

Analysis of the Numbers

November 2019 Reporting Season Conclusions

EPS Growth below expectations across all groupings

In general, the season has concluded with misses outweighing beats (EPS). Revenue growth of +2.3% matched our expectations (+2.2%) with EBITDA growth also in-line at -0.2% (vs +0.1%). Figure 3 outlines the growth achieved (vs expected) for all companies, ex-Property and the Property sector as a whole.

Given the small sample size, consisting of a majority of Property companies, and with large cap companies skewing the aggregated growth figures, we choose to focus on the median growth outcomes for this reporting season.

Figure 3. Reporting Season Snapshot (6mth growth on pcp) for companies reported

	Median (all companies)		Median (ex-Property)		Median (Property)		Beats vs Misses*
	Forecast	Actual	Forecast	Actual	Forecast	Actual	
Total Revenue	+2.2%	+2.3%	+5.4%	+7.1%	+1.0%	+1.0%	5:3
EBITDA	+0.1%	-0.2%	+0.0%	+0.8%	+0.1%	-1.1%	6:6
EBIT	+1.4%	+0.5%	+8.4%	+8.4%	+0.1%	-1.1%	5:6
Normalised NPAT	+0.4%	-0.3%	+1.2%	+1.2%	-1.2%	-3.8%	5:7
Normalised EPS	+0.0%	-1.9%	+1.2%	-0.2%	-1.2%	-3.7%	4:8
Dividend per Share	+0.1%	+0.1%	+0.0%	+0.0%	+0.2%	+0.2%	1:2
No of Companies:	21	21	14	14	7	7	

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

Reporting season overview

Of the 21 companies that have reported, four reported ahead of our EPS expectations, seven in-line, with eight coming in below our expectations (using a +/- 2.5% tolerance level, two companies deemed n/a).

The reporting season saw a mixture of revisions to our analysts' FY20 forecasts. Revenue and EBITDA finished slightly net positive, whilst EPS and Dividend per Share revisions closed relatively net even. FY21 revisions saw similar outcomes.

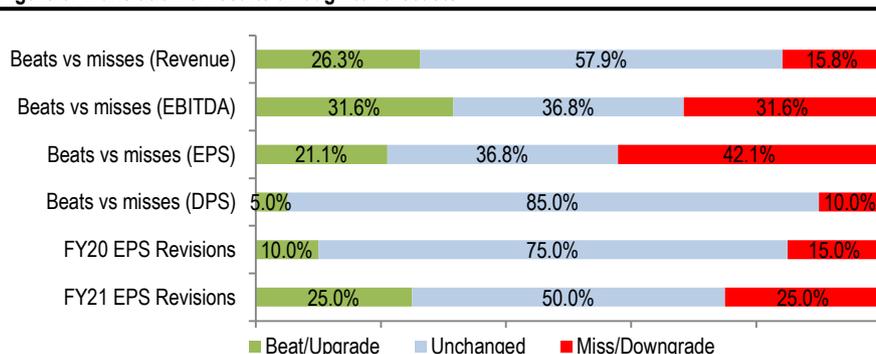
Figure 4 outlines the overall number of beats/misses at the EPS and DPS line, as well as the revisions to FY20 estimates, post result, for the companies that have reported this season.

Figure 4. 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
4 Above	1 Above	5 Upgrades	4 Upgrades	2 Upgrades	1 Upgrades	3 Positive
7 In-line	17 In-line	13 Unchanged	14 Unchanged	15 Unchanged	15 Unchanged	15 Neutral
8 Below	2 Below	2 Downgrades	2 Downgrades	3 Downgrades	1 Downgrades	3 Negative

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

Figure 5. Translation of results through to forecasts



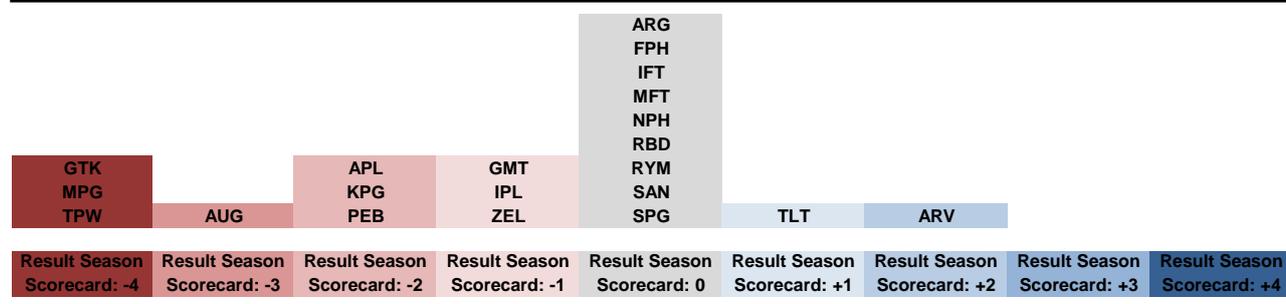
Source: Forsyth Barr analysis, vs Forsyth Barr expectations: +/- 2.5%, Post result revisions > +/- 1.5%

The Quantitative Scorecard

The *Quantitative Scorecard* assigns a score to each result based on beat/miss, FY+1 revision, relative price reaction and outlook statement. Scores are then tabulated to show a frequency distribution of the results.

Again, as per the last major reporting season, we see a lack of positives flowing through to the scorecard.

Figure 6. Reporting Season Quantitative Scorecard (beat vs miss, EPS FY20 revision, relative price reaction, outlook)



Source: Forsyth Barr analysis

True market surprise

Using a three-day post result price reaction, measuring the absolute price reaction versus the market, the market appears somewhat balanced with the results season. At the time of writing, market reaction is balanced (using a +/- 2.0% threshold), with six companies outperforming and six underperforming, while 10 companies performed in-line with the market.

Companies that had the most notable positive price reaction (absolute versus market) include: RBD (+6.0%), FPH (+3.7%), MFT (+3.7%), NPH (+2.8%), IPL (+2.6%) & ARV (+2.0%).

Whereas the market appears disappointed with the results of: MPG (-17.8%), GTK (-11.2%), TPW (-10.1%), PEB (-7.6%), AUG (-4.9%) & KPG (-2.7%).

Figure 7. 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
ARV	▲ Above	In-line	▲ +2.0%	+0.0%	+0.0%	
ARG	▲ Above	In-line	-1.6%	+0.0%	+0.0%	
SPG	▲ Above	In-line	-1.9%	+0.0%	+0.0%	
ZEL	▲ Above	▲ Above	+1.8%	-0.9%	+0.0%	
SAN	In-line	In-line	+1.7%	▲ +3.2%	+0.0%	
NPH	In-line	In-line	▲ +2.8%	+1.4%	+0.8%	
FPH	In-line	In-line	▲ +3.7%	+1.4%	▲ +1.7%	
MFT	In-line	In-line	▲ +3.7%	+1.2%	+1.2%	
KPG	In-line	In-line	▼ -2.7%	+0.1%	+0.0%	
RBD	In-line	In-line	▲ +6.0%	+0.1%	n/a	
GMT	In-line	In-line	+1.1%	+0.0%	+0.0%	
TLT	▼ Below	In-line	+1.3%	▲ +17.2%	n/a	
RYM	▼ Below	▼ Below	+1.0%	+0.8%	+0.8%	
AUG	▼ Below	In-line	▼ -4.9%	+0.0%	+0.0%	
APL	▼ Below	In-line	-0.8%	+0.0%	+0.0%	
IPL	▼ Below	In-line	▲ +2.6%	-0.6%	+0.3%	
TPW	▼ Below	In-line	▼ -10.1%	▼ -9.2%	+0.0%	▼ OUTPERFORM to NEUTRAL
GTK	▼ Below	▼ Below	▼ -11.2%	▼ -22.5%	▼ -22.3%	▼ NEUTRAL to UNDERPERFORM
MPG	▼ Below	In-line	▼ -17.8%	▼ -24.6%	n/a	
IFT	n/a	In-line	-0.8%	n/a	+0.0%	
PEB	n/a	n/a	▼ -7.6%	+0.0%	n/a	

Source: Forsyth Barr analysis

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

Ratings changes

Over the course of the reporting season our analysts have made two rating changes for companies that have reported this season.

■ GTK (NEUTRAL to UNDERPERFORM)

“We downgrade our rating on Gentrack (GTK) to UNDERPERFORM from NEUTRAL as a result of repeated profit warnings during FY19, reduced confidence in the near to medium term earnings outlook, and valuation concerns given it trades at ~35x one year forward PE. The shape of the FY19 result suggests profitability is being held back by (1) challenging industry conditions in core markets, and (2) its transition to SaaS (software-as-a-service). The latter is providing a higher quality revenue stream but appears to be having a negative impact on margins.”

■ TPW (OUTPERFORM to NEUTRAL)

“TPW has lowered its FY20 EBITDAF guidance range to between \$200m and \$215m. However, with IFRS 16 non-cash EBITDAF benefit now expected to be +\$4m higher than previously expected, the underlying downgrade (using the mid-point of the guidance range) is -\$11.5m. We have lowered our FY20 EBITDAF forecast -\$7m, with similar reductions in later years. Following the special dividends paid in FY19, debt levels have increased, with net debt/EBITDAF above 3.0x. We are, therefore, a little more cautious around the future dividend, taking out the FY21 +1cps dividend growth. Our target price is down -40cps to \$7.75 given the weaker outlook, as well as incorporating some NZAS closure risk. We have downgraded our rating to NEUTRAL as near-term upside is limited and the dividend yield is not compelling.”

Dividends

Actual dividend per share growth has finished in-line with expectations over all three sub-groupings, with the final count of beats slightly below misses. Overall one company exceeded our expectations, two were below, and 17 were in-line.

Companies that reported dividends above our expectations include: ZEL.

Companies that surprised on the downside included: GTK & RYM.

Post result, our analysts have made just one positive and one negative revision to FY20 dividend estimates (using a tolerance level of +/- 1.5%).

Earnings revisions

Figures 8 & 9 show our FY20 & FY21 Revenue and EBITDA growth estimates for the New Zealand market as a whole (versus August 2019, the last major reporting season).

Weighted average 2 year annualised Revenue growth is now +3.5% (was +3.0%), boosted by a mix of large cap upgrades to FY20 expectations (FPH & RYM) and increasing share prices. Median Revenue growth (FY19–21) has dropped slightly to +3.6% (from +3.8%).

Figure 8. S&P/NZX 50 Market Revenue Growth (indexed)

	Weighted Revenue (indexed)					Median Revenue (indexed)				
	Aug-19	Growth	Current	Growth	Change	Aug-19	Growth	Current	Growth	Change
FY19 base	100.00		100.00			100.00		100.00		
FY20	101.84	+1.8%	103.28	+3.3%	▲ +144bp	102.57	+2.6%	102.38	+2.4%	▼ -20bp
FY21	106.06	+4.1%	107.18	+3.8%	▼ -37bp	107.81	+5.1%	107.29	+4.8%	▼ -30bp
Annualised:		+3.0%		+3.5%	▲ +54bp		+3.8%		+3.6%	▼ -25bp

Source: Forsyth Barr analysis

EBITDA growth (median) is now at +4.6% (from +5.1%) via a -0.88ppt drop in FY20, whilst weighted average growth is now circa +5.5%.

Figure 9. S&P/NZX 50 Market EBITDA Growth (indexed)

	Weighted EBITDA (indexed)					Median EBITDA (indexed)				
	Aug-19	Growth	Current	Growth	Change	Aug-19	Growth	Current	Growth	Change
FY19 base	100.00		100.00			100.00		100.00		
FY20	104.34	+4.3%	105.19	+5.2%	▲ +85bp	103.19	+3.2%	102.30	+2.3%	▼ -88bp
FY21	110.63	+6.0%	111.33	+5.8%	▼ -20bp	110.47	+7.1%	109.45	+7.0%	▼ -8bp
Annualised:		+5.2%		+5.5%	▲ +33bp		+5.1%		+4.6%	▼ -49bp

Source: Forsyth Barr analysis

Of the 20 companies that have reported to date, post result revisions (EPS) include two upgrades and three downgrades, with 15 unchanged. Following the revisions to our FY20 EPS forecasts, our FY20 median EPS growth is now +3.0% (market weighted +3.8%).

The most notable EPS upgrades were: TLT (+17.2%) & SAN (+3.2%). Downgrades included: MPG (-24.6%), GTK (-22.5%) & TPW (-9.2%).

Figure 10. S&P/NZX 50 Market EPS Growth (indexed)

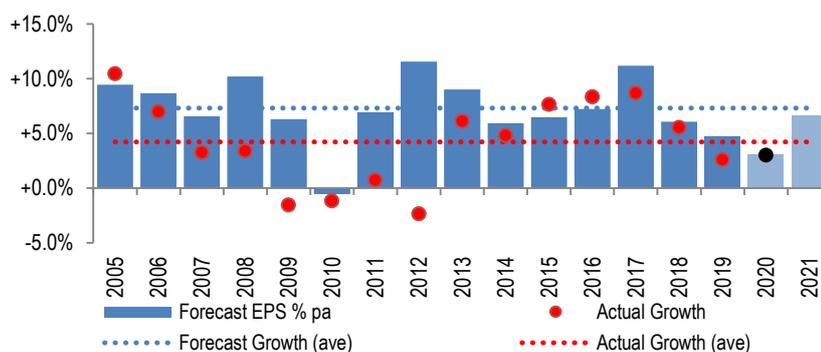
	Weighted EPS (indexed)					Median EPS (indexed)				
	Aug-19	Growth	Current	Growth	Change	Aug-19	Growth	Current	Growth	Change
FY19 base	100.00		100.00			100.00		100.00		
FY20	103.23	+3.2%	103.79	+3.8%	▲ +56bp	103.43	+3.4%	103.03	+3.0%	▼ -40bp
FY21	109.88	+6.4%	109.48	+5.5%	▼ -97bp	109.96	+6.3%	109.81	+6.6%	▲ +27bp
Annualised:		+4.8%		+4.6%	▼ -19bp		+4.9%		+4.8%	▼ -7bp

Source: Forsyth Barr analysis

Annualising our total market EPS growth for FY19–21, the weighted average 2 year annualised growth is +4.6% while the median 2 year annualised growth is relatively unchanged at +4.8%.

Figure 11 shows the 15 year history of median EPS growth (expected versus actual). The year (2019) has finished below expectations and below the long term average whilst 2020 EPS growth is also below the long term average, with a substantial step up in 2021.

Figure 11. Median EPS growth expectations (less 12mths) versus actual



Source: Forsyth Barr analysis

Outlook Statements

Figures 12 & 13 include the summary of the outlook statements and guidance comments. Companies that iterated positive guidance include: ARV, RYM & TLT. Whilst the outlook for MPG, TPW & ZEL was less positive.

Figure 12. 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
ZEL	▲ Above	▲ Above	▲ +4.2%	▲ +6.0%	▲ +2.7%	+0.0%	Negative. ZEL indicated there needs to be an improvement in retail margins to achieve FY20 guidance, and if retail margins don't improve FY20 earnings are likely to be at the bottom of its prior guidance range.
ARV	▲ Above	In-line	+0.0%	+0.0%	+0.0%	+0.0%	Positive. ARV indicated it's on track to deliver 200 units in FY20, with another step up in FY21 to 250+ units; ahead of our prior forecasts.
ARG	▲ Above	In-line	+0.0%	+0.0%	+0.0%	+0.0%	Neutral. ARG reaffirmed its prior FY19 DPU guidance. DPU outlook remains flat as ARG looks to hold its dividend until covered by AFFO.
SPG	▲ Above	In-line	+0.0%	+0.0%	+0.0%	+0.0%	Neutral. SPG maintained its FY20 dividend guidance, flat on the prior year.
SAN	In-line	In-line	▲ +5.5%	▲ +2.1%	▲ +3.2%	+0.0%	Neutral. No specific guidance. Outlook commentary appears positive heading into FY20.
NPH	In-line	In-line	+0.2%	+0.7%	+1.4%	+0.8%	Neutral. Management reaffirmed its pre-IPO FY20 PFI forecasts.
FPH	In-line	In-line	+0.6%	+1.1%	+1.4%	▲ +1.7%	Neutral. No change to earnings guidance given the most recent prior update was in October. FY20 CAPEX guidance was lifted to support business growth.
MFT	In-line	In-line	▼ -1.7%	+0.7%	+1.2%	+1.2%	Neutral. No Specific guidance. Outlook commentary highlighted expectations of "increasing profitability and growth in our European and American markets", with NZ & Aus "expected to improve further through to year end."
KPG	In-line	In-line	+0.0%	+0.0%	+0.1%	+0.0%	Neutral. KPG has re-iterated its guidance for a modest +1.4% lift in its DPU for FY20.
RBD	In-line	In-line	▲ +2.2%	+0.1%	+0.1%	n/a	Neutral. RBD provided updated normalised FY20 NPAT guidance of growth in excess of +10% on FY19, implying greater than NZ\$46M. This is essentially unchanged from prior guidance of "in excess of NZ\$45m."
GMT	In-line	In-line	+0.0%	+0.0%	+0.0%	+0.0%	Neutral. GMT's prior flat EPU and DPU guidance has been maintained.
TLT	▼ Below	In-line	▲ +3.7%	▲ +6.4%	▲ +17.2%	n/a	Positive. TLT upgraded its prior FY20 guidance. In addition, based on historic seasonality, we believe TLT has been conservative with its updated guidance.
RYM	▼ Below	▼ Below	▲ +1.6%	-0.1%	+0.8%	+0.8%	Positive. RYM provided strong FY20 guidance, reflective of +10% to +17% underlying profit growth.
APL	▼ Below	In-line	+0.0%	+0.0%	+0.0%	+0.0%	Neutral. No full year dividend guidance provided, in line with APL's policy to review its dividend on a quarterly basis.
AUG	▼ Below	In-line	+0.0%	+0.0%	+0.0%	+0.0%	Neutral. AUG announced a 1H dividend representative of an 8% increase on the pcp, albeit in-line with market expectations. AUG also reiterated its full year dividend guidance.
IPL	▼ Below	In-line	-0.1%	-0.2%	-0.6%	+0.3%	Neutral. IPL maintained flat FY20 dividend guidance, unchanged from the FY19 result.
TPW	▼ Below	In-line	-0.5%	▼ -3.4%	▼ -9.2%	+0.0%	Negative. TPW downgraded its FY20 guidance, with a substantial mid-point to mid-point fall of -NZ\$11.5m on previous guidance.
GTK	▼ Below	▼ Below	-0.7%	▼ -16.1%	▼ -22.5%	▼ -22.3%	Neutral. No update to earnings outlook given a guidance downgrade "confession" the week prior.

Source: Forsyth Barr analysis

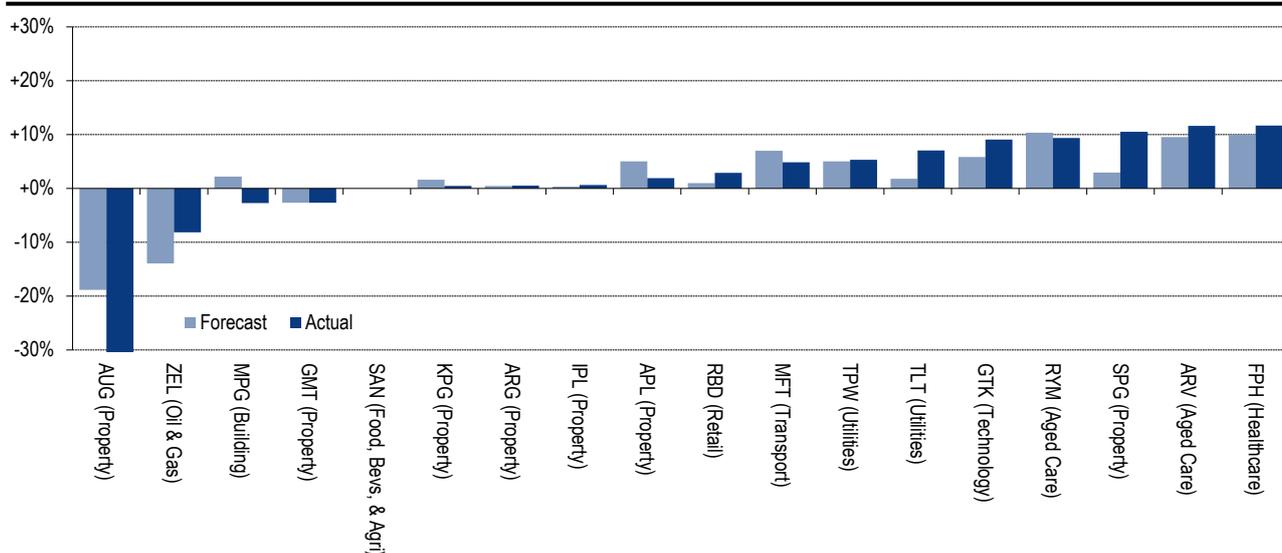
*vs Forsyth Barr expectations +/- 2.5%, Post result revisions > +/- 1.5%

Figure 13. 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
MPG	▼ Below	In-line	▼ -6.1%	▲ +15.6%	▼ -24.6%	n/a	Negative. MPG downgraded prior FY20 EBIT guidance, citing increased competition and softer volumes, with Auckland and Victoria specifically highlighted.
IFT	n/a	In-line	n/a	n/a	n/a	+0.0%	Neutral. IFT reiterated its prior FY20 guidance. We lifted our NAV, however, some valuation increases are of low quality, resulting from book value increases we have limited visibility over.
PEB	n/a	n/a	+0.0%	+0.0%	+0.0%	n/a	Neutral. Aside from updated financials, there was little new insight on commercial milestones in PEB's result.

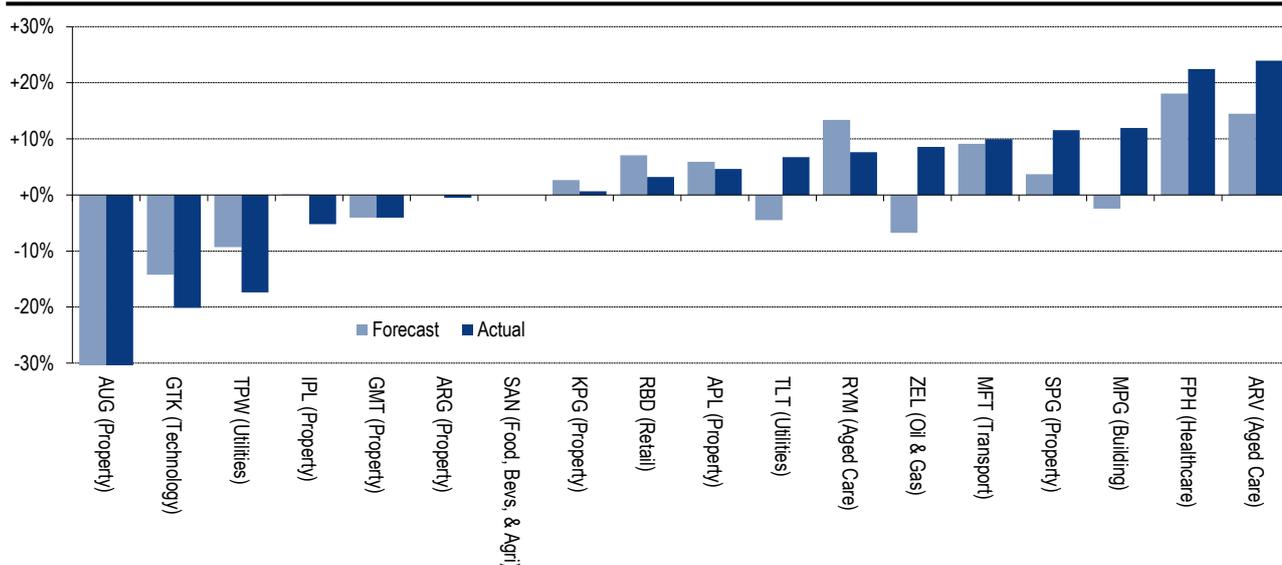
Source: Forsyth Barr analysis
 *vs Forsyth Barr expectations +/- 2.5%, Post result revisions > +/- 1.5%

Figure 14. Total Revenue Growth (6mth on pcp)



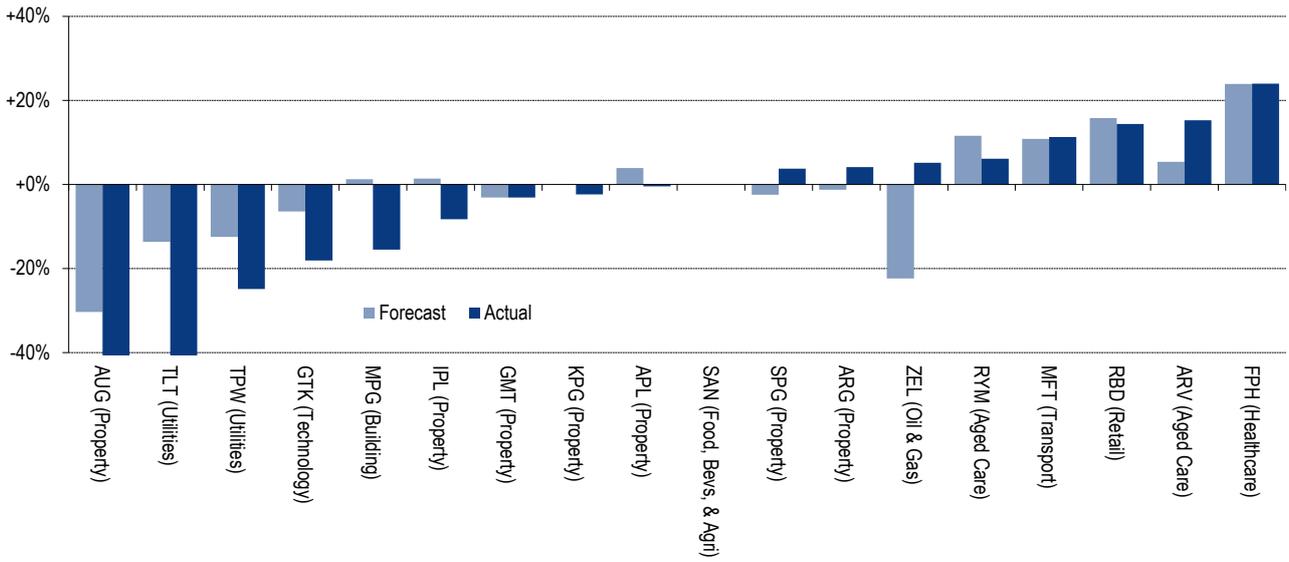
Source: Forsyth Barr analysis

Figure 15. EBITDA Growth (6mth on pcp)



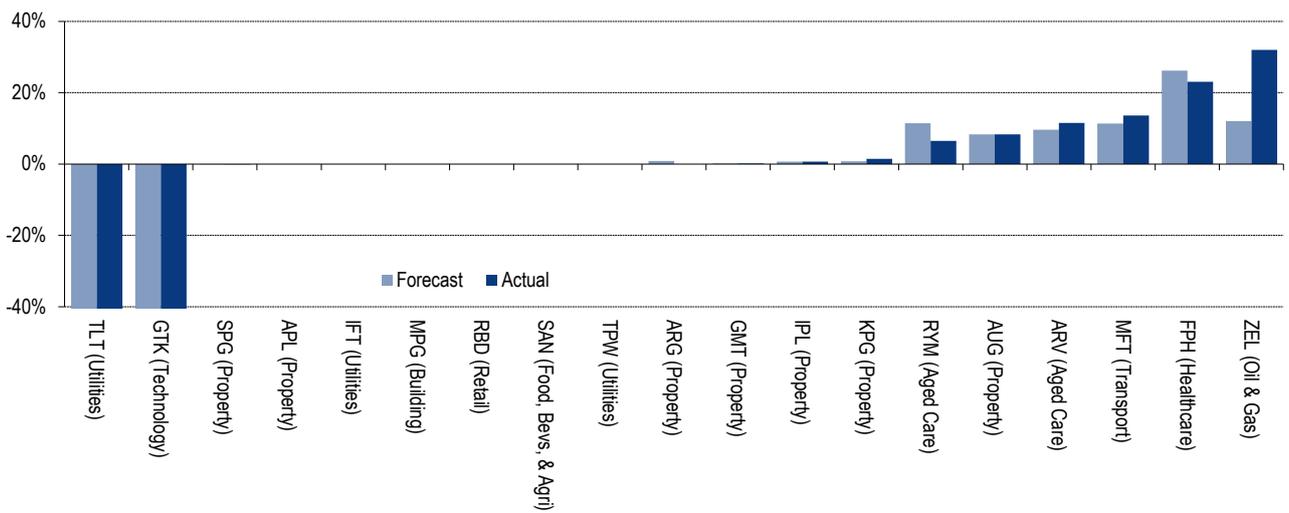
Source: Forsyth Barr analysis

Figure 16. Normalised EPS Growth (6mth on pcp)



Source: Forsyth Barr analysis

Figure 17. Dividend per Share Growth (6mth on pcp)

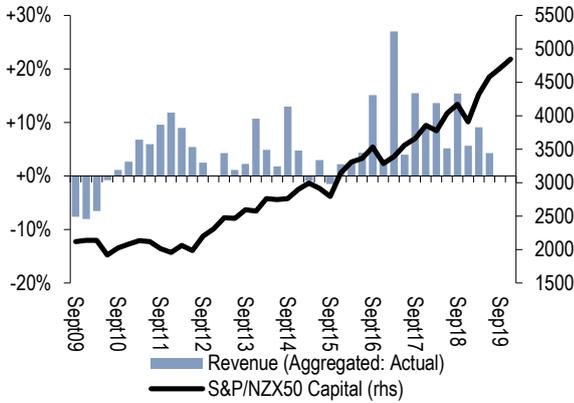


Source: Forsyth Barr analysis

Overall growth achieved

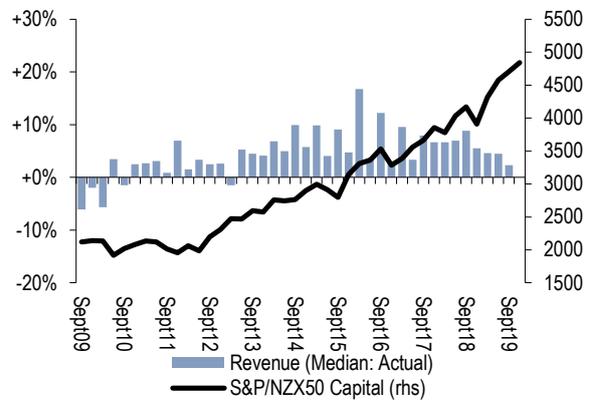
Figures 18 through 23 show the historic market growth achieved for Total Revenue, EBITDA and Normalised EPS with the S&P/NZX 50 Capital Index. Growth is based on the six-month reporting period (versus pcp).

Figure 18. Aggregated Total Revenue Growth (6mth on pcp)



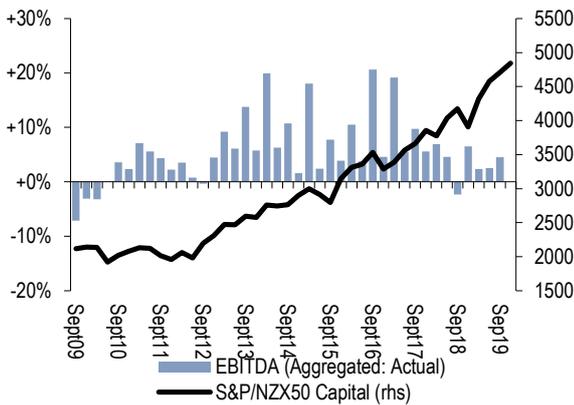
Source: Forsyth Barr analysis

Figure 19. Median Total Revenue Growth (6mth on pcp)



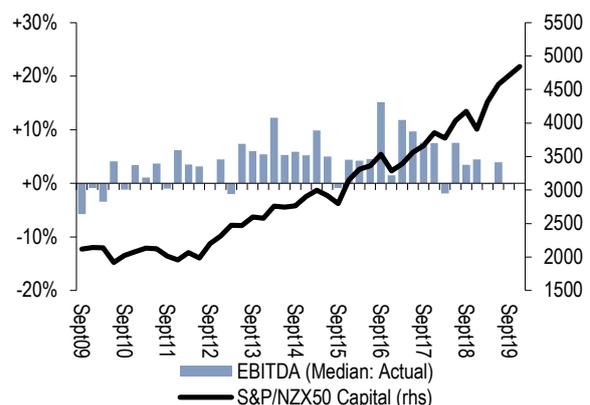
Source: Forsyth Barr analysis

Figure 20. Aggregated EBITDA Growth (6mth on pcp)



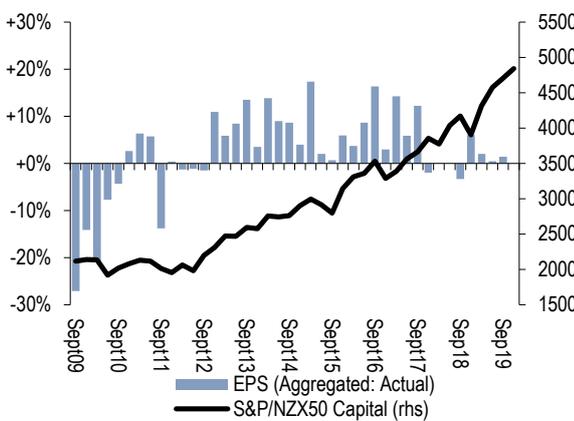
Source: Forsyth Barr analysis

Figure 21. Median EBITDA Growth (6mth on pcp)



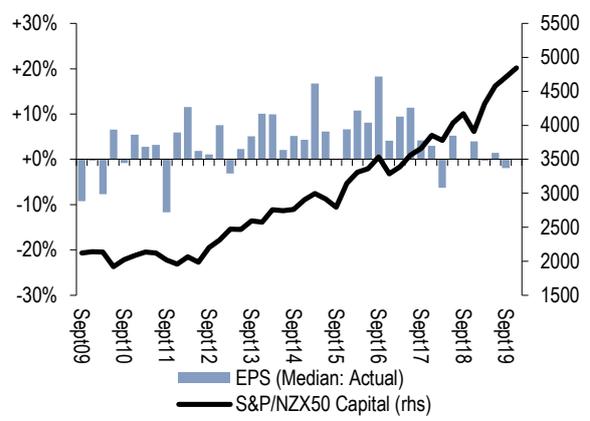
Source: Forsyth Barr analysis

Figure 22. Aggregated Normalised EPS Growth (6mth on pcp)



Source: Forsyth Barr analysis

Figure 23. Median Normalised EPS Growth (6mth on pcp)



Source: Forsyth Barr analysis

Figure 24. 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
APL	AssetPlus	NEUTRAL	Jeremy Simpson, CFA	Interim	Below	1H19	4.9	4.1	4.1	2.8	1.7	1.8	APL delivered a 1H20 result evident of a company still in the transition phases of executing on its long term strategy. Underlying profit of NZ\$2.8m was broadly in line with our forecasts and flat on the prior year, with the dilutionary effect of asset sales offset by the acquisition of 35 Graham Street. APL's portfolio metrics remain steady, and its relatively defensive lease expiry profile provides complementary upside. APL declared a 2Q20 dividend of 0.90cps, in line with forecasts and the prior year.
						Forsyth Barr	5.0	4.3	4.3	2.8	1.7	1.8	
						% chg	+1.9%	+4.6%	+4.6%	-0.7%	-0.7%	+0.0%	
ARG	Argosy Property	NEUTRAL	Jeremy Simpson, CFA	Interim	Above	1H19	50.8	45.6	45.6	28.7	3.5	3.1	ARG reported a result slightly ahead of expectations in terms of distributable profit per share due to lower interest costs than forecast, and announced an interim revaluation gain that lifted NTA +5% to NZ\$1.28. ARG has highlighted its 'green' development focus and this is a key strategic priority for the business and a nice niche in the sector. We have not changed our forecasts and our rating is NEUTRAL.
						Forsyth Barr	51.0	45.4	45.4	29.9	3.6	3.1	
						% chg	+0.5%	-0.5%	-0.5%	+4.1%	+4.1%	+0.0%	
ARV	Avinda Group Limited	OUTPERFORM	Jeremy Simpson, CFA	Interim	Above	1H19	87.4	23.5	21.0	17.9	4.3	2.6	ARV reported a strong 1H20 result with underlying profit of NZ\$23.4m, up +31% with standst EPS growth of +16%. It was ahead of our expectations in terms of key operational metrics highlighting the continued robust demand ahead of our underlying profit forecast of NZ\$20.8m. We have not changed our forecast and remain with an OUTPERFORM rating.
						Forsyth Barr	97.5	29.1	26.3	23.4	5.0	2.9	
						% chg	+11.6%	+24.0%	+25.1%	+30.9%	+15.3%	+11.5%	
AUG	Augusta Capital	NEUTRAL	Jeremy Simpson, CFA	Interim	Below	1H19	11.8	7.0	7.0	4.5	5.2	3.0	AUG reported a 1H20 result reflective of the unpredictable nature of its near term earnings. As previously signalled, AUG's 1H20 result was subdued considerably compared to the pp, with EPS (0.48 cps) down c.-90%. This was a function of a -42% reduction in transactional income. The result was well below our forecasts, but performance is difficult to predict on a six monthly basis given the timing of transactional income. FY20 is all about the 2H as AUG crystallises recent funds management initiatives. Dividend guidance for FY20 of 6.50cps was re-iterated.
						Forsyth Barr	5.7	0.3	0.3	0.4	0.5	3.3	
						% chg	-51.5%	-96.3%	-96.3%	-90.7%	-90.7%	+8.3%	
FPH	F&P Healthcare	UNDERPERFORM	Chelsea Leadbetter, CFA	Interim	In-line	1H19	511.3	158.9	139.0	97.4	17.0	9.8	FPH delivered a 1H20 result in line with expectations and retained recently upgraded FY20 guidance. Headline growth is flattened by a number of one-offs, with underlying growth ~+12% in 1H20. Momentum remains strong across the key Hospital segment, while Homecare was not as weak as anticipated in 1H20.
						Forsyth Barr	570.9	194.5	166.0	121.2	21.1	12.0	
						% chg	+11.7%	+22.4%	+19.4%	+24.4%	+24.0%	+23.1%	
GMT	Goodman Property Trust	UNDERPERFORM	Jeremy Simpson, CFA	Interim	In-line	1H19	74.1	68.6	68.6	47.5	3.7	3.3	GMT delivered an operating result close to expectations and announced a +6% interim revaluation gain which lifted NTA to NZ\$1.73. Also as expected, GMT confirmed its flat earnings and dividend outlook for FY20 and we have not changed our forecasts. GMT is trading materially ahead of the sector with a ~31x PE, 3.2% cash yield, 3.0% AFFO yield and 1.21x P/NTA.
						Forsyth Barr	72.1	65.8	65.8	46.1	3.6	3.3	
						% chg	-2.7%	-4.1%	-4.1%	-3.0%	-3.1%	+0.2%	

Source: Forsyth Barr analysis

Figure 25. 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
GTK	Gentrack	UNDERPERFORM	Andy Bowley	Final	Below	FY18 FY19 Forsyth Barr	104.5 111.7 110.0	31.0 24.8 25.7	22.7 15.4 15.6	14.0 9.6 10.3	16.2 9.8 10.5	8.7 3.0 4.0	We downgrade our rating on GTK to UNDERPERFORM from NEUTRAL as a result of repeated profit warnings during FY19, reduced confidence in the near to medium term earnings outlook, and valuation concerns given it trades at ~35x one year forward PE. The shape of the FY19 result suggests profitability is being held back by (1) challenging industry conditions in core markets, and (2) its transition to SaaS (software-as-a-service).
				% chg			+6.9%	-19.8%	-32.3%	-31.2%	-39.7%	-65.5%	
IFT	Infratil	OUTPERFORM	Andrew Harvey-Green	Interim	n/a	1H19 1H20 Forsyth Barr	n/a n/a n/a	n/a n/a n/a	n/a n/a n/a	n/a n/a n/a	n/a n/a n/a	6.3 6.3 6.3	IFT's 1H20 result contained no surprises, although there was the usual mix of stronger and weaker performers. We maintain our positive view on IFT as it has near-term upside from the potential sale of Snowtown II at a good price and by FY22 its portfolio will be generating lots of cash.
				% chg			n/a	n/a	n/a	n/a	n/a	+0.0%	
IPL	Investre	OUTPERFORM	Jeremy Simpson, CFA	Interim	Below	1H19 1H20 Forsyth Barr	23.3 23.5 23.4	20.5 19.5 20.6	20.5 19.5 20.6	10.8 9.9 10.9	4.1 3.8 4.2	3.7 3.8 3.8	IPL reported a steady 1H20 result with distributable profit of NZ\$8.9m, down NZ\$1.1m as a result of an NZ\$0.9m performance fee. Excluding performance fees, 1H20 was close to expectations of a flat underlying result. Adjusted funds from operations (AFFO) is 3.45cps, slightly below our forecast, and below the pop of 3.99cps driven by the performance fees and higher maintenance capex.
				% chg			+0.6%	-5.2%	-5.2%	-8.8%	-8.2%	+0.7%	
KPG	Kiwi Property Group	OUTPERFORM	Jeremy Simpson, CFA	Interim	In-line	1H19 1H20 Forsyth Barr	89.5 89.9 90.9	78.4 78.9 80.5	78.4 78.9 80.5	49.0 48.3 49.5	3.4 3.4 3.4	3.5 3.5 3.5	KPG reported a 1H20 result close to expectations, continuing to highlight its focus on mixed use assets and the move away from standalone retail, whilst establishing its residential expertise. We view KPG as the best value of the large cap LPVs and remain with an OUTPERFORM rating.
				% chg			+0.5%	+0.6%	+0.6%	-1.4%	-2.8%	+1.4%	
MFT	Mainfreight	NEUTRAL	Andy Bowley	Interim	In-line	1H19 1H20 Forsyth Barr	1,431.0 1,500.5 1,530.9	108.3 119.1 118.2	82.3 90.6 90.2	55.9 62.2 61.9	55.5 61.8 61.5	22.0 25.0 24.5	MFT reported a robust 1H20 result despite slowing cyclical tailwinds (particularly in Australasia), again highlighting the company's quality attributes. The result was driven by margin expansion; geographically in Europe and the Americas, and product-wise in Warehousing and Air & Ocean. Management appears optimistic around peak season volumes in Australasia, and while the risk to elevated consensus earnings is marginally to the downside, MFT's underlying growth profile remains strong.
				% chg			+4.9%	+9.9%	+10.1%	+11.3%	+11.3%	+13.6%	
MPG	Mato Performance Glass	NEUTRAL	Matt Henry, CFA	Interim	Below	1H19 1H20 Forsyth Barr	140.5 136.7 143.5	22.7 25.5 22.2	15.5 14.5 15.4	9.1 7.7 9.2	4.9 4.2 5.0	0.0 0.0 0.0	MPG attributed a disappointing 1H20 and lowered FY20 guidance to a combination of easing volumes and increased competition. The concern is that the deterioration comes ahead of a (not overstated) rupturing of the NZ market structure, with the shift of APL, NZ's largest windows and doors company, upstream into glass. We recommend investors take a very cautious view on the medium-term outlook. NEUTRAL.
				% chg			-2.7%	+11.9%	-6.4%	-15.5%	-15.5%	+0.0%	

Source: Forsyth Barr analysis

Figure 26. 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
NPH	Napier Port	NEUTRAL	Andy Bowley	Final	In-line	FY18	91.7	37.3	n/a	n/a	n/a	n/a	NPH reported a solid first result as a listed company with no surprises and has kept to its IPO script for the FY20 outlook. Pro-forma FY19 EBITDA growth of +9% stems from a combination of volume, pricing, and cargo mix improvements. In contrast, the earnings growth outlook is more subdued for FY20 given log export volumes are likely to be hindered by the recent decline in log prices. With NPH trading at ~15x one year forward EV/EBITDA and EV/IC of ~2.4x, we believe the risk/reward is evenly matched. We retain a NEUTRAL rating.
						% chg	+8.6%	-8.6%	n/a	n/a	n/a	n/a	
PEB	Pacific Edge	RESTRICTED	Chelsea Leadbetter, CFA	Interim	n/a	1H19	2.5	-8.7	-8.9	-8.7	-1.9	0.0	PEB announced a fully underwritten NZ\$20m capital raise alongside its 1H20 result, as it continues to work towards commercial milestones in the US market to drive a step-change for the business. Post rate, this provides ~20 months cash on hand using 1H20 cash burn rates, with upside risk given cash burn has historically been seasonally higher in 1H, and should test receipts continue to grow.
						1H20	n/a	n/a	n/a	n/a	n/a	0.0	
						Forsyth Barr	2.9	-8.3	-8.5	-8.3	-1.6	0.0	
						% chg	n/a	n/a	n/a	n/a	n/a	n/a	
RBD	Restaurant Brands NZ	UNDERPERFORM	Guy Hooper	Interim	In-line	1H19	445.8	50.3	31.8	21.9	17.6	0.0	RBD's reported a robust 1H20 result, driven by KFC New Zealand, which achieved both positive sales momentum and above target margins to offset weakness elsewhere. RBD has a clear growth mandate, emphasising its material opportunities, however, significant execution risk exists, in our opinion. Whilst the core brands continue to deliver robust sales growth, at 28x 12-month forward PE we believe significant earnings growth is priced in.
						1H20	458.8	51.9	34.8	25.0	20.2	0.0	
						Forsyth Barr	450.1	53.8	35.4	25.3	20.4	0.0	
						% chg	+2.9%	+3.2%	+9.6%	+14.0%	+14.4%	+0.0%	
RYM	Ryman Healthcare	NEUTRAL	Jeremy Simpson, CFA	Interim	Below	1H19	269.6	117.0	105.8	97.1	19.4	10.8	RYM reported a 1H20 result below our expectations, impacted by a lower development margin at one project, but has guided to +10% to +17% underlying profit growth in FY20 and we have not materially changed our forecasts. RYM remains very well placed given the vertical integrated nature of its full continuum of care operation and the sharp lift in build activity over the next 24 months. NEUTRAL.
						1H20	294.8	126.0	112.3	103.0	20.6	11.5	
						Forsyth Barr	297.4	132.7	120.2	108.3	21.7	12.0	
						% chg	+9.4%	+7.7%	+6.2%	+6.1%	+6.1%	+6.5%	
SAN	Sanford	OUTPERFORM	Guy Hooper	Final	In-line	FY18	515.0	86.7	67.0	38.9	41.6	14.0	SAN continued to show signs of execution on its value add strategy in FY19, albeit headline growth was weighed down by a number of headwinds including a one off vessel outage. Outlook commentary appears positive heading into FY20, and we have made small revisions to our aquaculture assumptions, lifting our earnings forecasts slightly. We continue to like SAN given (1) its strategy of moving up the value chain, (2) undemanding valuation at 13x forward PE, and (3) possible upside from aquaculture opportunities.
						% chg	+5.9%	-1.1%	-3.2%	+1.0%	+1.0%	+0.0%	
SPG	Stride Property	NEUTRAL	Jeremy Simpson, CFA	Interim	Above	1H19	35.7	26.8	26.8	19.6	5.4	5.0	SPG delivered a balanced 1H20 result with (1) encouraging uplift in EBITDA versus expectations (+3.5%) compelled by markedly increased management fee income, (2) a robust portfolio valuation uplift driving a +5cps lift in NTA per share to NZ\$1.97, (3) improving portfolio metrics with lower vacancy and strong net rental growth (+2.1%) across the portfolio, and (4) continued developments in its fund management business (SIML) starting to generate a robust tailwind of earnings.
						1H20	37.9	28.8	28.8	19.3	5.3	5.0	
						Forsyth Barr	36.8	27.8	27.8	19.1	5.2	5.0	
						% chg	+5.9%	+7.4%	+7.4%	-1.7%	-1.8%	-0.1%	

Source: Forsyth Barr analysis

Figure 27. 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
TLT	Till Renewables	OUTPERFORM	Andrew Harvey-Green	Interim	Below	1H20	103.4	71.4	31.8	4.9	1.6	1.6	Whilst the 1H20 result was a strong one, with EBITDAF up +7% on the pop and +A\$8m on our forecast, the potential sale of Snowtown II at MacArthur type prices provides material near-term upside. If Snowtown II were to sell at A\$4.2m/MW, like 50% of MacArthur has, we estimate that would add more than +70cps to TLT. However, the strategic review process is ongoing and so it would be premature to bank such a gain. We have increased our target price +20cps to \$3.00 and retain our OUTPERFORM rating.
						Forsyth Barr	98.3	63.9	24.7	11.4	3.6	0.0	
						% chg	+7.1%	+6.7%	+38.5%	-63.1%	-63.1%	-100.0%	
TPW	Trustpower	NEUTRAL	Andrew Harvey-Green	Interim	Below	1H20	539.4	107.1	87.3	48.6	17.0	17.0	TPW's 1H20 result surprised on the downside with higher than expected operating costs a key feature. We have downgraded our FY20 EBITDAF forecast -\$7m to \$203m and trimmed our target price -40cps to \$7.75, with -20% of that due to NZAS closure risk. We are also downgrading our rating to NEUTRAL from OUTPERFORM.
						Forsyth Barr	537.8	117.6	95.7	56.7	18.1	17.0	
						% chg	+5.3%	-17.4%	-16.6%	-24.9%	-24.9%	+0.0%	
ZEL	Z Energy	NEUTRAL	Andrew Harvey-Green	Interim	Above	1H20	2,461.0	190.0	115.0	78.0	16.5	16.5	ZEL reported a soft 1H20 result with EBITDAF of \$183m, -\$7m lower than the pop after backing out the IFRS 16 non-cash benefit. With the pop also a soft result, it puts some context around how poor the 1H20 performance has been. That said, the weak result was expected given the September 2019 downgrade. Further earnings cuts have resulted in us lowering our target price -20cps.
						Forsyth Barr	2,306.3	163.2	97.9	57.6	14.4	14.0	
						% chg	-8.2%	+8.6%	-2.5%	+5.2%	+5.2%	+32.0%	

Source: Forsyth Barr analysis

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