FORSYTH BARR

NEW ZEALAND QUANTITATIVE RESEARCH
3 MARCH 2021

Reporting Season
The Light Continues to Shine

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The February 2021 reporting season is drawing to a strong finish with growth exceeding expectations and beats outweighing misses by a factor of 5:1. This follows on from the (unexpectedly) strong August/September 2020 season which also saw actual growth ahead of expectations, earnings upgrades across the board and a strong beats/miss ratio. Our analysts (and consensus alike) continue to upgrade near term estimates, however, the market appears unsurprised with limited share price reaction post result. This season has produced the highest percentage number of upward EPS revisions since 2012, with strong momentum to EBITDA revisions also coming through.

The Quantitative Scorecard

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

As with the August/September 2020 reporting period, the season has again concluded with a (strong) positive skew to the right, currently with a total score across the Quantitative Scorecard at +38pts (previous +28pts).

Figure 1. Reporting Season Quantitative Scorecard (EPS beat vs miss, EPS FY+1 revision, relative 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
	AIR ATM SCL	CVT NZK STU	AIA MEL SPK THL	EBO MCY SKT	NZR OCA	CEN NZX POT RBD SKC VCT	CNU DGL FBU FRE HGH MHJ PFI PGW SKL	GNE PCT SUM VHP
-4	-3	-2	-1	0	1	2	3	4

Source: Forsyth Barr analysis

Updating EPS growth (full coverage)

We present our updated (full coverage) market growth for FY20–23 at both a weighted and median level in Figure 2. Three year annualised weighted average growth is now +8.0% (vs +6.0%, Nov 2020), with similar growth at a median level at +8.1% (vs +7.2%).

Figure 2. S&P/NZX 50 Market EPS Growth (indexed)

	Weighted EPS (indexed)					Median EPS (indexed)				
	Nov-20	Growth	Current	Growth	Change	Nov-20	Growth	Current	Growth	Change
FY20 base	100.00		100.00			100.00		100.00		
FY21	108.03	+8.0%	113.34	+13.3%	▲+531bp	104.96	+5.0%	106.84	+6.8%	▲+188bp
FY22	111.28	+3.0%	118.54	+4.6%	▲+157bp	115.17	+9.7%	118.23	+10.7%	▲+94bp
FY23	118.99	+6.9%	125.87	+6.2%	▼-73bp	123.23	+7.0%	126.18	+6.7%	▼-27bp
Annualised:		**+6.0%**		**+8.0%**	**▲+201bp**		**+7.2%**		**+8.1%**	**▲+85bp**

Source: Forsyth Barr analysis

Analysis of the Numbers

February 2021 Reporting Season Conclusions

Growth has turned and for the June 2020-Dec 2020 period proved positive, substantially exceeding our initial expectations. The season has concluded with beats far outweighing misses (Dividend per Share aside), proving to be one of the best reporting seasons since 2012. Aggregated Revenue growth of +2.4% was ahead of expectations (+1.8%) as was EBITDA at +4.6% (vs +1.4%) and EPS growth, finishing at +8.8% (vs +1.1%). Median growth was also ahead of expectations across the board, with particularly strong growth at the EPS line. With three retail companies yet to report (BGP, KMD & WHS), we expect the positive momentum to continue, which should round out this reporting season as one of the best ever.

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

	Aggregated (For Companies Reported)		Median (For Companies Reported)		
	Forecast	Actual	Forecast	Actual	Beats vs Misses*
Total Revenue	+1.8%	+2.4%	+1.5%	+2.8%	12:1
EBITDA	+1.4%	+4.6%	+1.2%	+5.9%	19:6
EBIT	+0.5%	+4.8%	+2.1%	+7.9%	20:5
Normalised NPAT	+2.0%	+10.7%	+1.8%	+15.7%	23:4
Normalised EPS	**+1.1%**	**+8.8%**	**+1.5%**	**+15.5%**	**23:4**
Dividend per Share	-9.4%	-2.5%	+0.0%	+0.0%	1:6
No of Companies:	34	34	34	34	

Source: Forsyth Barr analysis, *vs Forsyth Barr expectations +/- 2.5%, loss making companies excluded

Reporting Season overview

Of the 34 companies that have reported to date (with Agriculture: FSF & SML and Retail: BGP, KMD & WHS still to report), 23 companies reported ahead of our EPS expectations, five in-line, and four came in below our expectations (with two deemed n/a and using a +/- 2.5% tolerance level).

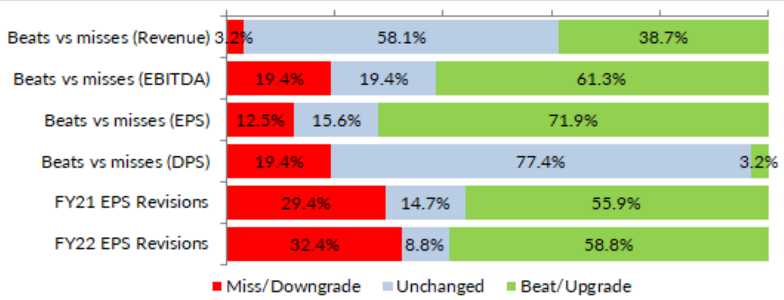
The reporting season finished with net upgrades across the board to our analysts' FY21 and FY22 forecasts. Revenue revisions closed with 15 upgrades versus six downgrades, EBITDA was 15 upgrades and eight downgrades, Normalised EPS was also positive with 19 upgrades versus 10 downgrades and Dividend per Share was break even with six upgrades and six downgrades apiece. FY22 revisions were of a similar scale for Revenue, EBITDA and Normalised EPS. Dividend per Share revisions for FY22 were slightly more positive with eight upgrades and five downgrades. Figure 4 outlines the overall number of beats/misses at the EPS and Dividend per Share line, as well as our revisions to our FY21 estimates, post result, for the companies that have reported.

Figure 4. Reporting Season Snapshot: Summary

EPS Result vs Expectations*	Dividend vs Expectations*	Post Result Revenue FY21 Revision	Post Result EBITDA FY21 Revision	Post Result EPS FY21 Revision	Post Result DPS FY21 Revision	Outlook Statement
23 Above	1 Above	15 Upgrades	15 Upgrades	19 Upgrades	6 Upgrades	14 Positive
5 In-line	24 In-line	12 Unchanged	10 Unchanged	5 Unchanged	15 Unchanged	14 Neutral
4 Below	6 Below	6 Downgrades	8 Downgrades	10 Downgrades	6 Downgrades	6 Negative

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

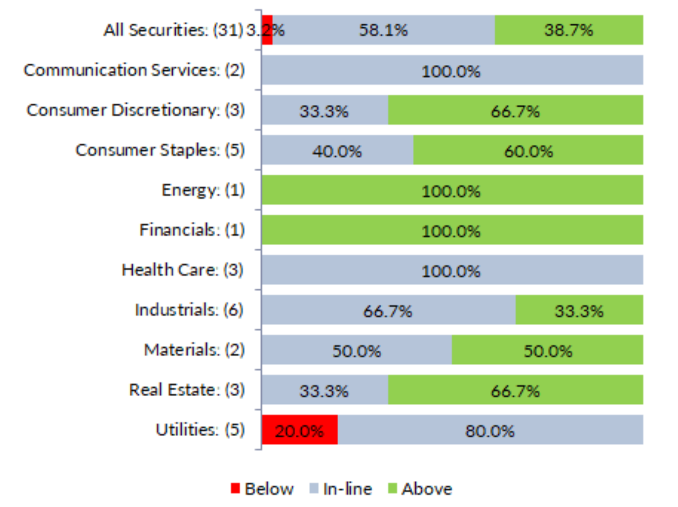
Figure 5. Translation of results through to forecasts



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

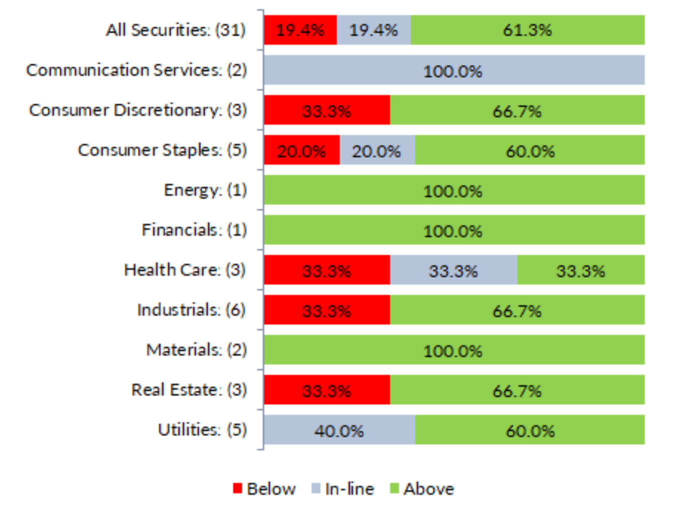
We provide a more detailed view of the results outcomes in Figures 6–11 for all companies including each respective GIC sector.

Figure 6. Beats vs Misses: Total Revenue



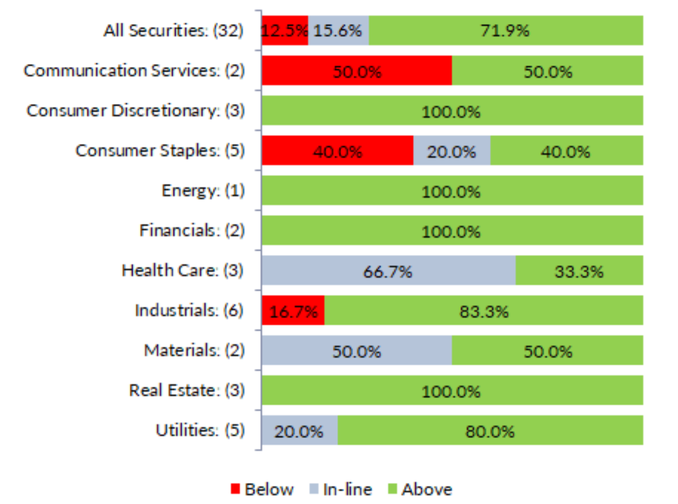
Source: Forsyth Barr analysis

Figure 7. Beats vs Misses: EBITDA



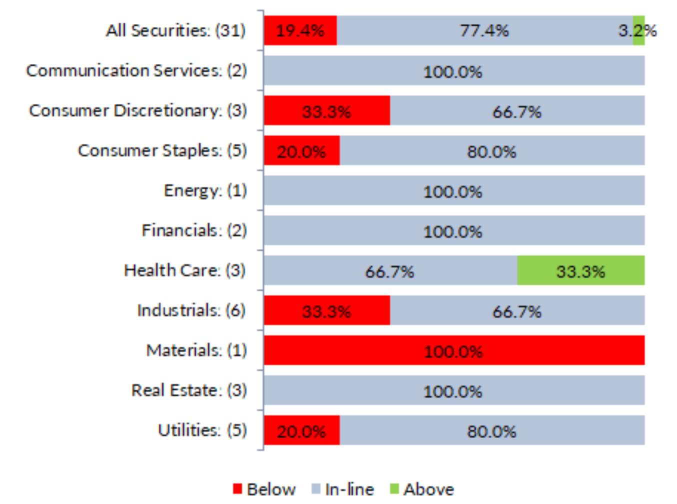
Source: Forsyth Barr analysis

Figure 8. Beats vs Misses: Normalised EPS



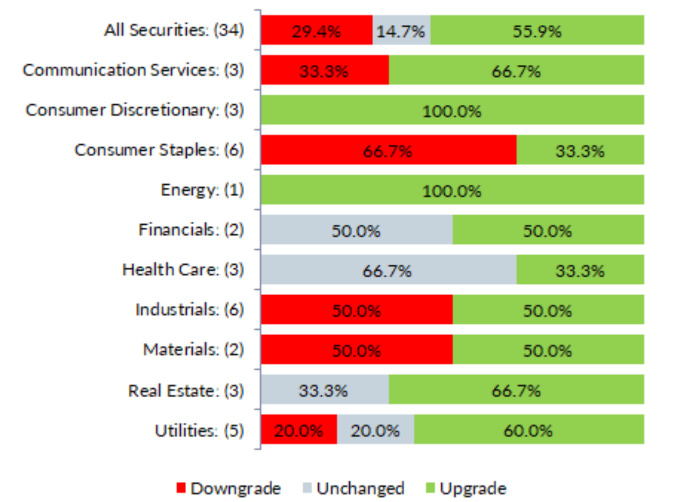
Source: Forsyth Barr analysis

Figure 9. Beats vs Misses: Dividends per share



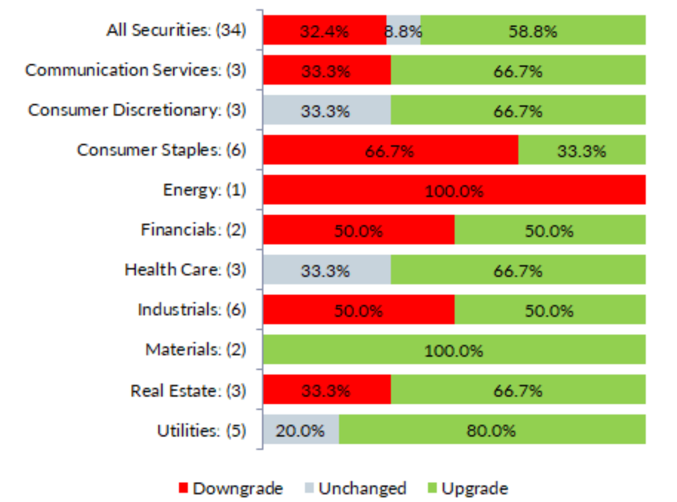
Source: Forsyth Barr analysis

Figure 10. Post Result EPS Revisions (FY21)



Source: Forsyth Barr analysis

Figure 11. Post Result EPS Revisions (FY22)

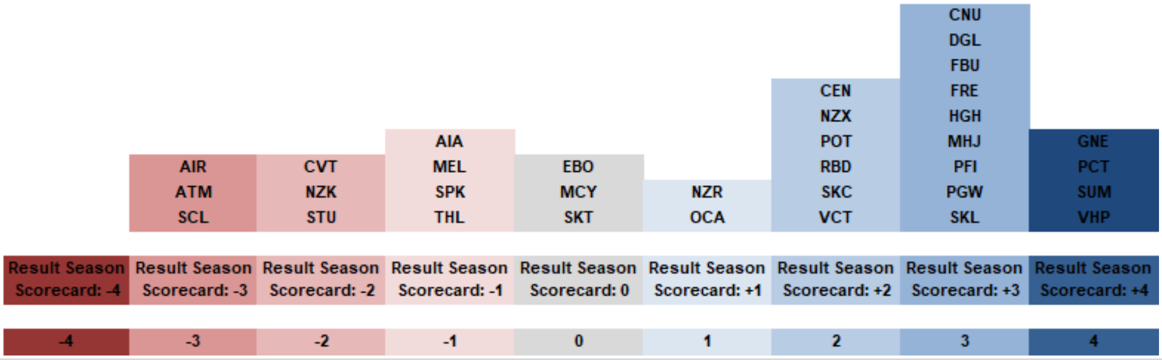


Source: Forsyth Barr analysis

The Quantitative Scorecard

The Quantitative Scorecard assigns a score to each result based on EPS beat/miss, FY+1 EPS revision, 3-day relative price reaction and outlook statement. Scores are then tabulated to show a frequency distribution of the results. This is now the second major reporting season in a row where we have finished with a (strong) positive skew to the right closing with net score of +38pts.

Figure 12. Reporting Season Quantitative Scorecard (EPS beat vs miss, EPS FY+1 revision, relative price reaction, outlook)



Source: Forsyth Barr analysis

Figure 13. Reporting Season Quantitative Scorecard: Inputs

Code	Company	EPS Beat/Miss (+/-2.5%)	EPS FY21 Revision (+/- 1.5%)	Market Surprise 3 Day Post Result (+/- 2.0% rel)	Outlook	Total Score	3 Day Post Result Share Price Reaction (rel)
GNE	Genesis Energy	1	1	1	1	4	+2.7%
PCT	Precinct Properties NZ	1	1	1	1	4	+4.0%
SUM	Summerset Group	1	1	1	1	4	+3.9%
VHP	Vital Healthcare	1	1	1	1	4	+4.5%
CNU	Chorus	1	1		1	3	+0.6%
DGL	Delegat Group	1	1		1	3	-0.4%
FBU	Fletcher Building	1	1		1	3	+0.5%
FRE	Freightways	1	1		1	3	+0.8%
HGH	Heartland Group Holdings	1	1	1		3	+3.3%
MHJ	Michael Hill Intl	1	1		1	3	-0.5%
PFI	Property For Industry	1		1	1	3	+2.5%
PGW	PGG Wrightson	1	1	1		3	+7.3%
SKL	Skellerup Holdings	1	1	1		3	+14.3%
CEN	Contact Energy	1	1			2	+0.3%
NZX	NZX	1		1		2	+2.5%
POT	Port of Tauranga	1	1			2	+0.5%
RBD	Restaurant Brands NZ	1	1			2	+1.9%
SKC	SKYCITY	1	1			2	+2.0%
VCT	Vector	1	1	-1	1	2	-3.5%
NZR	Refining NZ	1	1		-1	1	-1.1%
OCA	Oceania Healthcare				1	1	-0.2%
EBO	EBOS Group			-1	1		-2.5%
MCY	Mercury	1		-1			-3.5%
SKT	Sky TV		1	-1			-7.1%
AIA	Auckland Airport	1	-1		-1	-1	+0.5%
MEL	Meridian Energy		-1			-1	+1.3%
SPK	Spark NZ	-1	-1		1	-1	+1.2%
THL	Tourism Holdings	1	-1		-1	-1	-0.4%
CVT	Comvita	-1	-1			-2	-1.6%
NZK	NZ King Salmon	-1	-1			-2	+1.5%
STU	Steel & Tube Holdings		-1	-1		-2	-6.1%
AIR	Air New Zealand	-1	-1		-1	-3	+1.1%
ATM	The a2 Milk Company		-1	-1	-1	-3	-14.8%
SCL	Scales		-1	-1	-1	-3	-3.4%
	Net Score	**19**	**9**	**2**	**8**	**38**	

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 satisfied, although not surprised with the results season. At the time of writing, market reaction is slightly positive (using a +/- 2.0% threshold) with nine companies outperforming and seven under-performing, while 18 companies performed in-line with the market.

Companies that had the most notable positive price reaction (absolute versus market) include: SKL (+14.3%), PGW (+7.3%), VHP (+4.5%), PCT (+4.0%), SUM (+3.9%) & HGH (+3.3%).

Whereas the market appears disappointed with the results of: ATM (-14.8%), SKT (-7.1%), STU (-6.1%), VCT (-3.5%), MCY (-3.5%) & SCL (-3.4%).

Figure 14. 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 FY21 Revision	Post Result DPS FY21 Revision	Ratings Change
CNU	▲Above	In-line	+0.6%	▲+23.4%	+0.0%	
RBD	▲Above	In-line	+1.9%	▲+19.3%	n/a	
MHJ	▲Above	▼Below	-0.5%	▲+15.8%	+0.2%	
NZR	▲Above	In-line	-1.1%	▲+14.3%	n/a	
SKL	▲Above	▼Below	▲+14.3%	▲+11.4%	▲+3.3%	
VCT	▲Above	In-line	▼-3.5%	▲+11.3%	+0.0%	
FBU	▲Above	n/a	+0.5%	▲+10.6%	▲+126.7%	
GNE	▲Above	In-line	▲+2.7%	▲+9.1%	-0.6%	
SKC	▲Above	In-line	+1.9%	▲+8.1%	▼-33.3%	
HGH	▲Above	In-line	▲+3.3%	▲+6.5%	+0.0%	
PCT	▲Above	In-line	▲+4.0%	▲+6.3%	+0.5%	▲(NEUTRAL to OUTPERFORM)
SUM	▲Above	In-line	▲+3.9%	▲+6.0%	▲+12.5%	▼(OUTPERFORM to NEUTRAL)
DGL	▲Above	In-line	-0.4%	▲+5.9%	+0.0%	
POT	▲Above	In-line	+0.5%	▲+4.9%	▲+6.5%	
VHP	▲Above	In-line	▲+4.5%	▲+3.3%	+0.1%	▼(OUTPERFORM to NEUTRAL)
CEN	▲Above	▼Below	+0.3%	▲+3.0%	▼-2.8%	▲(NEUTRAL to OUTPERFORM)
FRE	▲Above	▼Below	+0.8%	▲+2.8%	▲+2.8%	
PGW	▲Above	In-line	▲+7.3%	▲+2.7%	+0.0%	
PFI	▲Above	In-line	▲+2.5%	+1.3%	+0.6%	▼(NEUTRAL to UNDERPERFORM)
MCY	▲Above	In-line	▼-3.5%	+0.4%	+0.0%	
NZX	▲Above	In-line	▲+2.5%	-0.2%	+0.0%	
THL	▲Above	In-line	-0.4%	▼-2.7%	n/a	▲(UNDERPERFORM to NEUTRAL)
AIA	▲Above	In-line	+0.5%	n/a	n/a	
OCA	In-line	In-line	-0.2%	+0.5%	+0.0%	
EBO	In-line	▲Above	▼-2.5%	+0.0%	▲+4.7%	
STU	In-line	▼Below	▼-6.1%	▼-2.6%	▼-25.0%	
MEL	In-line	In-line	+1.3%	▼-3.1%	+0.0%	
ATM	In-line	In-line	▼-14.8%	▼-12.9%	n/a	▼(OUTPERFORM to NEUTRAL)
SPK	▼Below	In-line	+1.2%	▼-13.1%	+0.0%	
CVT	▼Below	In-line	-1.6%	▼-27.2%	▼-25.0%	
NZK	▼Below	▼Below	+1.5%	▼-42.6%	▼-33.3%	
AIR	▼Below	In-line	+1.1%	▼-68.0%	n/a	
SKT	n/a	n/a	▼-7.1%	▲+106.2%	n/a	
SCL	n/a	n/a	▼-3.4%	▼-13.1%	▼-9.5%	

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 seven rating changes (three positive, four negative) for companies that have reported this season.

- ATM (OUTPERFORM to NEUTRAL)

  "ATM reported a 1H21 result in-line with recent guidance and materially below the prior year (primarily due to COVID-19 related headwinds), but disappointingly further downgraded FY21 guidance. This is the third downgrade since September 2020 and a further unwelcome reminder of ATM's opaque channels to market, with very limited visibility (including for management). The downgrade cycle has materially dented our (and market) confidence in the near-term outlook which will take time to rebuild. We remain confident in ATM's longer-term brand positioning and growth potential, particularly in large offline channels in China where ATM under-indexes. However, at this juncture there is too much uncertainty to have conviction in a directional call and FY21 guidance is not risk-free. Downgrade to NEUTRAL".

- CEN (NEUTRAL to OUTPERFORM)

  "There were no shortage of announcements from CEN as it pushed go on its Tauhara geothermal project funded by an NZ$400m equity raise, refreshed its dividend policy, released its 'no surprises' 1H21 result, and released a strong January 2021 operating result. In response, we have upgraded our rating to OUTPERFORM (we are looking through short-term ETF selling creating share price pressure) and upgraded near-term forecasts".

- PCT (NEUTRAL to OUTPERFORM)

  "PCT portfolio has fared well despite COVID-19 pressures, with portfolio fundamentals remaining solid, and operations tracking broadly in-line with expectations. While we expect that the Auckland and Wellington office markets will experience some level of softness in coming year, PCT is in good shape to withstand these pressures given its best in class offering, portfolio under-renting, high quality corporate and government tenants, structured rent growth, and a 7.7 year WALT. We lift our rating from NEUTRAL to OUTPERFORM reflecting a better earnings outlook and attractive valuation metrics with PCT trading at a 3% premium to NTA vs. the sector 8.5% and offering a gross yield 5.9% vs. the sector at 5.5%".

- PFI (NEUTRAL to UNDERPERFORM)

  "PFI reported a solid result slightly above our expectations. However, PFI is now one of the most expensive LPVs in the market. While we are attracted to the defensive nature of industrial property and consistent strategic execution by management, we believe this is more than priced in given its current 30% premium to NTA and one of the slimmest gross yields in the sector, reflecting its tightest spread to bonds on record. We believe this leaves little room for relative upside vs. the sector and downgrade our rating to UNDERPERFORM".

- SUM (OUTPERFORM to NEUTRAL)

  "The forward messaging was confident with strong reported pre-sales and contracted stock levels, a combination supportive of growth into FY21. Specifically, management guided towards 500–550 unit deliveries in FY21, with potential to reach 600 units should the current buoyant market conditions remain. One area of weakness relative to our expectations were costs which came in +20% against the prior year, suggesting limited operating leverage. Looking ahead into FY21 and FY22 we increase our reported EBITDA and underlying earnings but reduce our annuity EBITDA estimates. The upgrades of reported earnings are almost exclusively related to new sales (not included in annuity EBITDA), while costs more than offset modest upgrades in re-sale margins. We keep our target price unchanged at NZ$12.80 but downgrade to NEUTRAL following strong share price performance".

- THL (UNDERPERFORM to NEUTRAL)

    "THL has navigated COVID-19 admirably to-date. Losses have been mitigated through cost management and an acceleration in vehicle sales. However, earnings deteriorate from here as vehicle sales slow and the current reliance on domestic only rentals is unable to compensate. Losses deepen through 2H21 and may continue into FY22 given shortened booking cycles and the prospect of borders being closed until early CY22. While losses will feature for the foreseeable future, the balance sheet is strong, helped by the relatively liquid nature of its fleet. Net debt is at very low levels and allows for considerable fleet reinvestment once leading demand indicators provide sufficient optimism for recovery. We revise our valuation approach to reincorporate our DCF (~NZ$2.45/share) at a 50% weighting, to acknowledge recovery potential, but retain net asset value (NAV) as a partial valuation anchor at 50%, which we estimate will fall to NZ$2.05/share at year end FY21. We upgrade to NEUTRAL given downside risk from current levels is limited by NAV, but upside potential exists if the recovery is quicker and steeper than anticipated".

- VHP (OUTPERFORM to NEUTRAL)

    "Vital Healthcare Property (VHP) reported a solid 1H21 ahead of our expectations, largely due to better net rental income. VHP's strong top line was largely driven by acquisitions and development income. VHP also tweaked DPS guidance slightly and now expect to pay 4.5cps in 2H21 taking FY21 distributions to 8.88cps. We expect VHP's portfolio to continue to provide investors with a defensive property exposure, with good distribution growth prospects underpinned by developments (we forecast growth of 3% per annum to FY23); however, this is largely in the share price in our view. With VHP trading broadly in line with our NZ$3.15 12-month target, we lower our rating from OUTPERFORM to NEUTRAL".

Dividends

Whilst actual dividend per share growth (aggregated) has finished negative (-2.5%), as with the other reporting lines, actual growth has come in above expectations of -9.4%. At a median level, actual growth finished flat and meeting expectations with the final count of beats and misses net negative. Overall just one company exceeded our expectations, six were below, and 24 were in-line.

Companies that reported dividends above our expectations include: EBO.

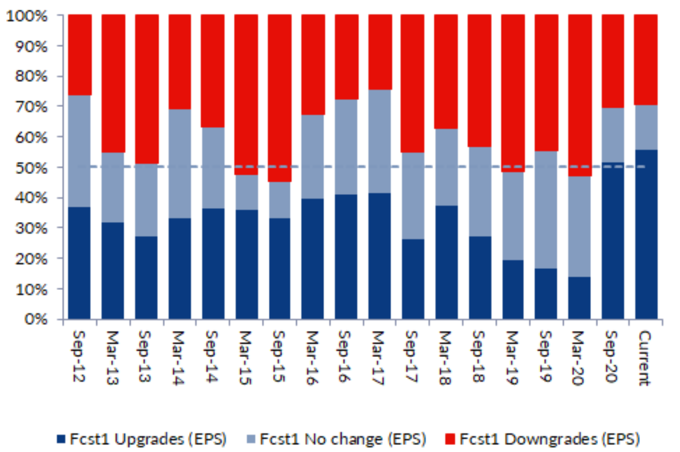
Companies that surprised on the downside included: CEN, FRE, MHJ, NZK, SKL & STU.

Post result, our analysts have made six positive and six negative revisions to FY21 dividend estimates and, on a positive note, eight positive and five negative revisions to FY22 estimates (using a tolerance level of +/- 1.5%).

Earnings revisions

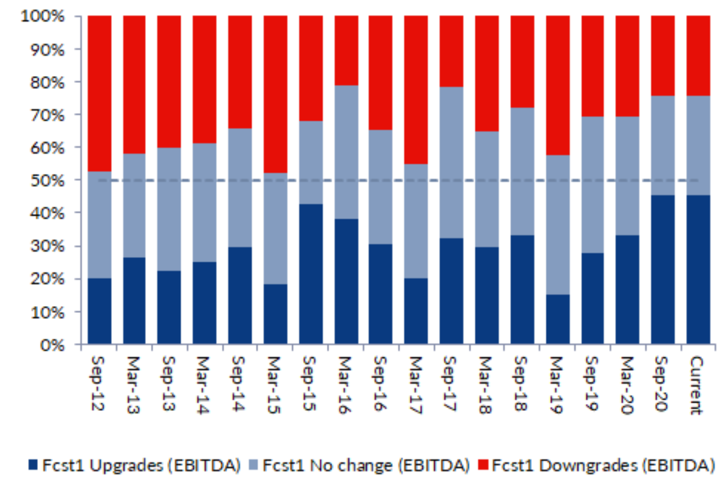
We present the forecast (+1) revision history for Normalised EPS and EBITDA in Figures 15 & 16. We see that this season has produced the highest percentage number of upward EPS revisions since 2012, with strong positive momentum to EBITDA revisions also coming through.

Figure 15. Forecast +1 Revision History (EPS)



Source: Forsyth Barr analysis

Figure 16. Forecast +1 Revision History (EBITDA)



Source: Forsyth Barr analysis

Figures 17 & 18 show our FY20–FY22 Revenue and EBITDA growth estimates for the New Zealand market as a whole (versus November 2020). To allow for the potential that a reduced base may inflate a single year's growth estimate, we provide three year annualised growth figures as well as earnings at an indexed level.

Weighted average three year annualised Revenue growth has risen +146bp to +7.4% (vs +5.9%) boosted by strong growth in FY21 and FY23. Median Revenue growth has bumped up slightly, now +5.7% vs +5.4% (+36bp).

Figure 17. S&P/NZX 50 Market Revenue Growth (indexed)

	Weighted Revenue (indexed)					Median Revenue (indexed)				
	Nov-20	Growth	Current	Growth	Change	Nov-20	Growth	Current	Growth	Change
FY20 base	100.00		100.00			100.00		100.00		
FY21	104.59	+4.6%	107.81	+7.8%	▲+322bp	105.01	+5.0%	105.23	+5.2%	▲+23bp
FY22	112.57	+7.6%	115.06	+6.7%	▼-91bp	112.09	+6.7%	113.00	+7.4%	▲+64bp
FY23	118.84	+5.6%	123.84	+7.6%	▲+206bp	116.94	+4.3%	118.15	+4.5%	▲+22bp
Annualised:		**+5.9%**		**+7.4%**	**▲+146bp**		**+5.4%**		**+5.7%**	**▲+36bp**

Source: Forsyth Barr analysis

EBITDA (three-year annualised) weighted average growth now sits at +11.2% (+542bp), with FY21 inflated by FPH, whilst FY22 is boosted by AIA. Removing both companies results in three-annualised growth of circa +7.2%. Median growth is up modestly +64bp to +6.1%. (vs +5.5%).

Figure 18. S&P/NZX 50 Market EBITDA Growth (indexed)

	Weighted EBITDA (indexed)					Median EBITDA (indexed)				
	Nov-20	Growth	Current	Growth	Change	Nov-20	Growth	Current	Growth	Change
FY20 base	100.00		100.00			100.00		100.00		
FY21	108.53	+8.5%	113.50	+13.5%	▲+497bp	103.24	+3.2%	104.09	+4.1%	▲+84bp
FY22	112.04	+3.2%	125.13	+10.2%	▲+701bp	111.53	+8.0%	113.16	+8.7%	▲+69bp
FY23	118.43	+5.7%	137.57	+9.9%	▲+423bp	117.41	+5.3%	119.58	+5.7%	▲+40bp
Annualised:		**+5.8%**		**+11.2%**	**▲+542bp**		**+5.5%**		**+6.1%**	**▲+64bp**

Source: Forsyth Barr analysis

Of the 34 companies that have reported to date, FY21 post result revisions (EPS) include 19 upgrades and 10 downgrades, with five unchanged. Revisions to FY22 estimates are of a similar nature, with 20 upgrades, 11 downgrades and three unchanged. Following the revisions our FY21/22/23 median EPS growth estimates are now +6.8%, +10.7% and +6.7% respectively.

Figure 19. S&P/NZX 50 Market EPS Growth (indexed)

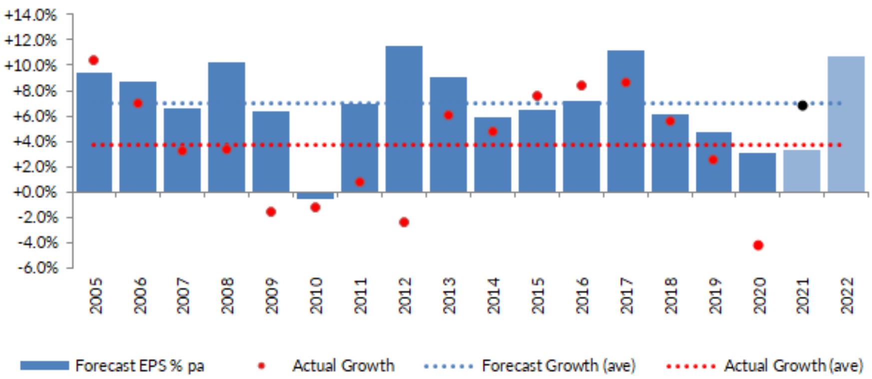
	Weighted EPS (indexed)					Median EPS (indexed)				
	Nov-20	**Growth**	**Current**	**Growth**	**Change**	**Nov-20**	**Growth**	**Current**	**Growth**	**Change**
FY20 base	100.00		100.00			100.00		100.00		
FY21	108.03	+8.0%	113.34	+13.3%	▲+531bp	104.96	+5.0%	106.84	+6.8%	▲+188bp
FY22	111.28	+3.0%	118.54	+4.6%	▲+157bp	115.17	+9.7%	118.23	+10.7%	▲+94bp
FY23	118.99	+6.9%	125.87	+6.2%	▼-73bp	123.23	+7.0%	126.18	+6.7%	▼-27bp
Annualised:		**+6.0%**		**+8.0%**	**▲+201bp**		**+7.2%**		**+8.1%**	**▲+85bp**

Source: Forsyth Barr analysis

Annualising our total market EPS growth for FY20–23, median growth is up +85bp to +8.1% (from +7.2%) whilst weighted growth has grown +201bp to +8.0% (vs (+6.0%).

Figure 20 shows the 15 year history of median EPS growth (expected versus actual). Over the 15 year period, forecast growth (on average) is +7%, with the average actual growth finishing at +3.7%. We note the average actual growth post the GFC is +4.9%.

Figure 20. Median EPS growth: actual versus expectations (12mths prior)



Source: Forsyth Barr analysis

FORSYTH BARR

Outlook statements

Figures 21, 22 & 23 include the summary of the outlook statements and guidance comments. Pleasingly, 14 companies iterated positive guidance whilst the outlook for six companies was less positive.

Figure 21. New Zealand Reporting Season Snapshot: Outcomes, FY21 Revisions and Outlook Statements

Code	EPS Result vs Expectations*	Dividend vs Expectations*	Post Result Revenue FY21 Revision	Post Result EBITDA FY21 Revision	Post Result EPS FY21 Revision	Post Result DPS FY21 Revision	Outlook Statement
CNU	▲Above	In-line	-0.3%	-0.0%	▲+23.4%	+0.0%	Slightly positive. FY21 earnings and dividend guidance provided. Guidance for FY21 Capex was increased NZ$30m to NZ$670–700m, a reflection of greater than expected demand for greenfield fibre and greater mass market fibre connections.
RBD	▲Above	In-line	▲+1.8%	▲+11.2%	▲+19.3%	n/a	**Neutral**. No FY21 guidance provided due to ongoing COVID-19 trading restrictions. The company is continuing with new store builds and acquisitions.
MHJ	▲Above	▼Below	▲+2.0%	▲+6.8%	▲+15.8%	+0.2%	Positive. Highlighted a strong start to 2H with same store sales up +11% for the first 8 weeks. Also cited a robust financial position and strong financial execution.
NZR	▲Above	In-line	▼-1.9%	▲+8.2%	▲+14.3%	n/a	Negative. Highlighted challenging outlook for refining margins in near term and expect processing fees to remain at Fee Floor level through 2021. Lower demand for jet fuel expected to continue.
SKL	▲Above	▼Below	▼-1.8%	▲+6.3%	▲+11.4%	▲+3.3%	**Neutral**. Upgraded FY21 earnings guidance range to $33m–$37m. Several potential COVID-19 related 2H21 headwinds were highlighted including supply chain congestion, elevated freight costs, and FX.
VCT	▲Above	In-line	+1.3%	▲+3.5%	▲+11.3%	+0.0%	Slightly positive. FY21 EBITDA guidance adjusted upwards to $500m–$520m. Highlighted continued growth in Auckland, with connections and infrastructure activity remaining elevated.
FBU	▲Above	n/a	-0.2%	▲+4.7%	▲+10.6%	▲+126.7%	Slightly positive. 2H core volumes in NZ and Australia expected to remain at similar supportive levels to 1H. FY21 EBIT before sig. items expected to be in range of $610m to $660m.
GNE	▲Above	In-line	▲+5.4%	▲+2.7%	▲+9.1%	-0.6%	Slightly positive. FY21 EBITDAF guidance range upgraded. Highlighted the roll-off of out-of-the-money contracts starting in 2H21.
SKC	▲Above	In-line	▲+3.9%	▲+4.7%	▲+8.1%	▼-33.3%	**Neutral**. No change to prior FY21 guidance despite performing better than expected prior to the recent Auckland closure. Highlighted that outlook remains highly uncertain. Expects to pay a FY21 dividend.
HGH	▲Above	In-line	n/a	n/a	▲+6.5%	+0.0%	**Neutral**. FY21 NPAT guidance of NZ$83m to NZ$85m. Highlighted that an "overall modest balance sheet" may moderate the uplift in NOI historically experienced in 2H. Also expect customer repayment activity to normalise and impaired asset expense to be in-line with budget.
PCT	▲Above	In-line	-1.1%	-1.2%	▲+6.3%	+0.5%	Positive. Maintained AFFO/DPS guidance of 6.50cps. The completion of developments and sale of non-core assets will underpin stable and strengthening earnings profile.
SUM	▲Above	In-line	▲+5.8%	▲+2.1%	▲+6.0%	▲+12.5%	Slightly positive. SUM is optimistic about growth in 2021 and beyond, citing the expansion into Australia and an anticipated increased build rate in New Zealand.
DGL	▲Above	In-line	▲+1.7%	▲+4.6%	▲+5.9%	+0.0%	Positive. On target to achieve global case sales of 3,391,000 for FY21, up 3% on last year and an increase on prior guidance. Forecasts FY21 Operating Profit of $67m, +10% on last year.

Source: Forsyth Barr analysis

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

Figure 22. New Zealand Reporting Season Snapshot: Outcomes, FY21 Revisions and Outlook Statements cont...

Code	EPS Result vs Expectations*	Dividend vs Expectations*	Post Result Revenue FY21 Revision	Post Result EBITDA FY21 Revision	Post Result EPS FY21 Revision	Post Result DPS FY21 Revision	Outlook Statement
POT	▲Above	In-line	▲+2.9%	▲+4.0%	▲+4.9%	▲+6.5%	**Neutral**. Port congestion expected to continue for remainder of this financial year. FY21 earnings guidance has been revised upwards to between NZ$94m–NZ$100m.
VHP	▲Above	In-line	▲+2.0%	▲+2.4%	▲+3.3%	+0.1%	Slightly positive. Guided to 4.5cpu of distributions for 2H21. Highlighted the significant development pipeline currently underway.
CEN	▲Above	▼Below	▲+9.1%	▲+5.4%	▲+3.0%	▼-2.8%	**Neutral**. FY21 guidance unchanged. CEN has pushed on with the Tauhara project, deciding to fund it with NZ$400m of new equity. CEN has reset its dividend policy to 80–100% of the last four years' avg op free cash flow.
FRE	▲Above	▼Below	-0.8%	▲+2.6%	▲+2.8%	▲+2.8%	Positive. Highlighted that in the event of another NZ lockdown, while the Info Management volumes may decline, Express Package volumes would lift. The company will "continue to consider acquisition opportunities".
PGW	▲Above	In-line	-0.2%	+0.9%	▲+2.7%	+0.0%	**Neutral**. Believe company is "well placed" to deliver the FY21 Operating EBITDA guidance of ~$57m. Interim div of 12cps was declared.
PFI	▲Above	In-line	+1.4%	+0.5%	+1.3%	+0.6%	Slightly positive. Highlighted that market conditions allow industrial property to continue to perform, citing the shift to online spending and low interest rates. On the other hand there is a softer outlook for rents, as more generous incentives are offered to tenants.
MCY	▲Above	In-line	▲+3.8%	▼-4.8%	+0.4%	+0.0%	**Neutral**. FY21 EBITDAF guidance revised down to $520m due to dry weather in the Taupo catchment. At the same time MCY is targeting an FY22 EBITDAF uplift of +$30m from various initiatives. FY21 dividend guidance maintained at 17cps.
NZX	▲Above	In-line	▼-2.2%	+0.6%	-0.2%	+0.0%	**Neutral**. FY21 Op Earnings expected to be in range of $31.5m to $35.5m. NZX's FY21 guidance incorporates the expected incremental technology costs in addition to changes to NZX's ongoing structural technology costs that have already been implemented.
THL	▲Above	In-line	▲+11.2%	▼-33.8%	▼-2.7%	n/a	Negative. Expectation is to make a loss for FY21. Currently managing with the expectation of no international travel in 2021.
AIA	▲Above	In-line	▼-10.6%	▼-4.3%		n/a	Negative. FY21 earnings guidance of a loss between $35m and $55m and no dividend to be declared for FY21. Commentary highlighted the ongoing uncertainty facing the business due to COVID-19.
OCA	In-line	In-line	▲+2.2%	+1.0%	+0.5%	+0.0%	Slightly positive. On track to deliver 217 units and care suites in FY2021, in line with build rate guidance. Expect premium units and care beds to more than double from Nov 2020 levels. An interim dividend of 1.3cps was declared.
EBO	In-line	Above	-1.3%	+0.1%	+0.0%	▲+4.7%	Positive. "Robust trading conditions" that drove 1H21 performance remain in place. Jan 2021 earnings growth at levels consistent with first half growth. No FY21 guidance given.
STU	In-line	▼Below	+0.7%	-0.4%	▼-2.6%	▼-25.0%	**Neutral**. A mixed sector outlook with residential construction and infrastructure strong but constraints in non-residential and labour and international freight cost pressures.
MEL	In-line	In-line	▲+2.3%	▼-1.9%	▼-3.1%	+0.0%	**Neutral**. Cited continued customer growth in NZ and Australia and high wholesale prices in NZ but also highlighted weaker wholesale prices in Australia and revised NZAS pricing.

Source: Forsyth Barr analysis

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

Figure 23. New Zealand Reporting Season Snapshot: Outcomes, FY21 Revisions and Outlook Statements cont...

Code	EPS Result vs Expectations*	Dividend vs Expectations*	Post Result Revenue FY21 Revision	Post Result EBITDA FY21 Revision	Post Result EPS FY21 Revision	Post Result DPS FY21 Revision	Outlook Statement
ATM	In-line	In-line	▼-3.7%	▼-10.0%	▼-12.9%	n/a	Negative. FY21 EBITDA margin guidance downgraded to 24%–26%. Pace of recovery in daigou/reseller channel and CBEC channel has been slower than anticipated.
SPK	▼Below	In-line	+1.0%	-1.0%	▼-13.1%	+0.0%	Slightly positive. FY21 EBITDAI guidance range narrowed slightly from $1,090–$1,130m to $1,100m– $1,130m. FY21 dividend guidance given at 25cps. SPK also announced a review of its infrastructure asset portfolio to "identify further opportunities to create value".
CVT	▼Below	In-line	+0.0%	+0.0%	▼-27.2%	▼-25.0%	**Neutral**. FY21 guidance maintained. Dividends expected to resume at full year. Early 2021 harvest indications are mixed with a clearer indication expected by May.
NZK	▼Below	▼Below	▲+1.8%	▼-19.6%	▼-42.6%	▼-33.3%	**Neutral**. Expect all excess inventories to be cleared by middle of CY21 and anticipate demand to exceed supply from late CY21. Will make further comment when FY21 results are provided (end of March).
AIR	▼Below	In-line	▲+8.4%	▼-34.2%	▼-68.0%	n/a	Negative. No FY21 guidance given due the "large degree of uncertainty surrounding the lifting of travel restrictions". AIR expects to make a significant loss in FY21.
SKT	n/a	n/a	+1.2%	▲+30.1%	▲+106%	n/a	**Neutral**. Reaffirmed FY21 guidance of EBITDA of $170m–$182.5m. Focus remains on stabilising Sky Box customer numbers, while also growing Neon and Sky Sport Now customers.
SCL	n/a	n/a	▼-3.9%	▼-7.6%	▼-13.1%	▼-9.5%	Slightly negative. FY21 NPAT guidance range lowered to between NZ$27.5m–$33.5m. A softer outlook is primarily driven by the Horticulture division.

Source: Forsyth Barr analysis

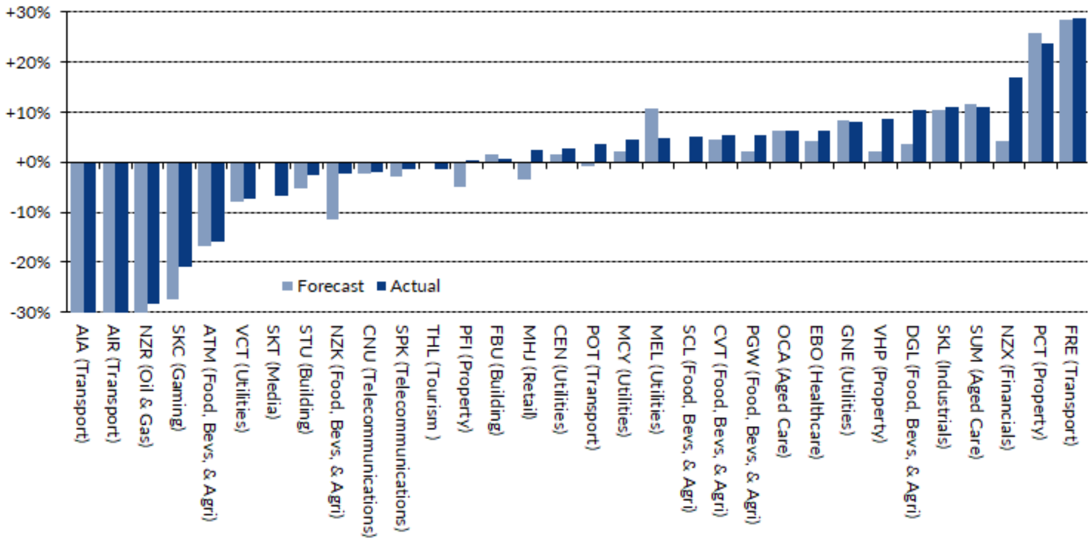
*vs Forsyth Barr expectations +/- 2.5%, Post result revisions > +/- 1.5%

Figure 24. Reporting Season Calendar: Retail and Agriculture

Week Beginning 15 Mar 2021				
Monday	Tuesday	Wednesday	Thursday	Friday
15-Mar	16-Mar	17-Mar	18-Mar	19-Mar
	Briscoe Group	Fonterra	The Warehouse Group *	
Week Beginning 22 Mar 2021				
Monday	Tuesday	Wednesday	Thursday	Friday
22-Mar	23-Mar	24-Mar	25-Mar	26-Mar
	Kathmandu Holdings			
Week Beginning 29 Mar 2021				
Monday	Tuesday	Wednesday	Thursday	Friday
29-Mar	30-Mar	31-Mar	1-Apr	2-Apr
Synlait Milk				

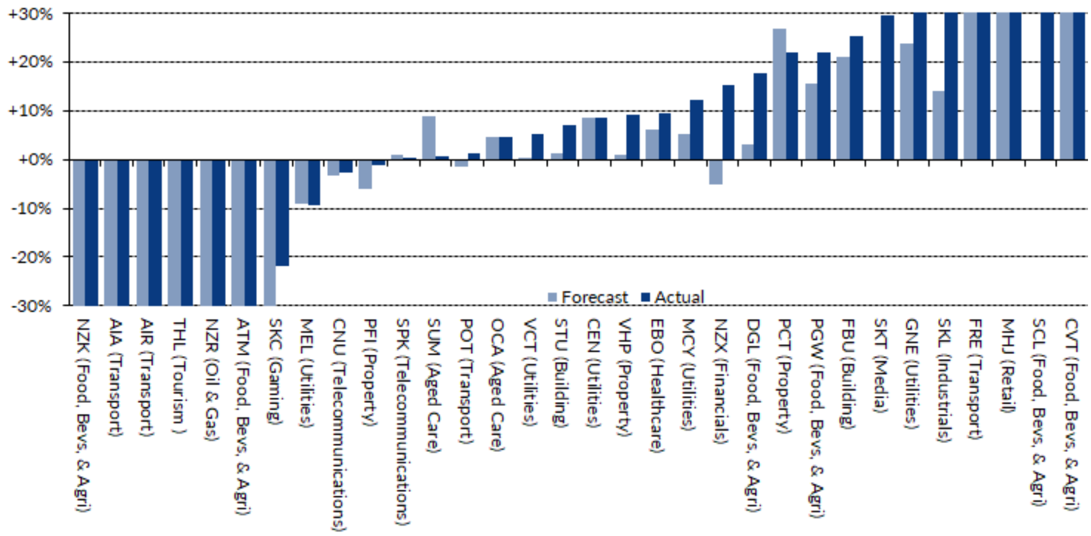
Source: Forsyth Barr analysis *estimated

Figure 25. Total Revenue Growth (6mth on pcp)



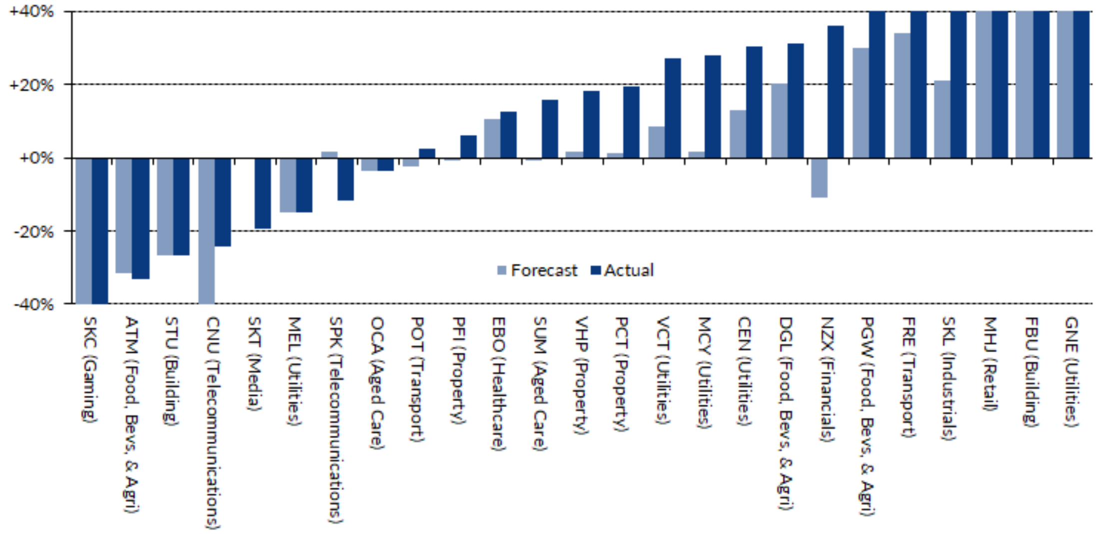
Source: Forsyth Barr analysis

Figure 26. EBITDA Growth (6mth on pcp)



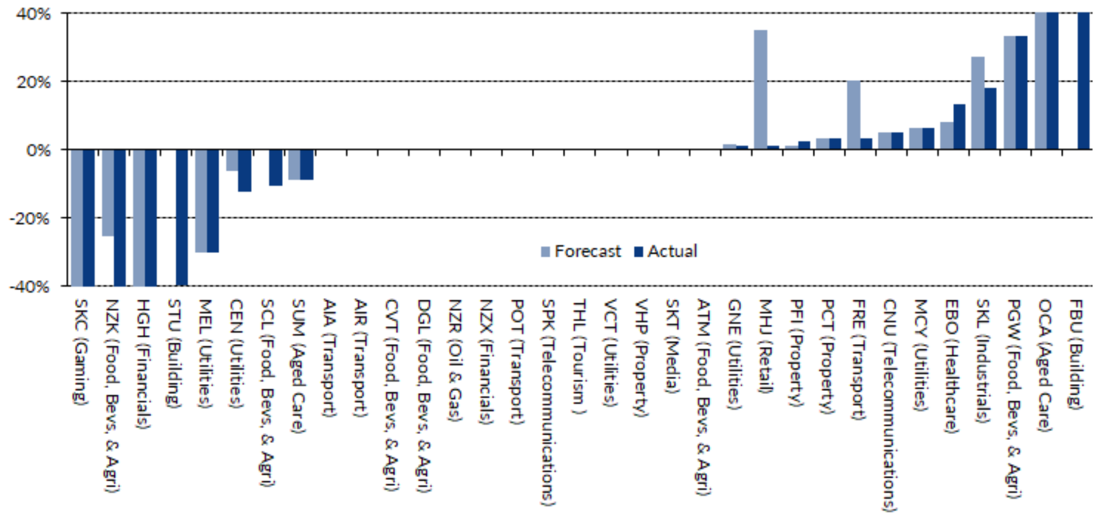
Source: Forsyth Barr analysis

Figure 27. Normalised EPS Growth (6mth on pcp)



Source: Forsyth Barr analysis

Figure 28. Dividend per Share Growth (6mth on pcp)

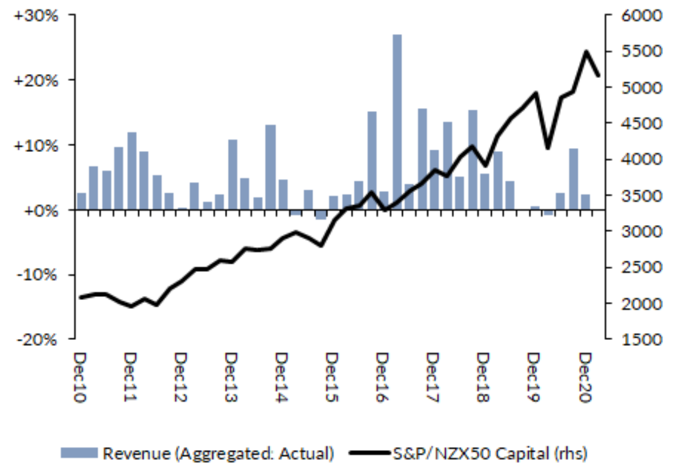


Source: Forsyth Barr analysis

Overall growth achieved

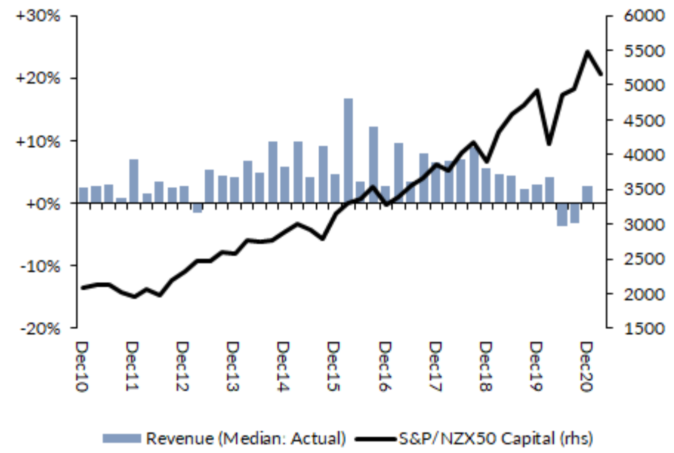
Figures 29–34 show the historic market growth achieved for Total Revenue, EBITDA and Normalised EPS with the S&P/NZX 50 Capital Index. Again, we note the return to positive growth across the board. Growth is based on the six-month reporting period (versus pcp).

Figure 29. Aggregated Total Revenue Growth (6mth on pcp)



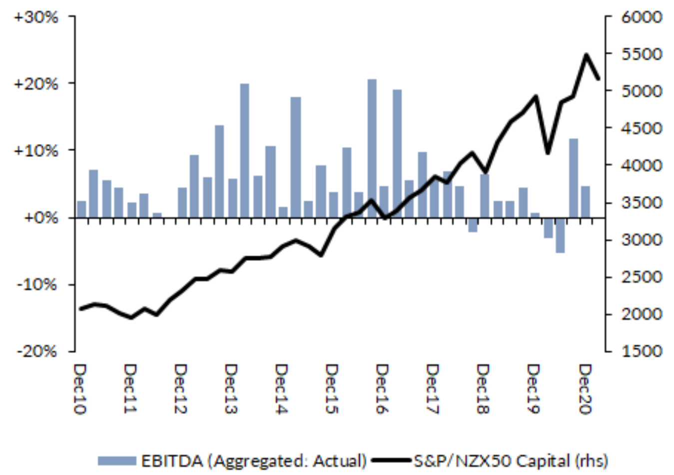
Source: Forsyth Barr analysis

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



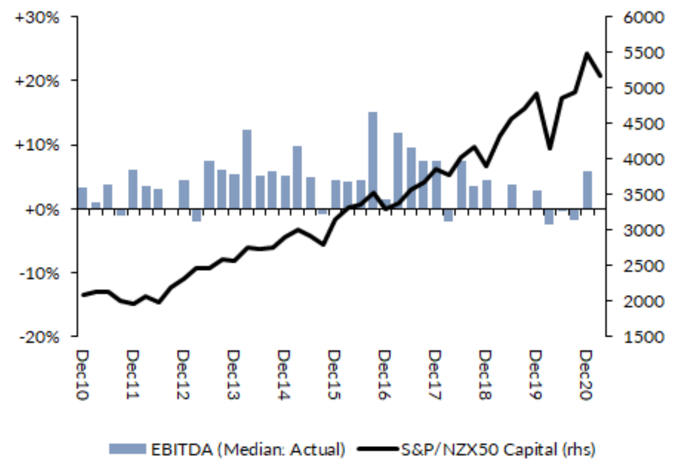
Source: Forsyth Barr analysis

Figure 31. Aggregated EBITDA Growth (6mth on pcp)



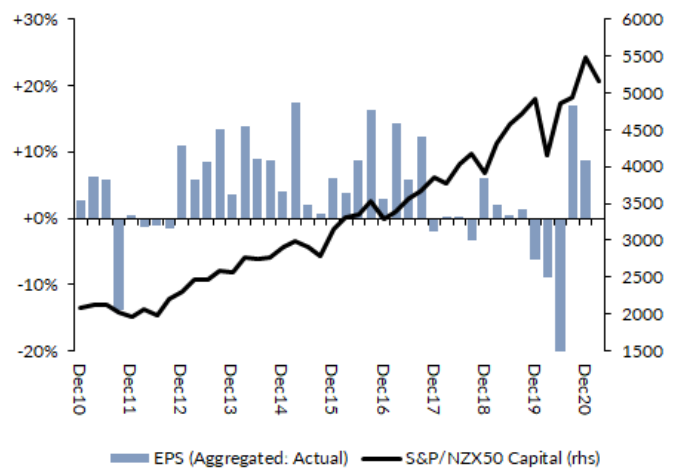
Source: Forsyth Barr analysis

Figure 32. Median EBITDA Growth (6mth on pcp)



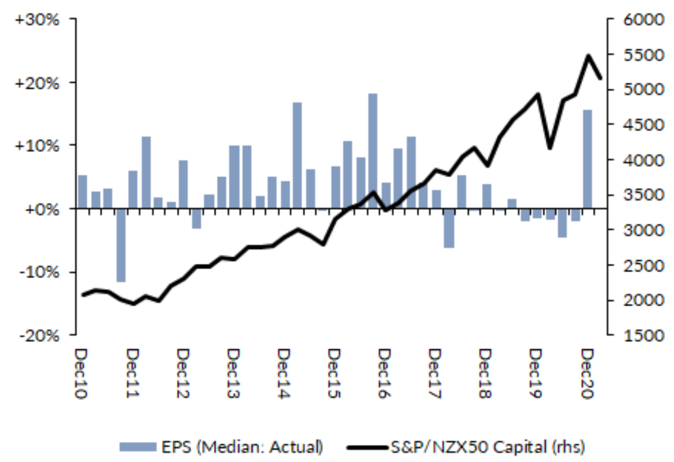
Source: Forsyth Barr analysis

Figure 33. Aggregated Normalised EPS Growth (6mth on pcp)



Source: Forsyth Barr analysis

Figure 34. Median Normalised EPS Growth (6mth on pcp)



Source: Forsyth Barr analysis

Figure 35. Reporting Season: Company Detail

Companies Reported

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
AIA	Auckland Airport	Andy Bowley	1H20	374.7	279.2	223.8	139.9	11.5	0.0
NEUTRAL	Result:	Interim	1H21	131.5	88.2	28.9	-10.5	-0.7	0.0
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	134.0	70.6	11.7	-13.2	-0.9	0.0
			% chg	-64.9%	-68.4%	-87.1%	n/a	n/a	+0.0%

AIA reported its first underlying loss as a listed company due to the temporary COVID-19 driven decimation of international passenger travel. Its 1H21 result is largely irrelevant as a barometer of its longer term profit generation ability. The international passenger driven aviation business will recover, but there is a high degree of uncertainty as to the recovery timing and trajectory. Recent events suggest the prospect of imminent quarantine free travel is less likely with Australia and that border restrictions may only ease once vaccinations in New Zealand have reached a certain (herd immunity) threshold.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
AIR	Air New Zealand	Andy Bowley	1H20	3,015.1	615.1	203.1	148.8	13.1	0.0
NEUTRAL	Result:	Interim	1H21	1,233.8	221.8	-151.2	-130.5	-11.6	0.0
	6mth Result vs Forecast (eps):	Below	Forsyth Barr	1,138.6	232.1	-147.9	-127.4	-11.3	0.0
			% chg	-59.1%	-63.9%	n/a	n/a	n/a	+0.0%

AIR reported another material half year loss; no worse than anticipated and while cash burn continues equity dilution has been partly mitigated, at least temporarily. The company will remain loss-making for the foreseeable future, and increasingly likely well into CY22 unless the government's position on border restrictions eases. There remains a high level of uncertainty as to when and how borders reopen, and how consumers will embrace the likely additional hurdles to travel, once they do. These unknowns contribute to a high margin for error in our earnings forecasts. AIR is committed to an equity raise before the end of FY21, which will be supported by the government. With the share price close to our valuation/target price we retain a NEUTRAL rating.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
ATM	The a2 Milk Company	Chelsea Leadbetter, CFA	1H20	806.7	263.2	261.5	184.9	25.2	0.0
NEUTRAL	Result:	Interim	1H21	677.4	183.0	179.8	124.5	16.8	0.0
	6mth Result vs Forecast (eps):	In-line	Forsyth Barr	671.1	181.3	178.1	127.3	17.2	0.0
			% chg	-16.0%	-30.5%	-31.2%	-32.7%	-33.4%	+0.0%

ATM reported a 1H21 result in-line with recent guidance and materially below the prior year (primarily due to COVID-19 related headwinds), but disappointingly further downgraded FY21 guidance. This is the third downgrade since September 2020 and a further unwelcome reminder of ATM's opaque channels to market, with very limited visibility (including for management). The downgrade cycle has materially dented our (and market) confidence in the near-term outlook which will take time to rebuild. We remain confident in ATM's longer-term brand positioning and growth potential, particularly in large offline channels in China where ATM under-indexes. However, at this juncture there is too much uncertainty to have conviction in a directional call and FY21 guidance is not risk-free. Downgrade to NEUTRAL.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
CEN	Contact Energy	Andrew Harvey-Green	1H20	1,110.0	221.0	111.0	57.6	8.0	16.0
OUTPERFORM	Result:	Interim	1H21	1,141.0	246.0	132.0	75.1	10.5	14.0
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	1,128.0	246.0	119.0	65.0	9.1	15.0
Note: NPAT and EPS exclude our capex/depn adjustment			% chg	+2.8%	+11.3%	+18.9%	+30.5%	+30.5%	-12.5%

There were no shortage of announcements from CEN as it pushed go on its Tauhara geothermal project funded by an NZ$400m equity raise, refreshed its dividend policy, released its 'no surprises' 1H21 result, and released a strong January 2021 operating result. In response, we have upgraded our rating to OUTPERFORM (we are looking through short-term ETF selling creating share price pressure) and upgraded near-term forecasts.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
CNU	Chorus	Matt Henry, CFA	1H20	483.0	332.0	134.0	31.0	7.2	10.0
OUTPERFORM	Result:	Interim	1H21	473.0	323.0	114.0	24.0	5.4	10.5
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	471.5	321.5	114.0	18.6	4.2	10.5
			% chg	-2.1%	-2.7%	-14.9%	-22.6%	-24.1%	+5.0%

We saw little significant new information in CNU's 1H21 result, and nothing that explained the share price weakness on the day. Perhaps (1) Vodafone NZ's announced launch of 5G fixed wireless access (FWA) broadband reignited concerns about the competitive threat to CNU — we continue to believe fibre and FWA can coexist non-detrimentally, or (2) higher near-term debt and capex have lowered expectations for the medium-term dividend path. We maintain the view CNU will generate strong free cash flow over the medium to long-term that could support a sustained dividend in the NZ50–60cps range. Rising bond yields are headwind for dividend stocks, but in CNU's case increased rates are also reflected in a higher regulatory WACC and allowable revenue.

Source: Forsyth Barr analysis

Figure 36. Reporting Season: Company Detail

Companies Reported

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
CVT	Comvita	Guy Hooper	1H20	93.9	0.6	-4.5	-12.9	-26.0	0.0
RESEARCH INSIGHTS	Result:	Interim	1H21	98.9	12.1	7.1	3.5	6.8	0.0
	6mth Result vs Forecast (eps):	Below	Forsyth Barr	98.1	10.3	5.7	3.7	7.4	0.0
			% chg	+5.3%	+1792.0%	n/a	n/a	n/a	+0.0%

CVT's 1H21 result demonstrated a marked improvement on the prior year, with progress evident on its turnaround strategy. Sales growth into key target markets was encouraging and offset negative daigou market impacts in Australia. CVT reiterated its FY21 EBITDA guidance of NZ$20m to NZ$23m, as such we have left our earnings assumptions unchanged (FY21E NZ$21m). The size of the prize is large and we are encouraged by early signs of success, although we note it remains early days with a wide range of possible valuation outcomes.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
DGL	Delegat Group	Guy Hooper	1H20	156.7	61.8	53.5	29.9	29.5	0.0
NEUTRAL	Result:	Interim	1H21	172.8	72.7	64.5	39.2	38.8	0.0
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	162.3	63.7	55.5	35.9	35.5	0.0
			% chg	+10.3%	+17.6%	+20.5%	+31.3%	+31.3%	+0.0%

DGL delivered another period of robust earnings growth, ahead of expectations, underpinned by strong sales growth and margin expansion. DGL reported 1H21 operating NPAT of NZ$43m, up +25% on the prior year, and lifted full year guidance to NZ$67m. DGL continues to demonstrate its ability to drive earnings growth, with further opportunity as it penetrates further into the North American market. Trading on a 12 month forward PE multiple of 22x, we view valuation as broadly fair but would see any price weakness as creating attractive entry points. NEUTRAL.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
EBO	EBOS Group	Chelsea Leadbetter, CFA	1H20	4,376.1	168.4	132.6	82.7	51.0	37.5
OUTPERFORM	Result:	Interim	1H21	4,653.3	184.1	147.8	94.3	57.5	42.5
	6mth Result vs Forecast (eps):	In-line	Forsyth Barr	4,564.3	178.8	143.7	92.4	56.3	40.5
Note: AUD forecasts (DPS in NZD)			% chg	+6.3%	+9.3%	+11.5%	+14.1%	+12.7%	+13.3%

EBO reported a strong 1H21 result, modestly ahead of our expectations, and confirmed this strength has continued into 2H21. Growth drivers were broad-based, including market share gains, margin expansion/operating leverage, attractive industry growth and a modest net benefit from COVID-19. EBO is a quality business with an impressive track record of execution, a positive growth outlook, defensive product exposures and a conservative balance sheet which offers ample optionality. Recent share price strength has lifted EBO's one year forward PE to ~23x, which we still view as relatively attractive in the NZ market, particularly against defensive peers.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
FBU	Fletcher Building	Rohan Koreman-Smit, CFA	1H20	3,961.0	402.0	219.0	107.0	12.8	0.0
NEUTRAL	Result:	Interim	1H21	3,987.0	503.0	323.0	195.0	23.7	12.0
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	4,018.3	485.8	308.5	177.5	21.4	0.0
			% chg	+0.7%	+25.1%	+47.5%	+82.2%	+85.7%	+100.0%

FBU delivered a strong result, slightly ahead of guidance and our expectations. Underlying EBIT of NZ$323m was up +47% yoy chiefly due to the benefits of recent cost-out initiatives. The main surprise of the result was the announcement of a 12cps interim dividend, facilitated by updated covenant agreements and underpinned by strong free cash flow. Buoyant construction activity supported volumes in FBU's NZ Core (building products, distribution, concrete) and while Australia was mixed cost out more than offset revenue declines.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
FRE	Freightways	Andy Bowley	1H20	318.9	71.3	49.0	30.3	18.8	15.0
OUTPERFORM	Result:	Interim	1H21	410.3	99.8	67.2	45.0	27.1	15.5
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	409.7	95.9	64.2	41.7	25.2	18.0
			% chg	+28.7%	+40.0%	+37.3%	+48.2%	+44.3%	+3.3%

FRE's reported a very strong 1H21 result, highlighting its enhanced quality characteristics and more attractive growth profile than yesteryear. The repositioning to take advantage of profitable secular growth in B2C (business-toconsumer) parcels, medical waste and temperature controlled freight, is being rewarded. We believe FRE is now a higher growth business, strategically rational but more willing to take risks. It has justifiably re-rated over the past six months yet at ~20x one year forward PE it still trades at a material discount to the domestic market. We believe it is now a higher quality business (enhanced competitive positioning, better growth potential, improved M&A track record, and lower exposure to sunset industries) that deserves a higher multiple.

Source: Forsyth Barr analysis

Figure 37. Reporting Season: Company Detail

Companies Reported

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
GNE	Genesis Energy	Andrew Harvey-Green	1H20	1,713.9	167.2	57.2	16.2	1.6	8.5
OUTPERFORM	Result:	Interim	1H21	1,852.9	217.3	114.8	60.0	5.7	8.6
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	1,856.2	206.7	100.3	48.6	4.7	8.7
Note: NPAT and EPS exclude our capex/depn adjustment			% chg	+8.1%	+30.0%	+100.7%	+271.2%	+266.2%	+0.9%

GNE record 1H21 EBITDAF result of NZ$217m was a function of improved performance across all business segments and is the first time first half EBITDAF has broken NZ$200m. The strong result has lead to an +NZ$15m guidance upgrade and GNE's FY21 EBITDAF guidance range is now NZ$415m to NZ$425m. The result is better than we expected, causing us to lift our FY21 EBITDAF forecast +2.7% to NZ$419m. However, rising interest rates have offset the earnings uplift such that we have trimmed our target price -15cps to NZ$3.85.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
HGH	Heartland Group Holdings	Jamie Foulkes	1H20	n/a	n/a	n/a	-21.9	-3.8	4.5
UNDERPERFORM	Result:	Interim	1H21	n/a	n/a	n/a	43.2	7.4	2.5
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	n/a	n/a	n/a	40.7	7.1	2.5
			% chg	n/a	n/a	n/a	n/a	n/a	-44.4%

HGH's 1H21 result was broadly in line with our expectations, with lower than anticipated impairment expenses offset by subdued receivable loan growth. This was predominantly due to the impact of the comprehensive COVID-19 fiscal stimulus packages provided by both the New Zealand Government and Reserve Bank of New Zealand during 1H21, driving early loan repayments and a slowdown in demand for financing. While we welcome HGH's longer term strategy of focussing on divisions exhibiting a higher return on equity, such as the motor and reverse mortgage books, we remain unconvinced by the company's investment into 'digital' and the long term potential of its Open4Business platform.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
MCY	Mercury	Andrew Harvey-Green	1H20	720.0	255.0	153.0	90.0	6.6	6.4
UNDERPERFORM	Result:	Interim	1H21	752.0	286.0	184.0	130.0	8.5	6.8
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	736.1	268.6	156.3	91.6	6.7	6.8
Note: NPAT and EPS exclude our capex/depn adjustment			% chg	+4.4%	+12.2%	+20.3%	+44.4%	+27.7%	+6.2%

MCY's 1H21 result was a good one given low generation volumes, although it was also boosted by some one-off gains. 1H21 EBITDAF of NZ$294m was +NZ$36m better than 1H20 and +NZ$26m better than our forecast. However, the outlook is mixed. The positive aspect is MCY targeting +NZ$30m of FY22 EBITDAF uplift from various initiatives, albeit details are light. The downside is an FY21 EBITDAF guidance fall of -NZ$15m to NZ$520m due to weak hydro inflows over the past month and Turitea wind farm completion delays.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
MEL	Meridian Energy	Andrew Harvey-Green	1H20	1,780.0	465.0	308.0	183.8	7.2	8.1
UNDERPERFORM	Result:	Interim	1H21	1,868.0	422.0	269.0	156.4	6.1	5.7
	6mth Result vs Forecast (eps):	In-line	Forsyth Barr	1,968.6	422.4	267.7	156.1	6.1	5.7
Note: NPAT and EPS exclude our capex/depn adjustment			% chg	+4.9%	-9.2%	-12.7%	-14.9%	-14.9%	-30.0%

There were no surprises in MEL's 1H21 result and even the announcement it is progressing its Harapaki wind farm was expected. The result itself was strong, albeit EBITDAF of NZ$422m is -9% lower than the record prior period. The interim dividend of 5.7cps was flat on 1H20 and investors should not expect significant dividend growth as MEL (and the sector generally) moves into a development phase. From a value perspective, rising interest rates is a headwind for yield investments such as MEL and we have cut our target price -8% to NZ$5.10. We retain our UNDERPERFORM rating.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
MHJ	Michael Hill Intl	Guy Hooper	1H20	329.5	41.2	31.6	21.6	5.6	1.6
OUTPERFORM	Result:	Interim	1H21	337.8	84.5	58.9	39.0	10.1	1.6
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	318.3	67.2	57.2	30.4	7.8	2.1
Note: AUD forecasts (DPS in NZD)			% chg	+2.5%	+105.3%	+86.2%	+80.7%	+80.7%	+1.1%

MHJ produced a solid 1H21 result, with positive same store sales (SSS) growth and gross margin expansion in all geographies providing us with confidence in its strategic direction and execution. MHJ delivered EBIT of A$59m at the top end of the A$56–$60m guidance. With borders closed and customers reallocating spending towards discretionary purchases, we believe that trading conditions will remain supportive of continued sales growth, especially as retailers cycle initial lockdowns. MHJ signalled a strong start to the period, with same store sales (SSS) up +11% in the first eight weeks of 2H21. We retain our OUTPERFORM rating with MHJ trading on undemanding multiples and further operational improvements, providing upside to our forecasts.

Source: Forsyth Barr analysis

Figure 38. Reporting Season: Company Detail

Companies Reported

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
NZK	New Zealand King Salmon	Guy Hooper	1H20	84.2	33.9	29.5	20.8	15.0	2.0
OUTPERFORM	Result:	Interim	1H21	82.3	10.5	5.5	-4.3	-3.1	0.0
	6mth Result vs Forecast (eps):	Below	Forsyth Barr	74.6	13.6	8.9	5.6	4.0	1.5
			% chg	-2.3%	-69.1%	-81.4%	n/a	n/a	-100.0%

NZK reported a weak result with sales disruption, higher freight costs, and additional promotional activity weighing on margins. This was not unexpected given the challenging operating environment, while pleasingly sales volumes have accelerated in recent months to above pre COVID-19 levels. The company is expecting to clear its excess inventory by mid-2021. Although earnings are likely to remain under pressure while borders are shut and inventory clears, the long-term opportunity remains unchanged, in our view.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
NZR	Refining NZ	Andrew Harvey-Green	FY19	348.4	118.2	18.3	4.2	1.3	0.0
NEUTRAL	Result:	Final	FY20	245.7	50.4	-36.8	-37.2	-11.9	0.0
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	227.0	38.2	-49.5	-45.8	-14.7	0.0
			% chg	-29.5%	-57.4%	n/a	n/a	n/a	+0.0%

NZR's Strategic Review update upstaged its FY20 result, with news that BP has signed "in principle" terms, including import terminal fees, an unexpected bonus. Whilst NZR still has to agree terms with Z Energy (ZEL) and Mobil, it is an encouraging sign for shareholders and provides increased clarity on NZR's future path. That said, whilst our valuation range has narrowed, it is still relatively wide between NZ$0.35 and NZ$1.19/share.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
NZX	NZX	Jamie Foulkes	FY19	69.5	31.4	22.8	14.6	5.3	3.1
OUTPERFORM	Result:	Final	FY20	78.4	34.4	26.1	17.6	6.3	3.1
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	76.1	33.6	24.8	16.4	5.9	3.1
			% chg	+12.8%	+9.7%	+14.6%	+20.1%	+18.8%	+0.0%

NZX reported a stronger than expected FY20 result with a good performance from every division. This was driven by impressive organic revenue growth offsetting higher than anticipated costs. The company has invested heavily in additional headcount and IT infrastructure during FY20, in light of outages occurring during the year and we expect to see continued investment into FY21. We recognise the largely unknown nature of these infrastructure investments during the year ahead, however, first time FY21 EBITDA guidance appears conservative at this stage.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
OCA	Oceania Healthcare	Aaron Ibbotson	1H20	124.7	34.0	26.9	24.1	3.9	2.1
OUTPERFORM	Result:	Interim	1H21	132.4	35.5	27.5	23.5	3.8	3.2
	6mth Result vs Forecast (eps):	In-line	Forsyth Barr	126.7	32.3	24.5	20.6	3.3	3.2
			% chg	+6.1%	+4.5%	+2.2%	-2.4%	-3.7%	+52.4%

We walk away from OCA's 1H21 result with increased confidence in our view that OCA has reached an earnings inflection point and is on track to double annuity EBITDA from FY20 to FY23. Specifically, we note three positive developments; (1) OCA reported positive free cash flow and reduced net debt from its FY20 result; (2) annuity EBITDA grew by ~+30% versus 2H20 and +20% versus 1H20; and (3) we were encouraged by the large proportion (we estimate 80-90%) of delivered care suites that were sold under an ORA versus care beds with an associated premium accommodation charge (PAC).

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
PCT	Precinct Properties NZ	Rohan Koreman-Smit	1H20	50.5	43.9	43.9	41.3	3.1	3.2
OUTPERFORM	Result:	Interim	1H21	62.5	53.5	53.5	49.3	3.8	3.3
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	63.5	55.7	55.7	41.9	3.2	3.3
			% chg	+23.8%	+21.9%	+21.9%	+19.4%	+19.4%	+3.2%

PCT portfolio has fared well despite COVID-19 pressures, with portfolio fundamentals remaining solid, and operations tracking broadly in-line with expectations. While we expect that the Auckland and Wellington office markets will experience some level of softness in coming year, PCT is in good shape to withstand these pressures given its best in class offering, portfolio under-renting, high quality corporate and government tenants, structured rent growth, and a 7.7 year WALT. We lift our rating from NEUTRAL to OUTPERFORM reflecting a better earnings outlook and attractive valuation metrics with PCT trading at a 3% premium to NTA vs. the sector 8.5% and offering a gross yield 5.9% vs. the sector at 5.5%.

Source: Forsyth Barr analysis

Figure 39. Reporting Season: Company Detail

Companies Reported

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
PFI	Property For Industry	Rohan Koreman-Smit	FY19	79.7	74.6	74.6	42.5	8.5	4.0
UNDERPERFORM	**Result:**	**Final**	**FY20**	**79.6**	**73.8**	**73.8**	**45.5**	**9.1**	**4.1**
	6mth Result vs Forecast (eps):	**Above**	Forsyth Barr	**77.5**	**71.8**	**71.8**	**43.9**	**8.8**	**4.1**
			% chg	**-0.1%**	**-1.1%**	**-1.1%**	**+7.0%**	**+6.8%**	**+2.5%**

PFI reported a solid result slightly above our expectations. However, PFI is now one of the most expensive LPVs in the market. While we are attracted to the defensive nature of industrial property and consistent strategic execution by management, we believe this is more than priced in given its current 30% premium to NTA and one of the slimmest gross yields in the sector, reflecting its tightest spread to bonds on record. We believe this leaves little room for relative upside vs. the sector and downgrade our rating to UNDERPERFORM.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
PGW	PGG Wrightson	Guy Hooper	1H20	474.1	34.5	19.6	12.8	16.9	9.0
UNDERPERFORM	**Result:**	**Interim**	**1H21**	**499.3**	**42.1**	**28.1**	**18.0**	**23.9**	**12.0**
	6mth Result vs Forecast (eps):	**Above**	Forsyth Barr	**483.9**	**39.9**	**25.7**	**16.6**	**22.0**	**12.0**
			% chg	**+5.3%**	**+21.9%**	**+43.0%**	**+41.4%**	**+41.4%**	**+33.3%**

PGW reported a strong 1H21 result, however, a reiteration of full year guidance implies softer schedule prices and global trade flow uncertainty in 2H21. Elevated rural property activity was the primary driver of the strong result versus expectations, and is expected to be a tailwind going forward. However, schedule prices are currently c. -10% below prior year levels and are likely to weigh on livestock trading commissions. We view current trading multiples (15.5x 12 month forward PE ratio) as not offering sufficient value to compensate for seasonal agri risk and the limited earnings growth beyond the current period.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
POT	Port of Tauranga	Andy Bowley	1H20	154.8	83.0	68.3	48.3	7.1	6.0
UNDERPERFORM	**Result:**	**Interim**	**1H21**	**160.5**	**84.0**	**68.5**	**49.4**	**7.3**	**6.0**
	6mth Result vs Forecast (eps):	**Above**	Forsyth Barr	**153.7**	**81.7**	**67.5**	**47.2**	**6.9**	**6.0**
			% chg	**+3.7%**	**+1.2%**	**+0.3%**	**+2.3%**	**+2.3%**	**+0.0%**

POT'S 1H21 result was impacted by shipping industry congestion which has lowered productivity, added costs and pressured margins, though performance is ahead of expectations. Industry congestion is likely to remain through 2H21, albeit POT will be cycling easier lockdown restrictions comparatives, therefore, profit growth should accelerate. NPAT growth in 1H21 of +2% against the prior year was achieved despite lower trade volumes and a sharp decline in marine revenue; higher container storage charges, higher contributions from Timaru investments and a return to profit at Coda more than offset these headwinds. POT has upgraded its FY21 NPAT guidance from a previous, very conservative, range. Medium term growth is constrained by capacity constraints as the port becomes increasingly reliant on the Southern Wharf extension to facilitate growth.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
RBD	Restaurant Brands NZ	Guy Hooper	FY19	n/a	n/a	n/a	n/a	n/a	n/a
NEUTRAL	**Result:**	**Final**	**FY20**	**924.7**	**136.7**	**75.2**	**46.7**	**37.8**	**0.0**
	6mth Result vs Forecast (eps):	**Above**	Forsyth Barr	**921.3**	**138.5**	**77.6**	**44.6**	**36.1**	**0.0**
			% chg	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

RBD's FY20 result was broadly in line with expectations, highlighting the resilience of the business as it navigated COVID-19 disruption. Comparative performance is difficult to delineate given a change in balance date, the acquisition of 69 restaurants in California, and operational restrictions. RBD delivered robust same store sales, complimented by a flat margin profile. RBD has a robust pipeline of growth opportunities and a reasonable track record of execution. Trading on a 25x 12 month forward PE, we believe RBD is fairly priced at current levels and retain our NEUTRAL rating.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
SCL	Scales	Guy Hooper	FY19	484.6	72.0	61.8	48.6	34.6	9.5
NEUTRAL	**Result:**	**Final**	**FY20**	**470.7**	**56.7**	**37.6**	**26.6**	**18.9**	**8.5**
	6mth Result vs Forecast (eps):	**n/a**	Forsyth Barr	**478.8**	**58.1**	**40.4**	**30.0**	**21.3**	**n/a**
			% chg	**-2.9%**	**-21.2%**	**-39.2%**	**-45.3%**	**-45.4%**	**-10.5%**

SCL'S reported a soft FY20 result, as Horticulture weakness offset a surging Food Ingredients business. Pet food strength was a highlight in FY20, however, the key takeaway was the dampened outlook commentary and a downgrade to FY21 earnings guidance, cut -10% at the mid-point from its previous range. Weighing on earnings expectations are lower fruit production and Horticulture margin pressure. We lower our earnings forecasts and cut our target price -30cps to NZ$5.00. While SCL offers attractive medium-term earnings growth, it faces elevated near-term earnings risk (labour shortages) and a more opaque market outlook.

Source: Forsyth Barr analysis

Figure 40. Reporting Season: Company Detail

Companies Reported

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
SKC	SKYCITY	Chelsea Leadbetter, CFA	1H20	443.3	153.3	111.8	75.0	11.3	10.0
OUTPERFORM	Result:	Interim	1H21	351.1	119.9	77.5	43.7	5.8	0.0
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	321.6	101.4	58.2	35.5	4.7	0.0
			% chg	-20.8%	-21.8%	-30.7%	-41.7%	-48.7%	-100.0%

SKC delivered a strong 1H21 result in the circumstances, ahead of our forecasts, with trading buoyant (when open) and showing further improvement in recent months. We estimate like-for-like total revenue (adjusting for COVID-19 restrictions) at >85% of pre COVID-19 levels in recent months, with local gaming the highlight (>95%). Qualitative FY21 guidance was retained and implies a wide feasible range, with the company unsurprisingly cautious given the fluid backdrop. At 15x PE and 8x EV/EBITDA using FY23E we believe you are being more than compensated for the risks.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
SKL	Skellerup Holdings	Guy Hooper	1H20	123.0	24.1	18.0	12.1	6.2	5.5
OUTPERFORM	Result:	Interim	1H21	136.6	33.7	27.6	19.5	10.0	6.5
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	135.7	27.5	21.3	14.6	7.5	7.0
			% chg	+11.1%	+39.9%	+53.1%	+61.2%	+61.2%	+18.2%

SKL delivered a stellar 1H21 result, ahead of expectations, and characterised by impressive margin expansion across the group. Growth was broad based with both its operating divisions achieving >+50% year on year EBIT growth. SKL has experienced meaningful multiple expansion over the past seven months, which management believes is sustainable due to operational improvements, with notable optimism around medium-term earnings growth through its project pipeline. SKL has strong cash generation, earnings momentum, a positive growth outlook, and a conservative balance sheet which offers optionally.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
SKT	Sky TV	Aaron Ibbotson	1H20	384.8	89.7	28.4	11.7	2.8	0.0
NEUTRAL	Result:	Interim	1H21	359.1	116.3	61.2	39.4	2.3	0.0
	6mth Result vs Forecast (eps):	n/a	Forsyth Barr	n/a	n/a	n/a	n/a	n/a	n/a
			% chg	-6.7%	+29.6%	+115.7%	+236.6%	-19.3%	+0.0%

SKT's 1H21 result had something for everyone. There are clear signs that the erosion of the core satellite subscriber base is slowing in the 11th hour. With a net loss of "only" ~10,000 subscribers in the first half, exclusively attributed to the legacy reseller book, a future with largely stable satellite subscribers is, for the first time since the arrival of Netflix in NZ, imaginable. However, the other side of the equation, ARPU, experienced its most severe decline on record, leaving core satellite revenues down -9% YoY. Another victory like this and the war is lost. SKT gave a comprehensive explanation for the drop in satellite ARPU, attributing the lion's share to one off items. Looking ahead, we believe the pace of decline in satellite revenues will slow and to be almost offset by growth in streaming revenues. With stabilising revenues we expect the focus to shift to costs.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
SPK	Spark NZ	Matt Henry, CFA	1H20	1,824.0	500.0	266.0	167.0	9.1	12.5
OUTPERFORM	Result:	Interim	1H21	1,796.0	502.0	239.0	148.0	8.0	12.5
	6mth Result vs Forecast (eps):	Below	Forsyth Barr	1,772.2	505.2	268.6	170.1	9.2	12.5
			% chg	-1.5%	+0.4%	-10.2%	-11.4%	-11.8%	+0.0%

SPK delivered another very sound performance, navigating COVID border closures and intensifying competition in broadband to deliver stable operating earnings. Key positives remain (1) a resilient contribution from mobile, with underlying growth offsetting the loss of international roaming, and (2) SPK's ability to find cost efficiencies. We continue to see appeal in SPK's consistent delivery, solid market position (particularly mobile), A- rated balance sheet, and attractive dividend yield.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
STU	Steel & Tube Holdings	Rohan Koreman-Smit, CFA	1H20	232.2	15.7	5.5	3.4	2.1	2.0
NEUTRAL	Result:	Interim	1H21	226.5	16.8	7.6	2.5	1.5	1.2
	6mth Result vs Forecast (eps):	In-line	Forsyth Barr	220.3	15.9	7.3	2.5	1.5	2.0
			% chg	-2.5%	+7.2%	+37.4%	-26.5%	-26.5%	-39.5%

STU's 1H21 EBIT of NZ$7.6m was slightly above the top end of its guidance range supported by recent staff and site rationalisation and a strong December quarter. STU resumed distributions with a 1.2cps interim dividend largely supported by its healthy balance sheet which boasts NZ$24m of cash (15cps). While the benefits of cost out initiatives are encouraging, our optimism is tempered by the uncertain trajectory of non-residential construction activity. We remain NEUTRAL rated, but raise our target price to NZ$1.00 as we lift medium-term earnings forecasts, largely reflecting stronger for-longer residential activity.

Source: Forsyth Barr analysis

Figure 41. Reporting Season: Company Detail

Companies Reported

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
SUM	Summerset Group Limited	Aaron Ibbotson	FY19	251.6	129.2	121.4	106.2	47.9	7.7
NEUTRAL	Result:	Final	FY20	266.7	119.9	111.8	98.3	43.8	7.0
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	267.2	125.6	116.2	97.1	43.3	7.0
			% chg	+6.0%	-7.2%	-7.9%	-7.4%	-8.4%	-9.1%

SUM reported a solid FY20 result, in-line with guidance. The forward messaging was confident with strong reported pre-sales and contracted stock levels, a combination supportive of growth into FY21. Specifically, management guided towards 500–550 unit deliveries in FY21, with potential to reach 600 units should the current buoyant market conditions remain. One area of weakness relative to our expectations were costs which came in +20% against the prior year, suggesting limited operating leverage. Looking ahead into FY21 and FY22 we increase our reported EBITDA and underlying earnings but reduce our annuity EBITDA estimates. The upgrades of reported earnings are almost exclusively related to new sales (not included in annuity EBITDA), while costs more than offset modest upgrades in re-sale margins. We keep our target price unchanged at NZ$12.80 but downgrade to NEUTRAL following strong share price performance.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
THL	Tourism Holdings	Andy Bowley	1H20	207.5	62.1	31.0	13.1	8.9	0.0
NEUTRAL	Result:	Interim	1H21	204.5	25.7	0.2	-2.7	-1.8	0.0
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	207.2	28.5	-3.7	-4.0	-2.7	0.0
			% chg	-1.4%	-58.6%	-99.3%	n/a	n/a	+0.0%

The company reported a challenged 1H21 result, reliant on domestic only rentals as a result of border closures, partially offset by booming vehicle sales. An underlying post-tax loss of -NZ$2.7m was its first since 1H12. Rental demand has been significantly impacted by border restrictions, particularly in New Zealand, where domestic rentals have historically been a smaller proportion of the customer mix. This will play out to a greater extent in 2H21; we expect losses to deepen further. The strength of vehicle sales have provided THL the relative luxury of a strong balance sheet with negligible net debt at period end and allows scope for reinvestment in fleet ahead of an anticipated recovery, for which THL is well placed.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
VCT	Vector	Andrew Harvey-Green	1H20	699.6	309.4	178.0	79.5	8.0	8.3
NEUTRAL	Result:	Interim	1H21	647.7	325.2	192.1	101.1	10.2	8.3
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	644.5	310.9	178.4	86.2	8.7	8.3
			% chg	-7.4%	+5.1%	+7.9%	+27.2%	+27.2%	+0.0%

VCT's 1H21 EBITDA result of NZ$274m was better than expected (+NZ$17m better) due to a strong performance in its Networks division and was up +3.5% on 1H20. However, the result was driven by the retention of loss rental rebates totalling NZ$21.1m. The good result saw VCT upgrade FY21 EBITDA guidance +NZ$20m, to between NZ$500–NZ$520m, up from NZ$480m–NZ$500m. We have lifted our FY21 EBITDA forecast +NZ$17m to NZ$513m. Given the recent rise in interest rates we foresee near term headwinds for high yield stocks and retain our NEUTRAL rating.

Code	Company	Analyst	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
VHP	Vital Healthcare	Rohan Koreman-Smit	1H20	49.9	41.1	41.1	20.9	4.6	4.4
NEUTRAL	Result:	Interim	1H21	54.2	44.9	44.9	26.3	5.5	4.4
	6mth Result vs Forecast (eps):	Above	Forsyth Barr	51.0	41.5	41.5	22.6	4.7	4.4
			% chg	+8.5%	+9.1%	+9.1%	+25.4%	+18.2%	+0.0%

VHP reported a solid 1H21 ahead of our expectations, largely due to better net rental income. VHP's strong top line was largely driven by acquisitions and development income. VHP also tweaked DPS guidance slightly and now expect to pay 4.5cps in 2H21 taking FY21 distributions to 8.88cps. We expect VHP's portfolio to continue to provide investors with a defensive property exposure, with good distribution growth prospects underpinned by developments (we forecast growth of 3% per annum to FY23); however, this is largely in the share price in our view. With VHP trading broadly in line with our NZ$3.15 12-month target, we lower our rating from OUTPERFORM to NEUTRAL.

Companies Yet to Report

Code	Company	Analyst	Last Balance Date	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
BGP	Briscoe Group	Guy Hooper	Jan-20	FY20	662.7	123.7	97.2	62.6	28.3	0.0
RESEARCH INSIGHTS	Result:	Final		FY21	708.8	140.3	113.1	72.4	32.7	14.0
	Release Date:	Tue, 16 Mar 21		Consensus	687.0	129.0	100.4	64.0	29.0	12.0
				% chg (Forsyth Barr)	+7.0%	+13.4%	+16.4%	+15.6%	+15.6%	+100.0%

BGP continues to outperform peers, delivering strong sales growth in combination with gross margin expansion. FY21 NPAT guidance in excess of FY20 (NZ$62.6m). We look for comments around inventory position and supply chain concerns.

Source: Forsyth Barr analysis

FORSYTH BARR

Figure 42. Reporting Season: Company Detail

Companies Yet to Report

Code	Company	Analyst	Last Balance Date	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
FSF	Fonterra	Chelsea Leadbetter, CFA	Jul-20	1H20	10,071.0	910.0	587.0	283.0	17.6	0.0
RESEARCH INSIGHTS	Result:	Interim		1H21	10,030.0	930.2	605.5	343.9	21.3	7.0
	Release Date:	Wed, 17 Mar 21		Consensus	n/a	n/a	n/a	n/a	n/a	n/a
				% chg (Forsyth Barr)	-0.4%	+2.2%	+3.1%	+21.5%	+21.5%	+100.0%

FSF's interim results are inherently volatile given seasonal milk production and commodity price movements, not helped in 1H21 by continued COVID-19 uncertainty. 1Q was strong and we expect the lower end of the FY21 guidance range to lift, although the continued uplift in the milk price may hinder performance.

Code	Company	Analyst	Last Balance Date	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
KMD	Kathmandu Holdings	Guy Hooper	Jul-20	1H20	363.7	68.3	68.3	115.5	17.8	0.0
OUTPERFORM	Result:	Interim		1H21	399.4	79.0	79.0	8.5	1.3	2.0
	Release Date:	Tue, 23 Mar 21		Consensus	n/a	n/a	n/a	n/a	n/a	n/a
				% chg (Forsyth Barr)	+9.8%	+15.6%	+15.6%	-92.7%	-92.7%	+100.0%

We expect divergent fortunes for the two brands, with the more seasonally important Rip Curl performing well. Kathmandu is likely being impacted by lack of travel. 1Q21 group EBITDA was flat on the prior year. Investor focus will be on inventory positions, and outlook - namely Rip Curl's forward order book into 2H21.

Code	Company	Analyst	Last Balance Date	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
SML	Synlait Milk	Chelsea Leadbetter, CFA	Jul-20	1H20	559.3	65.1	46.4	26.2	14.6	0.0
NEUTRAL	Result:	Interim		1H21	549.9	49.7	30.2	13.3	7.4	0.0
	Release Date:	Mon, 29 Mar 21		Consensus	n/a	n/a	n/a	n/a	n/a	n/a
				% chg (Forsyth Barr)	-1.7%	-23.6%	-35.0%	-49.2%	-49.2%	+0.0%

Interim results for dairy companies are inherently volatile. We expect a material profit decline, primarily due to lower volumes for ATM, and associated operating de-leverage. Key focus will be (1) debt levels, (2) segmental detail - we look for better transparency following recent diversification, (3) updated outlook/views on finished Infant Formula.

Code	Company	Analyst	Last Balance Date	Period	Revenue ($m)	EBITDA ($m)	EBIT ($m)	Norm NPAT ($m)	EPS (cps)	DPS (6mth) (cps)
WHS	The Warehouse Group	Guy Hooper	Jul-20	1H20	1,683.4	163.6	65.7	46.2	13.4	0.0
RESEARCH INSIGHTS	Result:	Interim		1H21	1,843.4	249.5	171.8	111.1	32.2	12.0
	Release Date:	Thu, 18 Mar 21	*(est)*	Consensus	n/a	n/a	n/a	n/a	n/a	n/a
				% chg (Forsyth Barr)	+9.5%	+52.6%	+161.7%	+140.5%	+140.5%	+100.0%

Trading momentum has continued through November and into December with gross margin expansion remaining a feature. 1H21 underlying NPAT guidance in excess of NZ$70m. Dividend expectations and inventory positions are likely to key focus points with particular emphasis on supply chain and shortage risks.

Source: Forsyth Barr analysis