performance expected in FY20". High degree of uncertainty to earnings outlook.
NZM	▲ Above	▼ Below	-1.0%	▲ +32.2%	-1.4%	+0.0%	**Neutral**. No formal guidance. Commentary of an "Encouraging start to the second half" contrasted against "we remain cautious of the impact of the softening economy and weaker business confidence".
AIR	▲ Above	In-line	-0.4%	▲ +7.0%	▼ -1.6%	+0.0%	**Neutral**. First time FY20 PBT guidance was in line with expectations.
SKC	▲ Above	In-line	-0.6%	▼ -3.3%	▼ -4.2%	+0.0%	Slight negative. FY20 NPAT guidance is flat on FY19.
EBO	▲ Above	In-line	▼ -1.8%	▼ -3.0%	▼ -4.3%	+0.0%	**Neutral**. No formal earnings guidance. Outlook comment for "significant increase in earnings in FY20" primarily reflects the Chemist Warehouse contract.
OCA	▲ Above	▼ Below	▲ +3.9%	▼ -3.3%	▼ -5.1%	▼ -5.1%	**Neutral**. No formal guidance. Strategic focus on expanding and enhancing its care offering.
GNE	▲ Above	In-line	▲ +3.5%	+1.1%	▼ -10.7%	-1.4%	**Neutral**. FY20 EBITDAF guidance was consistent with prior indications, however, it was also inflated by non-cash earnings and the adoption IFRS16.

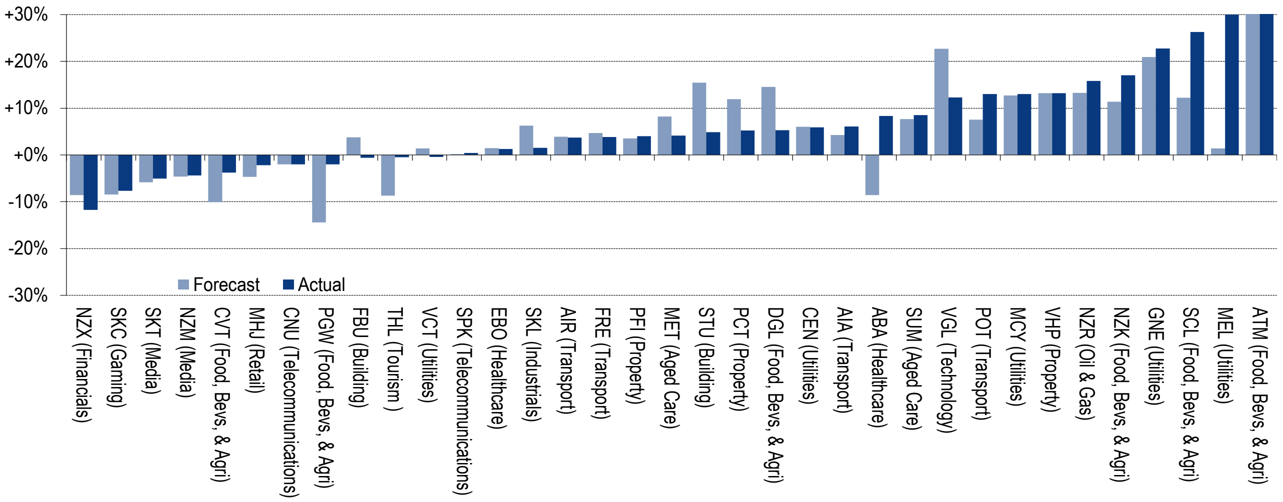
Source: Forsyth Barr analysis
*vs Forsyth Barr expectations: +/- 2.5%
Post result revisions > +/- 1.5%

Figure 29. New Zealand Reporting Season Snapshot: Outcomes, FY20 Revisions and Outlook Statements cont…

Code	EPS Result vs Expectations*	Dividend vs Expectations*	Post Result Revenue FY20 Revision	Post Result EBITDA FY20 Revision	Post Result EPS FY20 Revision	Post Result DPS FY20 Revision	Outlook Statement
CEN	In-line	In-line	▲ +6.1%	+0.3%	▲ +12.4%	-1.3%	**Neutral**. FY20 EBITDAF guidance of ~$480m was consistent with prior guidance. FY20 dividend guidance of 39cps is flat on the prior year.
MEL	In-line	In-line	▲ +5.7%	+0.6%	▲ +1.5%	▲ +2.6%	**Neutral**. No formal guidance, although it was noted FY19 was unlikely to be repeated.
AIA	In-line	▼ Below	+1.0%	▲ +1.7%	+1.0%	+1.0%	**Slight negative**. Forward earnings & CAPEX guidance was flat on the prior year.
PFI	In-line	In-line	+0.9%	+0.9%	+0.6%	+0.0%	**Neutral**. PFI reiterated prior FY19 dividend guidance.
POT	In-line	In-line	+0.9%	+0.4%	-0.4%	-0.6%	**Slight negative**. No Formal guidance. Log & Container volumes expected to slow.
PCT	In-line	In-line	+0.0%	+1.4%	-1.0%	▲ +1.6%	**Positive**. Sector leading FY20 dividend guidance of ~5% growth.
VHP	In-line	In-line	+0.0%	-0.0%	▼ -2.2%	+0.0%	**Neutral**. FY20 dividend guidance of not less than 8.75cpu is flat on the prior year.
MET	In-line	▲ Above	▼ -6.5%	▼ -4.8%	▼ -6.5%	▲ +2.3%	**Slight negative**. MET signalled a lower unit build rate and lower development margins.
MCY	In-line	In-line	+1.4%	+0.4%	▼ -8.4%	-0.6%	**Neutral**. FY20 EBITDAF guidance of ~$485m was consistent with prior market expectations.
DGL	In-line	▲ Above	-1.2%	▼ -9.8%	▼ -11.4%	▼ -2.7%	**Slight negative**. No formal guidance. Commentary of FY20 operating profit in-line with FY19.
SCL	▼ Below	In-line	▲ +2.8%	+1.4%	▲ +6.0%	▲ +5.3%	**Neutral**. Prior FY19 guidance reaffirmed.
NZX	▼ Below	In-line	▼ -4.1%	▲ +1.9%	+0.2%	+0.0%	**Neutral**. NZX reiterated their prior operating earnings guidance.
NZK	▼ Below	In-line	▲ +3.6%	+0.9%	-0.1%	+0.0%	**Slight positive**. Reaffirmed FY20 guidance but uplift to FY22 volume targets
NZR	▼ Below	▼ Below	+0.4%	-0.6%	-0.2%	+0.0%	**Positive**. Long-term CAPEX guidance was lower than expected.
FRE	▼ Below	In-line	▼ -2.0%	+0.6%	▼ -2.1%	▼ -2.1%	**Neutral**. No formal guidance. Commentary of "trend from 2H [2H19] to continue in terms of same-customer sales".
VCT	▼ Below	In-line	-0.1%	▲ +1.9%	▼ -4.8%	▲ +1.5%	**Neutral**. No formal earnings guidance. ComCom Electricity Price Reset decision creates significant uncertainty around earnings outlook.
SKL	▼ Below	▲ Above	▼ -2.7%	▼ -5.0%	▼ -5.6%	▲ +3.8%	**Neutral**. No formal guidance. A number of macro headwinds highlighted.
PGW	▼ Below	In-line	▲ +4.2%	▼ -3.5%	▼ -7.8%	▲ +6.7%	**Slight negative**. No formal guidance. Macro outlook remains challenging for rural sector.
ATM	▼ Below	In-line	+0.6%	▼ -13.5%	▼ -13.3%	n/a	**Neutral**. First time FY20 EBITDA margin guidance of ~28.2% was difficult to reconcile with market expectations given limited information regarding revenue.
CVT	▼ Below	In-line	▲ +9.7%	▼ -6.4%	▼ -21.3%	▼ -100.0%	**Neutral**. No formal guidance or outlook commentary. Material strategic changes underway. High degree of uncertainty to earnings outlook.
VGL	▼ Below	▼ Below	▼ -12.5%	▼ -24.5%	▼ -31.4%	▼ -37.5%	**Negative**. Halved FY19 revenue growth expectations and "Core business" revenue growth.

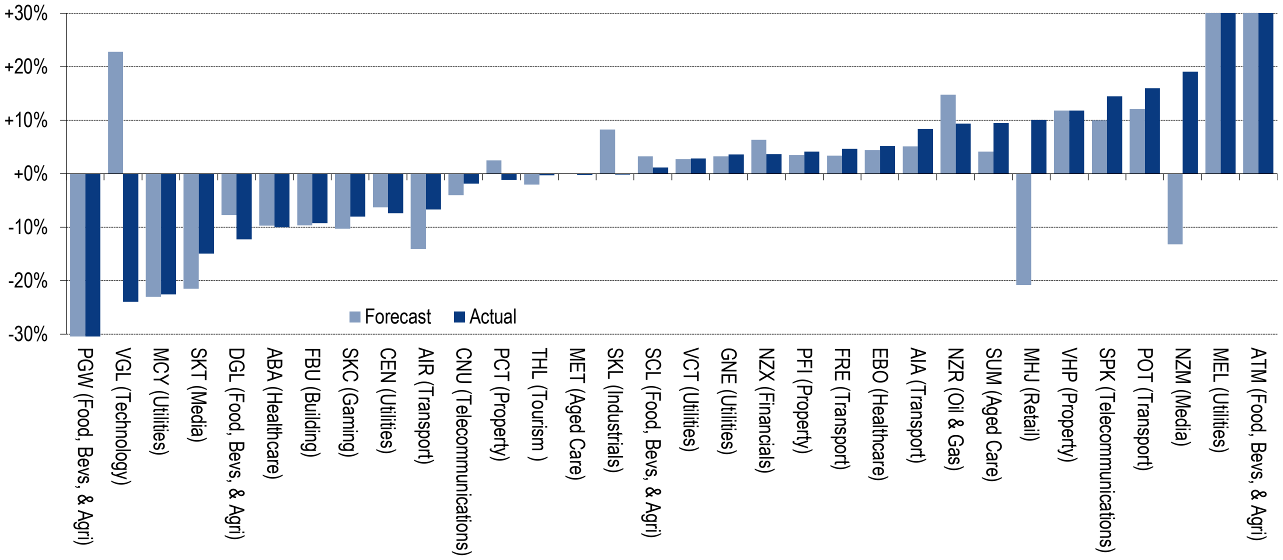
Source: Forsyth Barr analysis
*vs Forsyth Barr expectations: +/- 2.5%
Post result revisions > +/- 1.5%

Figure 30. Total Revenue Growth (6mth on pcp)



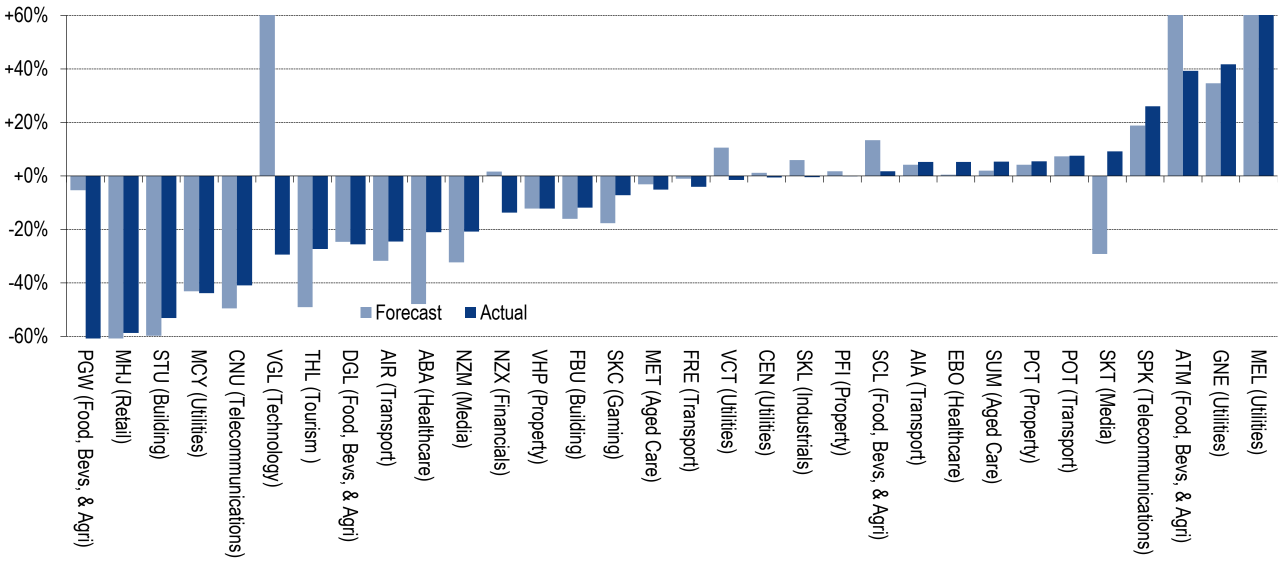
Source: Forsyth Barr analysis

Figure 31. EBITDA Growth (6mth on pcp)



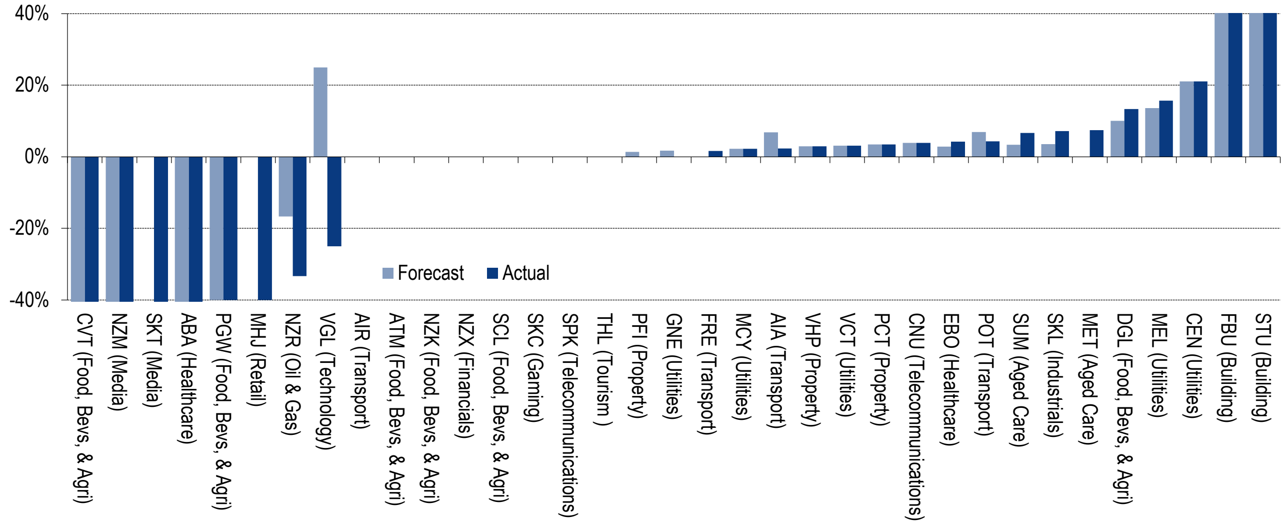
Source: Forsyth Barr analysis

Figure 32. Normalised EPS Growth (6mth on pcp)



Source: Forsyth Barr analysis

Figure 33. Dividend per Share Growth (6mth on pcp)



Source: Forsyth Barr analysis

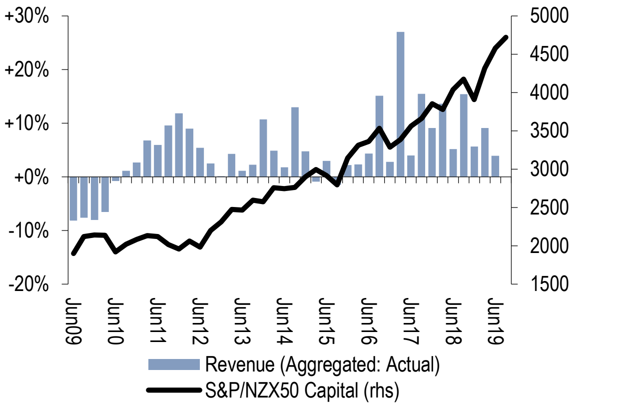
Figure 34. Reporting Season Calendar: Retail and Agriculture

Week Beginning 09 Sep 2019				
Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**
9-Sep	**10-Sep**	**11-Sep**	**12-Sep**	**13-Sep**
			Fonterra (now deferred)	
			Synlait Milk	
Week Beginning 16 Sep 2019				
Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**
16-Sep	**17-Sep**	**18-Sep**	**19-Sep**	**20-Sep**
	Briscoe Group	Kathmandu Holdings		
Week Beginning 23 Sep 2019				
Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**
23-Sep	**24-Sep**	**25-Sep**	**26-Sep**	**27-Sep**
		The Warehouse Group		

**estimated*

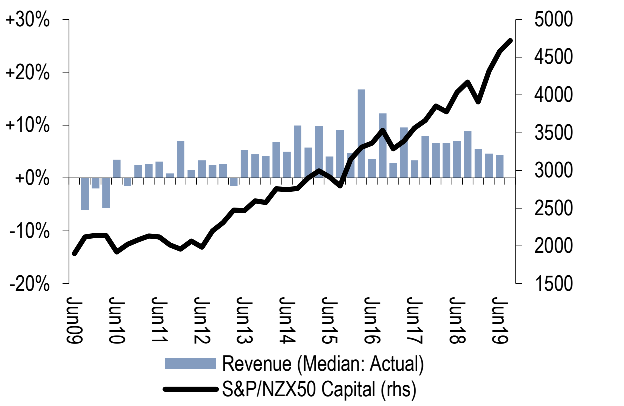
Source: Forsyth Barr analysis, IRESS

Figure 35. Aggregated Total Revenue growth (6mth on pcp)



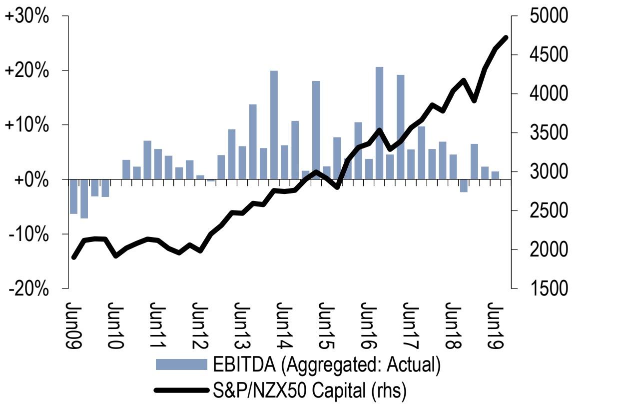
Source: Forsyth Barr analysis

Figure 36. Median Total Revenue growth (6mth on pcp)



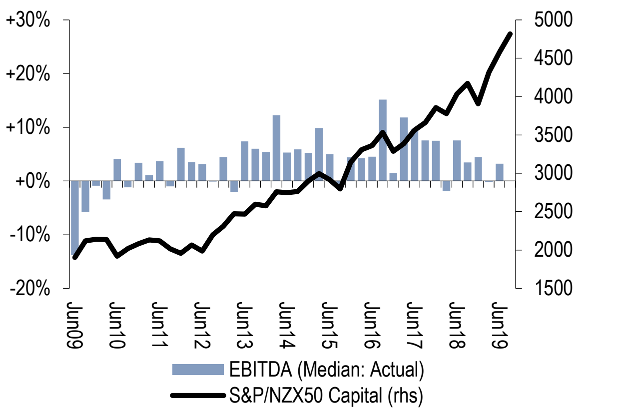
Source: Forsyth Barr analysis

Figure 37. Aggregated EBITDA growth (6mth on pcp)



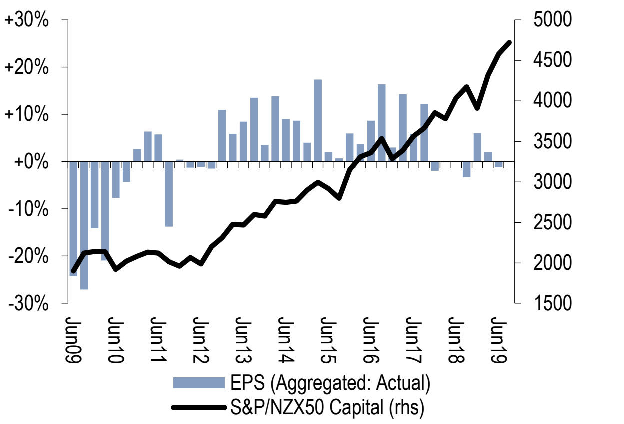
Source: Forsyth Barr analysis

Figure 38. Median EBITDA growth (6mth on pcp)



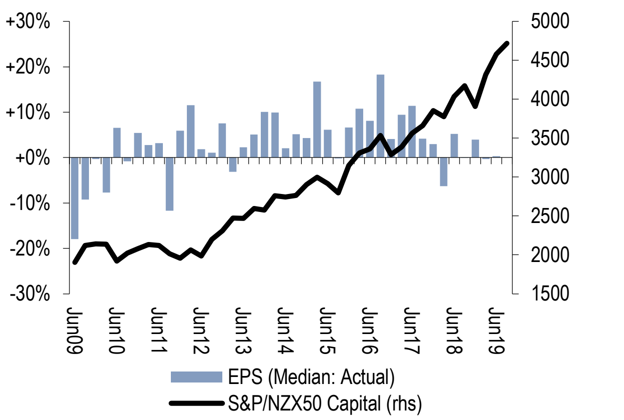
Source: Forsyth Barr analysis

Figure 39. Aggregated normalised EPS growth (6mth on pcp)



Source: Forsyth Barr analysis

Figure 40. Median normalised EPS growth (6mth on pcp)



Source: Forsyth Barr analysis

Figure 41. Reporting Season: Company Detail

Companies Reported

Code	Company	Rating	Analyst	Result	6mth Result vs Forecast (eps)	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)	Comment
ABA	Abano Healthcare Group	NEUTRAL	Chelsea Leadbetter, CFA			FY18	259.5	34.5	23.5	12.1	48.8	20.0	ABA's FY19 result was pre-released; it was a year to forget with (1) acquisitions masking a double-digit EBITDA decline and (2) a lift in gearing, beyond comfortable levels. A material acceleration in costs considerably outpaced revenue. Changes are being made. While we can see a range of feasible upside scenarios, the high degree of leverage (operating and financial) and challenging industry backdrop means there is a high margin of error in forecasting.
				Final	**Above**	**FY19**	**279.3**	**32.7**	**20.9**	**10.9**	**41.8**	**8.0**	
						Forsyth Barr	257.9	32.7	21.4	9.2	35.5	8.0	
						% chg	**+7.6%**	**-5.3%**	**-10.8%**	**-9.7%**	**-14.3%**	**-60.0%**	
AIA	Auckland Airport	UNDERPERFORM	Andy Bowley			FY18	683.9	506.4	417.5	263.1	22.0	11.0	AIA's FY19 result does little to change our view that the near/medium term earnings outlook is subdued and that the share price will continue to trade as a bond proxy. Bond rate compression in recent weeks has narrowed the gap to where we see value at AIA, however, there is still a gap. Current valuation multiples (one year forward PE of ~43x; EV/EBITDA ~25x) are still on the expensive side, even relative to an expensive market.
				Final	**In-line**	**FY19**	**743.4**	**554.8**	**452.6**	**274.7**	**22.8**	**11.3**	
						Forsyth Barr	736.9	546.5	445.7	273.6	22.7	11.8	
						% chg	**+8.7%**	**+9.6%**	**+8.4%**	**+4.4%**	**+3.6%**	**+2.3%**	
AIR	Air New Zealand	NEUTRAL	Andy Bowley			FY18	5,485.0	1,065.0	540.0	390.0	34.4	11.0	AIR's FY19 result confirmed our existing view that the current risk/reward for AIR shares is fairly and finely balanced. In other words, there was nothing dramatically new in the result to alter our thinking and therefore we retain a NEUTRAL rating. Profitability and return on capital has fallen materially in recent years given a combination of competition, higher fuel prices, Rolls Royce engines issues, and slowing demand growth. FY20 guidance suggests FY19 is the trough in the current earnings cycle, with management intent on clawing its way back to PBT of NZ$500m in future years. This will take longer to achieve than the speed of decline, in our view.
				Final	**Above**	**FY19**	**5,785.1**	**935.1**	**368.1**	**270.1**	**23.9**	**11.0**	
						Forsyth Barr	5,789.6	899.6	349.1	259.9	22.9	11.0	
						% chg	**+5.5%**	**-12.2%**	**-31.8%**	**-30.8%**	**-30.4%**	**+0.0%**	
ATM	The a2 Milk Company	OUTPERFORM	Chelsea Leadbetter, CFA			FY18	922.7	283.0	280.9	195.7	26.3	0.0	ATM delivered a strong FY19 result, albeit not as strong as we expected, while FY20 guidance was sufficiently opaque to allow reasonable artistic licence when forecasting EBITDA. What is clear is the focus on growth, ATM's confidence in a material runway in both China and the US, a focus on data-based decision making and a step-change in investment to capitalise on the opportunity.
				Final	**Below**	**FY19**	**1,304.5**	**413.6**	**411.4**	**287.7**	**38.8**	**0.0**	
						Forsyth Barr	1,346.5	446.4	443.3	311.8	41.9	0.0	
						% chg	**+41.4%**	**+46.1%**	**+46.5%**	**+47.0%**	**+47.4%**	**+0.0%**	
CEN	Contact Energy	NEUTRAL	Andrew Harvey-Green			FY18	2,275.0	480.0	260.0	128.8	18.0	19.0	CEN delivered a strong FY19 result consistent with our forecast and outlook commentary reaffirmed modest FY20 earnings expectations. Changes in valuation assumptions and another lift in the wholesale electricity price outlook lifted our target price +90cps (+13%) to $8.10, however, we retain our NEUTRAL rating.
				Final	**In-line**	**FY19**	**2,519.0**	**518.0**	**313.0**	**176.0**	**24.6**	**23.0**	
						Forsyth Barr	2,513.1	519.7	318.1	177.2	24.8	23.0	
						% chg	**+10.7%**	**+7.9%**	**+20.4%**	**+36.6%**	**+36.6%**	**+21.1%**	

Note: NPAT and EPS exclude our capex/depn adjustment

Source: Forsyth Barr analysis

Figure 42. Reporting Season: Company Detail

Companies Reported

Code	Company	Rating	Analyst	Result	6mth Result vs Forecast (eps)	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)	Comment
CNU	Chorus	NEUTRAL	Matt Henry, CFA			FY18	990.0	653.0	266.0	85.0	20.2	13.0	As is typical, there was not much significant new information in CNU's FY19 result. Earnings, including FY20 guidance, were modestly ahead of our expectations on opex savings, with the decline in revenue/ EBITDA reflecting CNU continuing to shed share with copper customers transitioning to fibre outside its regions. The key valuation driver for CNU remains the implementation of the new fibre pricing regulatory regime, with the Commerce Commission's publication of its input methodologies draft decision in November the next key step.
				Final	**Above**	**FY19**	**970.0**	**636.0**	**243.0**	**53.0**	**12.2**	**13.5**	
						Forsyth Barr	970.1	629.0	231.3	49.2	11.3	13.5	
						% chg	**-2.0%**	**-2.6%**	**-8.6%**	**-37.6%**	**-39.7%**	**+3.8%**	
CVT	Comvita	n/a	Chelsea Leadbetter, CFA			FY18	178.5	15.5	9.3	9.3	20.6	2.0	CVT delivered an FY19 operating loss, as previously signalled, along with a range of goodwill impairments. Operating earnings declined materially following a third consecutive poor honey season, weak sales growth, and a ramp up in opex. CVT is undertaking a CEO search and comprehensive strategic review — with more details expected at its ASM in October. In the interim, while the stock appears prima facie cheap, the past three years have emphasised the high degree of leverage and risk inherent in the business.
				Final	**Below**	**FY19**	**171.1**	**-2.0**	**-8.5**	**-7.6**	**-16.7**	**0.0**	
						Forsyth Barr	165.0	0.9	-5.3	-6.2	-13.6	0.0	
						% chg	**-4.1%**	**n/a**	**n/a**	**n/a**	**n/a**	**-100.0%**	
DGL	Delegat Group	n/a	Guy Hooper			FY18	255.8	89.1	74.0	44.4	43.9	15.0	DGL delivered another period of strong earnings growth, consistent with our forecasts, underpinned by the signing of a new UK customer during the period. Outlook commentary suggests profit growth will be hard to replicate in the near-term with case sales growth offset by a negative market mix impact and higher costs/case.
				Final	**In-line**	**FY19**	**278.0**	**99.3**	**83.7**	**51.4**	**50.8**	**17.0**	
						Forsyth Barr	289.8	101.4	86.1	51.6	51.0	16.5	
						% chg	**+8.7%**	**+11.4%**	**+13.1%**	**+15.7%**	**+15.7%**	**+13.3%**	
EBO	EBOS Group	NEUTRAL	Chelsea Leadbetter, CFA			FY18	6,986.8	250.1	218.2	137.3	90.4	35.5	EBO delivered an FY19 result consistent with our forecasts, with moderate organic growth (EBITDA c. +3%) topped up by acquisitions through the period. Outlook commentary and insights see minimal change to our near-term forecasts, with a step-up in earnings in FY20 as the Chemist Warehouse (CW) contract comes on stream.
				Final	**Above**	**FY19**	**6,930.4**	**261.6**	**228.6**	**144.9**	**95.0**	**37.0**	
	Note: AUD forecasts (DPS in NZD)					Forsyth Barr	6,937.5	260.6	227.6	141.9	92.6	36.5	
						% chg	**-0.8%**	**+4.6%**	**+4.8%**	**+5.5%**	**+5.1%**	**+4.2%**	
FBU	Fletcher Building	UNDERPERFORM	Matt Henry, CFA			FY18	9,471.0	264.0	50.0	-60.0	-8.3	0.0	FBU's stock price bounced on the back of a result that, in our view, provided no new information. Recent weakness suggested some feared bad news, possibly from declining demand in Australia or ongoing construction project delays. There is no change to our investment view — we see a raft of challenges that could cause FBU to disappoint vs. market expectations over FY20, with value insufficient to compensate.
				Final	**Above**	**FY19**	**9,307.0**	**830.0**	**631.0**	**367.0**	**43.1**	**15.0**	
						Forsyth Barr	9,507.8	828.1	627.1	357.2	42.0	15.0	
						% chg	**-1.7%**	**+214.4%**	**+1162.0%**	**n/a**	**n/a**	**+100.0%**	
FRE	Freightways	NEUTRAL	Andy Bowley			FY18	580.9	107.7	96.3	61.6	39.8	15.3	FRE's FY19 result was held back by slowing organic volume momentum, which is carrying on into FY20, but will be more than offset by pricing gains. After management provided early warning of a slowdown in its May 2019 trading update, there were few surprises in this result. Notwithstanding the emerging risks of a more sustained cyclical downturn, we believe underlying earnings growth will strengthen materially in FY20 given its 'pricing for effort' initiative.
				Final	**Below**	**FY19**	**615.7**	**112.2**	**97.1**	**61.0**	**39.4**	**15.5**	
						Forsyth Barr	618.1	111.6	96.9	61.9	40.0	15.3	
						% chg	**+6.0%**	**+4.2%**	**+0.8%**	**-0.9%**	**-0.9%**	**+1.6%**	

Source: Forsyth Barr analysis

Figure 43. Reporting Season: Company Detail

Companies Reported

Code	Company	Rating	Analyst	Result	6mth Result vs Forecast (eps)	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)	Comment
GNE	Genesis Energy	NEUTRAL	Andrew Harvey-Green			FY18	2,304.5	360.5	154.8	58.1	5.8	8.6	Whilst GNE's FY19 result was in line with expectations, the outlook is a little softer/lower quality than previously forecast. Higher capex, short-term Kupe challenges and a slightly lower dividend than hoped all left a slightly underwhelming outlook, but not materially so.
				Final	**Above**	**FY19**	**2,700.7**	**363.4**	**166.9**	**66.8**	**6.5**	**8.6**	
	Note: NPAT and EPS exclude our capex/depn adjustment					Forsyth Barr	2,680.8	362.9	164.6	65.6	6.4	8.8	
						% chg	**+17.2%**	**+0.8%**	**+7.8%**	**+14.9%**	**+13.3%**	**+0.0%**	
MEL	Meridian Energy	UNDERPERFORM	Andrew Harvey-Green			FY18	3,297.0	666.0	398.0	206.0	8.0	11.4	MEL's FY19 result was sensational, producing EBITDAF of $838m, +$172m (+26%) higher than the pcp. Driving the record result were high hydro generation volumes and record wholesale electricity prices. The result was anticipated, hence, forecast changes are relatively small, although we have increased our target price +20cps to $4.00.
				Final	**In-line**	**FY19**	**4,104.0**	**838.0**	**562.0**	**333.0**	**13.0**	**13.2**	
	Note: NPAT and EPS exclude our capex/depn adjustment					Forsyth Barr	3,573.1	834.2	559.7	330.0	12.9	12.9	
						% chg	**+24.5%**	**+25.8%**	**+41.2%**	**+61.6%**	**+61.7%**	**+15.6%**	
MET	Metlifecare	OUTPERFORM	Jeremy Simpson, CFA			FY18	195.7	91.1	83.5	87.5	41.1	6.8	MET delivered an FY19 result close to expectations, but dialled back recent and near-term development activity considerably to be prudent during a challenging time for its Auckland centric development pipeline. We have reduced near-term forecasts on the back of lower new sales and margins, and adopted a more conservative longer term outlook. Given the subdued environment and MET's slower build rate, we don't expect significant momentum until 2H21.
				Final	**In-line**	**FY19**	**212.9**	**98.0**	**92.2**	**90.5**	**42.4**	**7.3**	
	Note: Our forecasts are underlying numbers and exclude unrealised revaluation gains					Forsyth Barr	217.1	98.1	93.8	91.5	42.9	6.8	
						% chg	**+8.7%**	**+7.5%**	**+10.4%**	**+3.5%**	**+3.4%**	**+7.4%**	
MHJ	Michael Hill Intl	UNDERPERFORM	Guy Hooper			FY18	604.0	60.3	40.1	31.5	8.1	2.5	MHJ reported a soft FY19 result with a drop in same store sales (SSS) and material margin contraction. Following weak sales trading through the first quarter, the latter half of the year saw heavy clearance of aged inventory, driving some sales momentum recovery, albeit at the expense of margins. MHJ has begun a significant change in strategic direction, focussing on maintaining market share, driving cost efficiencies, and improving productivity.
				Final	**Above**	**FY19**	**571.1**	**54.0**	**34.6**	**22.8**	**5.9**	**1.5**	
	Note: AUD forecasts (DPS in NZD)					Forsyth Barr	564.5	49.5	30.5	20.2	5.2	2.5	
						% chg	**-5.5%**	**-10.4%**	**-13.7%**	**-27.5%**	**-27.5%**	**-40.0%**	
NZK	New Zealand King Salmon	OUTPERFORM	Guy Hooper			FY18	160.3	28.5	23.4	16.3	11.8	0.0	NZK FY19 earnings were in line with expectations as the company faced another challenging period. Harvest volume fell as higher water temperatures led to elevated mortalities. Volume growth is expected to be flat over the coming years as the company recovers biomass and shifts to a new operating model that is more aligned with best practice.
				Final	**Below**	**FY19**	**172.6**	**25.2**	**18.9**	**11.4**	**8.2**	**0.0**	
						Forsyth Barr	168.5	25.2	19.0	13.7	9.9	0.0	
						% chg	**+7.7%**	**-11.6%**	**-19.0%**	**-30.5%**	**-30.6%**	**+0.0%**	
NZM	NZME	n/a	Matt Henry, CFA			1H18	189.4	23.2	10.1	5.5	2.8	2.0	We saw little in NZM's 1H19 result that would materially shift investor sentiment either way. Major themes are unchanged: the sharp fall in print persists, NZM continues to do a commendable job lowering costs, and progress in digital initiatives (classifieds, paywall) is incremental, but nowhere near enough for investors to start ascribing any material value. We see little near-term that will shift the market from pricing NZM as a business in structural decline.
				Interim	**Above**	**1H19**	**181.1**	**27.6**	**10.6**	**4.3**	**2.2**	**0.0**	
						Forsyth Barr	180.6	20.1	7.4	3.7	1.9	1.0	
						% chg	**-4.4%**	**+19.1%**	**+4.9%**	**-20.8%**	**-20.8%**	**-100.0%**	

Source: Forsyth Barr analysis

Figure 44. Reporting Season: Company Detail

Companies Reported

Code	Company	Rating	Analyst	Result	6mth Result vs Forecast (eps)	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)	Comment
NZR	Refining NZ	NEUTRAL	Andrew Harvey-Green			1H18	148.2	49.4	3.2	-2.8	-0.9	3.0	NZR reported 1H19 EBITDA of $54m and NPAT of -$4m, which is slightly below our forecast (~-$3m). The soft result was a function of low Singapore refining margins which averaged US$0.20/barrel in 1H19 vs. US$3.23/barrel in the pcp. The positive aspects of 1H19 were solid throughput and a lower NZDUSD fx rate. The 1H19 dividend (fully imputed) is 2cps, -0.5cps lower than our forecast. Debt levels remain elevated at $261m and we expect NZR will be looking to reduce debt levels in coming months.
				Interim	**Below**	**1H19**	**171.6**	**54.1**	**1.9**	**-3.5**	**-1.1**	**2.0**	
						Forsyth Barr	167.8	56.7	5.2	-1.4	-0.5	2.5	
						% chg	**+15.8%**	**+9.3%**	**-40.5%**	**n/a**	**n/a**	**-33.3%**	
NZX	NZX	n/a	Matt Henry, CFA			1H18	37.2	13.9	10.8	7.6	2.8	3.0	NZX reported a solid interim result. Operating earnings were in line with expectations as robust growth in Funds Management and Data & Insights, and a steady performance in Issuer Relationships, were partially offset by continued soft Secondary Markets trading and the impact of its 2H18 fee structure change. Operating earnings guidance was reiterated at NZ$28–$31m, and this appears achievable given current run rates.
				Interim	**Below**	**1H19**	**32.9**	**14.4**	**10.2**	**6.6**	**2.4**	**3.0**	
						Forsyth Barr	34.0	14.8	11.1	7.8	2.9	3.0	
						% chg	**-11.7%**	**+3.7%**	**-6.0%**	**-13.3%**	**-13.7%**	**+0.0%**	
PCT	Precinct Properties NZ	NEUTRAL	Jeremy Simpson, CFA			FY18	95.3	85.1	85.1	76.6	6.3	2.9	PCT reported an FY19 result close to expectations and highlighted robust dividend growth is expected for FY20, and that there remains strong demand for its portfolio and its developments are on track.
				Final	**In-line**	**FY19**	**97.5**	**81.2**	**81.2**	**79.4**	**6.4**	**3.0**	
						Forsyth Barr	100.7	85.4	85.4	79.8	6.6	3.0	
						% chg	**+2.3%**	**-4.6%**	**-4.6%**	**+3.7%**	**+0.7%**	**+3.4%**	
PFI	Property For Industry	NEUTRAL	Jeremy Simpson, CFA			1H18	37.9	35.5	35.5	21.1	4.2	3.6	PFI reported a 1H19 result close to expectations, with little in the way of surprise apart from a boost in adjusted funds from operations due to lower maintenance capex. PFI remains well placed, as a low risk yield play centred on well positioned Auckland industrial assets, given the nature of its portfolio and the positive outlook for major industrial assets.
				Interim	**In-line**	**1H19**	**39.4**	**37.0**	**37.0**	**21.1**	**4.2**	**3.6**	
						Forsyth Barr	39.2	36.7	36.7	21.4	4.3	3.6	
						% chg	**+4.0%**	**+4.2%**	**+4.2%**	**-0.2%**	**-0.2%**	**+0.0%**	
POT	Port of Tauranga	UNDERPERFORM	Andy Bowley			FY18	283.2	154.1	128.8	95.1	14.0	7.0	POT's FY19 earnings were in-line with market expectations, but of higher quality. While port profitability was strong, group returns were dragged down by losses at JV Coda. Underlying cargo growth has remained above trend for the third successive year, though will slow in FY20 given log export market issues. A lack of operating leverage has been a feature historically, though there is a glimmer of hope in the FY19 result with some core port margin expansion evident.
				Final	**In-line**	**FY19**	**313.3**	**173.2**	**145.6**	**100.6**	**14.8**	**7.3**	
						Forsyth Barr	305.5	170.2	142.3	100.4	14.8	7.5	
						% chg	**+10.6%**	**+12.4%**	**+13.0%**	**+5.8%**	**+5.8%**	**+4.3%**	
PGW	PGG Wrightson	n/a	Guy Hooper			FY18	808.7	34.5	27.6	17.1	22.7	12.5	PGW described FY19 as "one of the most operationally challenging of recent years", having reported a decline in earnings across both its operating segments. The macro headwinds present in the period are unlikely to reverse over the near-term, in our opinion, with waning farmer confidence, uncertainty around Mycoplasma bovis (M bovis), and tightening credit conditions all weighing on the operating environment.
				Final	**Below**	**FY19**	**809.3**	**24.4**	**15.1**	**9.4**	**12.4**	**7.5**	
						Forsyth Barr	766.7	25.3	18.2	8.1	10.7	7.5	
						% chg	**+0.1%**	**-29.2%**	**-45.4%**	**-45.3%**	**-45.3%**	**-40.0%**	

Source: Forsyth Barr analysis

Figure 45. Reporting Season: Company Detail

Companies Reported

Code	Company	Rating	Analyst	Result	6mth Result vs Forecast (eps)	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)	Comment
SCL	Scales	NEUTRAL	Guy Hooper			1H18	220.1	46.7	42.1	29.6	21.1	10.0	SCL's reported a tidy 1H19 result, largely in line with expectations, underpinned by particularly strong export volumes from Mr Apple. Whilst positive momentum within the Horticulture division is encouraging, the earnings growth outlook remains subdued given orchard redevelopment activity. Additionally, SCL's large capital headroom for a potentially transformational acquisition creates investment uncertainty, in our opinion.
				Interim	**Below**	**1H19**	**278.0**	**47.3**	**42.2**	**30.1**	**21.5**	**10.0**	
						Forsyth Barr	247.0	48.3	43.1	33.6	23.9	10.0	
						% chg	**+26.3%**	**+1.2%**	**+0.1%**	**+1.8%**	**+1.8%**	**+0.0%**	
SKC	SKYCITY	NEUTRAL	Chelsea Leadbetter, CFA			FY18	998.6	338.2	243.8	169.8	25.4	10.0	SKC's FY19 result was broadly consistent with expectations on a normalised basis; although outlook commentary sees us downgrade near-term expectations. The result (and outlook) was complicated by a material number of moving parts. Looking through this, underlying trends show a slowing in growth through FY19. We forecast EPS declines in the short to medium-term, with a reversal in the trajectory reliant on strong execution post major project completion.
				Final	**Above**	**FY19**	**1,011.6**	**342.7**	**252.8**	**173.0**	**25.6**	**10.0**	
						Forsyth Barr	1,007.7	338.9	244.1	164.5	24.3	10.0	
						% chg	**+1.3%**	**+1.3%**	**+3.7%**	**+1.9%**	**+0.9%**	**+0.0%**	
SKL	Skellerup Holdings	n/a	Guy Hooper			FY18	240.4	47.2	39.8	27.3	14.1	7.0	SKL reported continued NPAT growth in FY19, in line with guidance, helped by margin expansion, particularly within its Industrial division. SKL continues to deliver operational efficiencies assisting both margins and responsiveness to customers. We have tempered our growth outlook slightly given heightened near-term headwinds. However, note that SKL's capital light model and focus on OEM business mean an additional customer contract could provide reasonable upside.
				Final	**Below**	**FY19**	**245.8**	**48.9**	**41.8**	**29.1**	**14.9**	**7.5**	
						Forsyth Barr	251.6	51.1	43.7	30.1	15.6	7.3	
						% chg	**+2.2%**	**+3.6%**	**+5.1%**	**+6.5%**	**+5.5%**	**+7.1%**	
SKT	Sky TV	NEUTRAL	Matt Henry, CFA			FY18	852.7	285.8	183.4	119.0	30.6	7.5	There was a lot to be learned from SKT's result — we already knew (1) SKT is battling disruption and the revolution to streaming, (2) the economics of streaming are substantially more challenging than traditional satellite, but (3) under new CEO Martin Stewart SKT has made a rapid strategic shift from defensive to offensive. This shift is necessary to give SKT a fighting chance at being relevant long-term, but it does mean increased near-term investment and lower cash flow to shareholders.
				Final	**Above**	**FY19**	**795.1**	**240.9**	**147.9**	**97.0**	**24.9**	**0.0**	
						Forsyth Barr	791.7	232.2	137.9	90.6	23.3	7.5	
						% chg	**-6.8%**	**-15.7%**	**-19.3%**	**-18.5%**	**-18.5%**	**-100.0%**	
SPK	Spark NZ	OUTPERFORM	Matt Henry, CFA			FY18	3,533.0	1,030.0	549.0	400.0	21.8	11.0	SPK committed to retaining its dividend, with an expectation it will be fully covered by free cash flow from FY20. In a yield hungry world, we expect SPK's attractive income, robust valuation metrics, impressive track record on execution, and strong balance sheet will find investor appeal. We upgrade to OUTPERFORM.
				Final	**Above**	**FY19**	**3,533.0**	**1,090.0**	**613.0**	**409.0**	**22.3**	**11.0**	
						Forsyth Barr	3,529.2	1,066.4	583.8	394.4	21.5	11.0	
						% chg	**no chg**	**+5.8%**	**+11.7%**	**+2.3%**	**+2.2%**	**+0.0%**	
STU	Steel & Tube Holdings	NEUTRAL	Matt Henry, CFA			FY18	496.8	-9.5	-17.5	9.0	10.3	0.0	STU's FY19 result rounds out yet another disappointing year for shareholders. EBIT came in -35% below the guidance that supported its equity raising, and the stock price is now less than half the NZ$1.90/share takeover offer rejected by the board. STU has attributed the earnings miss to external market factors. There is no doubt competition is impacting margins across the industry, but with industry players pointing fingers in different directions, it is difficult to be certain who are the chief antagonists.
				Final	**Above**	**FY19**	**499.1**	**23.6**	**16.3**	**10.0**	**6.5**	**1.5**	
						Forsyth Barr	523.3	24.4	17.1	9.7	6.4	1.5	
						% chg	**+0.5%**	**n/a**	**n/a**	**+11.2%**	**-36.6%**	**+100.0%**	

Source: Forsyth Barr analysis

Figure 46. Reporting Season: Company Detail

Companies Reported

Code	Company	Rating	Analyst	Result	6mth Result vs Forecast (eps)	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)	Comment
SUM	Summerset Group	OUTPERFORM	Jeremy Simpson, CFA			1H18	106.4	53.4	50.5	45.2	20.1	6.0	SUM's result was slightly ahead of our expectations with solid demand and attractive pricing remaining in place for its large retirement village portfolio. We have made minor changes to our forecasts; however, our DCF valuation and target price have lifted by ~8%, with the key driver our firm wide move to a 2% risk free rate and a 7.50% market risk premium.
				Interim	**Above**	**1H19**	**115.4**	**58.5**	**54.6**	**47.8**	**21.2**	**6.4**	
	Note: Our forecasts are underlying numbers and exclude unrealised revaluation gains					Forsyth Barr	114.5	55.6	52.6	46.3	20.5	6.2	
						% chg	**+8.5%**	**+9.5%**	**+8.0%**	**+5.8%**	**+5.2%**	**+6.7%**	
THL	Tourism Holdings	OUTPERFORM	Andy Bowley			FY18	425.9	110.9	63.5	37.5	30.9	14.0	THL's FY19 result should put an end to the earnings downgrade cycle that has prevailed over the past 12 months. This view is based on (1) forward bookings for Australasia are positive and THL's core markets (niche relative to the bulk of tourism) are healthy. (2) US vehicle sales challenges are now in the earnings base. (3) Potential earnings risks posed by the vehicle sales markets in New Zealand and Australia are limited by greater retail (vs. wholesale) exposure and lower vehicle churn than the US. (4) THL's balance sheet now has ample capacity for accretive deal making.
				Final	**Above**	**FY19**	**423.0**	**114.8**	**62.1**	**29.8**	**23.7**	**14.0**	
						Forsyth Barr	405.2	113.8	60.4	26.1	20.9	14.0	
						% chg	**-0.7%**	**+3.5%**	**-2.2%**	**-20.6%**	**-23.4%**	**+0.0%**	
VCT	Vector	UNDERPERFORM	Andrew Harvey-Green			FY18	1,311.2	541.6	315.7	131.5	13.2	8.0	VCT produced a mixed FY19 result, with EBITDA up +3% to $486m. Two thirds of the growth was from an accounting change and there was a -$47m write-off of a recently acquired asset. As expected, VCT declared a fully imputed final dividend of 8.25cps, although we believe the dividend is under pressure due to the low interest rate environment.
				Final	**Below**	**FY19**	**1,309.8**	**565.1**	**318.3**	**129.5**	**13.0**	**8.3**	
						Forsyth Barr	1,332.5	570.3	329.3	141.6	14.2	8.3	
						% chg	**-0.1%**	**+4.3%**	**+0.8%**	**-1.5%**	**-1.5%**	**+3.1%**	
VHP	Vital Healthcare	OUTPERFORM	Jeremy Simpson, CFA			FY18	90.7	76.0	76.0	46.0	10.6	4.3	VHP remains with a very healthy outlook, given its strongly defensive medical asset portfolio that has high appeal in a world of falling interest rates and economic uncertainty. The FY19 result was close to expectations, with the major surprise a slightly higher effective tax rate going forward.
				Final	**In-line**	**FY19**	**97.7**	**81.3**	**81.3**	**42.2**	**9.5**	**4.4**	
						Forsyth Barr	97.3	81.6	81.6	42.5	9.6	4.4	
						% chg	**+7.7%**	**+6.9%**	**+6.9%**	**-8.4%**	**-10.3%**	**+2.9%**	
VGL	Vista Group	n/a	Matt Henry, CFA			1H18	60.1	13.0	11.1	5.2	3.2	1.6	The stock down -29% was a dramatic reaction to VGL's 1H19 slower revenue growth and decline in earnings, and the reduced FY19 revenue growth guidance. The reaction highlights the risk in a stock that (1) is being priced for substantial growth beyond its core business, and (2) has limited external reference points to help frame market expectations. In absolute terms, the performances of VGL's core businesses Vista Cinema and Movio were still positive and we still expect these businesses to drive strong VGL revenue growth medium-term.
				Interim	**Below**	**1H19**	**67.5**	**9.9**	**7.6**	**3.7**	**2.2**	**1.2**	
						Forsyth Barr	73.7	16.0	13.7	8.5	5.1	2.0	
						% chg	**+12.3%**	**-23.9%**	**-31.5%**	**-29.1%**	**-29.4%**	**-25.0%**	

Source: Forsyth Barr analysis

Figure 47. Reporting Season: Company Detail

Companies Yet to Report

Code	Company	Rating	Analyst	Last Balance Date	Result	Release Date	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)	Comment
FSF	Fonterra	n/a	Chelsea Leadbetter, CFA	Jul-18			FY18	20,431.0	1,392.0	848.0	382.0	23.7	0.0	FSF has provided guidance of underlying EPS NZ10-15cps (before impact of asset sales), but of greater interest will be (1) progress/outcomes from asset sales required to meet its FY19 debt reduction target, and (2) an update on the extensive strategic review currently underway.
					Final	**Thu, 12 Sep 19**	**FY19**	**18,760.8**	**1,188.0**	**624.9**	**187.2**	**11.6**	**0.0**	
							Consensus	20,227.0	1,246.3	675.5	231.3	13.8	0.0	
							% chg (Forsyth Barr)	**-8.2%**	**-14.7%**	**-26.3%**	**-51.0%**	**-51.1%**	**+0.0%**	
SML	Synlait Milk	NEUTRAL	Chelsea Leadbetter, CFA	Jul-18			FY18	879.0	137.8	112.7	74.6	41.6	0.0	We expect strong FY19 earnings growth, as SML continues to benefit from volume growth for key customer, ATM, at healthy margins. We expect investment to support new capacity to be a modest drag on returns. Of interest: (1) any new customers; (2) regulatory registrations; (3) Pokeno timing.
					Final	**Thu, 12 Sep 19**	**FY19**	**1,055.6**	**159.5**	**130.0**	**88.4**	**49.3**	**0.0**	
							Consensus	1,026.4	160.7	132.0	88.1	49.0	0.0	
							% chg (Forsyth Barr)	**+20.1%**	**+15.8%**	**+15.4%**	**+18.5%**	**+18.5%**	**+0.0%**	
BGP	Briscoe Group	n/a	Guy Hooper	Jan-19			1H18	283.3	42.0	39.1	28.6	13.1	7.5	Current trading will be of interest with a warmer start to winter suggesting increased discounting activity and therefore margin pressure. First interim result under new IFRS 16 accounting standards.
					Interim	**Tue, 17 Sep 19**	**1H19**	**295.4**	**43.5**	**40.6**	**29.3**	**13.3**	**8.0**	
							Consensus	n/a	n/a	n/a	n/a	n/a	n/a	
							% chg (Forsyth Barr)	**+4.3%**	**+3.6%**	**+3.8%**	**+2.7%**	**+1.2%**	**+6.7%**	
KMD	Kathmandu Holdings	NEUTRAL	Guy Hooper	Jul-18			FY18	497.4	89.8	74.6	50.5	23.9	11.0	KMD has material exposure to the winter seasonal product with warm weather likely placing pressure on trading in recent months. Other points of interest in the result will be operating cash flow which was weak in 1H19 and debt levels which were elevated at the half year.
					Final	**Wed, 18 Sep 19** *	**FY19**	**546.6**	**98.6**	**83.1**	**56.4**	**25.0**	**11.0**	
							Consensus	547.8	97.7	82.5	55.7	24.7	11.7	
							% chg (Forsyth Barr)	**+9.9%**	**+9.8%**	**+11.4%**	**+11.7%**	**+4.3%**	**+0.0%**	
WHS	The Warehouse Group	n/a	Guy Hooper	Jul-18			FY18	2,994.6	151.1	91.4	59.0	17.1	6.0	Looking for continued evidence of strategic changes making an impact in FY19, early signs have been encouraging, reflected in the recently updated FY19 NPAT guidance range of NZ$67m to NZ$70m. Also of interest will be the expected drag from its recently launched online market place.
					Final	**Wed, 25 Sep 19**	**FY19**	**3,049.2**	**158.7**	**104.3**	**68.6**	**19.8**	**7.0**	
							Consensus	3,066.0	162.0	101.1	64.4	19.2	5.8	
							% chg (Forsyth Barr)	**+1.8%**	**+5.1%**	**+14.1%**	**+16.3%**	**+15.8%**	**+16.7%**	

Source: Forsyth Barr analysis

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