

Air New Zealand

NEUTRAL

FY19 — Lower Altitude Flying

Air New Zealand's (AIR) FY19 result confirmed our existing view that the current risk/reward for AIR shares is fairly and finely balanced. In other words, there was nothing dramatically new in the result to alter our thinking and therefore we retain a NEUTRAL rating. Profitability and return on capital has fallen materially in recent years given a combination of competition, higher fuel prices, Rolls Royce engines issues, and slowing demand growth. FY20 guidance suggests FY19 is the trough in the current earnings cycle, with management intent on clawing its way back to PBT of NZ\$500m in future years. This will take longer to achieve than the speed of decline, in our view.

What's changed?

■ Target Price: Increased to NZ\$2.60 from NZ\$2.50 due to lower WACC estimate

New CEO, new challenges

Christopher Luxon's financial record as CEO has been impressive. Seven years of ROIC in excess of AIR's minimum target of 10% and compound annual capacity growth of +5%. The company enjoyed some material tailwinds in his early years and increasingly battled headwinds in recent years. The business he hands on to his unknown successor is very different (bigger, more commercial, more profitable) to the one he inherited. While the strategic direction is unlikely to change we expect the incoming CEO will need to pull a few different levers in order to sustainably return PBT to ~NZ\$500m.

Slower revenue run-rate; intense cost focus

AIR ended FY19 with a passenger revenue growth run-rate of ~+5%. This is likely to be about as good as it gets in FY20 despite mid-single digit capacity growth and AIR's revenue management toolkit being supportive. On the other side of the ledger unit cost control will be helped by (1) a more benign fuel price environment, (2) initial benefits of AIR's NZ\$60m cost-out programme including cycling the costs associated with the Rolls Royce engine issues, and (3) the scale benefits of strong long-haul growth. FY19 should be the low point in the earnings cycle, unless the economic clouds darken.

Risk attached to yield attraction

At \sim 10x one year forward PE on our earnings estimates, AIR currently trades at a \sim 10% premium to Qantas (QAN) and is one of the more expensive listed airlines globally — justified given its strong structural position. Its cash dividend yield of \sim 8% may appear attractive in a yield hungry market, yet it is an airline, and yield is only as good as the sustainability of the dividend in a downturn. While we forecast a modest recovery in profits and ROIC in FY20, we suspect the dividend would be at risk in the event of another step down in earnings.

Investment View

Investing in AIR is more about timing than taking a long term view. The airline industry generates volatile returns. While AIR is no exception it has a better recent track record than most of its international peers. Strong management and the structural advantage of being based in NZ with a dominant local business offers some earnings support through the cycle. However, AIR is not immune to cyclical swings as evidenced in recent months. NEUTRAL.

NZX Code				AIF
Share price			N.	Z\$2.77
Target price			N.	Z\$2.60
Risk rating				High
Issued shares			11	123.0n
Market cap			NZ\$3	3,111n
Average daily turnover		855.6	k (NZ\$2	2,403k
Share Price Performance	e			
				2.00
\$3.50	www	m		1.50
\$2.50	V *V	1.	M	1.00
[N		,	; ·,	1.00
\$1.50		,	<i>j</i> •/ω.	0.50
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Aug16 Aug17 Price				0.50 9 50
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Aug16 Aug17 Price Aug17 Price	19A 270.1 23.9	20E 294.4 26.1	21E 335.7 29.7	0.50 9 50 22E 345.4 30.6 2.9
Aug16 Aug17 Price Price Financials: June NPAT* (NZ\$m) EPS* (NZc) EPS growth* (%) DPS (NZc)	19A 270.1 23.9 -30.4	20E 294.4 26.1 9.0	21E 335.7 29.7 14.0	0.50 9 50 22E 345.4 30.6 2.9
Aug16 Aug17 Price Aug17 Price	19A 270.1 23.9 -30.4 22.0	20E 294.4 26.1 9.0 22.0	21E 335.7 29.7 14.0 22.0	0.50 9 50 22E 345.4 30.6 2.9 22.0
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Aug16 Aug17	19A 270.1 23.9 -30.4 22.0 100 19A 4.9 12.4 11.6	20E 294.4 26.1 9.0 22.0 100 20E 4.5 11.5 10.6	21E 335.7 29.7 14.0 22.0 100 21E 4.1 10.1 9.3	0.50 9 345.4 30.6 2.9 22.0 100 22E 4.1 10.0 9.1

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Air New Zealand Ltd (AIR)				2018A				year end			
Forsyth Barr valuation						Valuation Ratios		2019A	2020E	2021E	2022E
Valuation methodology			` '	4.1	4.9	4.5	4.1	4.1			
						EV/EBIT (x)	8.1	12.4	11.5	10.1	10.0
12-month target price (NZ\$)*	2.60	•	luations (NZ\$)		PE (x)	8.1	11.6	10.6	9.3	9.1
Expected share price return	-6.1%	1. DCF			2.66	Price/NTA (x)	1.6	1.6	1.6	1.5	1.4
Net dividend yield	7.9%	2. Price			2.51	Free cash flow yield (%)	7.1	5.3	7.2	13.4	14.2
Estimated 12-month return	1.8%	3. PE re	lative		2.35	Net dividend yield (%)	7.9	7.9	7.9	7.9	7.9
						Gross dividend yield (%)	11.0	11.0	11.0	11.0	11.0
Key WACC assumptions				mmary (N	Z\$m)	Imputation (%)	100	100	100	100	100
Risk free rate	2.00%	Total fire	m value		4,534	Pay-out ratio (%)	64	92	84	74	72
Equity beta	1.40	(Net deb	,	(1,548) 2,986							
WACC	9.7%	Value of	equity			Capital Structure	2018A	2019A	2020E	2021E	2022E
Terminal growth	1.5%	Shares	(m)	1,123		Interest cover EBIT (x)	16.4	11.9	13.2	16.4	20.3
						Interest cover EBITDA (x)	32.3	30.2	34.1	40.3	49.5
Profit and Loss Account (NZ\$m)	2018A	2019A	2020E	2021E	2022E	Net debt/ND+E (%)	39.0	42.5	40.9	35.7	29.4
Sales revenue	5,485	5,785	6,006	6,237	6,492	Net debt/EBITDA (x)	1.3	1.6	1.4	1.1	0.9
Normalised EBITDA	1,065	935	1,039	1,117	1,128						
Depreciation and amortisation	(525)	(567)	(638)	(662)	(666)	Key Ratios	2018A	2019A	2020E	2021E	2022E
Normalised EBIT	540	368	401	455	462	Return on assets (%)	6.9	4.7	5.1	5.8	5.9
Net interest	(33)	(31)	(30)	(28)	(23)	Return on equity (%)	17.9	12.9	13.6	14.7	14.3
Associate income	33	37	38	39	40	Return on funds employed (%)	n/a	n/a	n/a	n/a	n/a
Tax	(150)	(104)	(114)	(131)	(134)	EBITDA margin (%)	19.4	16.2	17.3	17.9	17.4
Minority interests	` -	. ,	` -	-		EBIT margin (%)	9.8	6.4	6.7	7.3	7.1
Normalised NPAT	390	270	294	336	345	Capex to sales (%)	14.7	14.2	12.9	10.4	10.0
Abnormals/other	-	_		-	-	Capex to depreciation (%)	154	145	121	98	98
Reported NPAT	390	270	294	336	345						
Normalised EPS (cps)	34	24	26	30	31	Operating Performance	2018A	2019A	2020E	2021E	2022E
DPS (cps)	22	22	22	22	22	operating reformance	2010/1	2010/1	20202		LVLLL
2. 0 (000)						Normalised NPAT	390	270	294	336	345
Growth Rates	2018A	2019A	2020E	2021E	2022E	Tax	150	104	114	131	134
Revenue (%)	7.4	5.5	3.8	3.8	4.1	Other	-	-	-	-	104
EBITDA (%)	2.9	-12.2	11.1	7.5	1.0	Underlying PBT	540	374	409	466	480
EBIT (%)	-0.4	-31.8	9.0	13.3	1.6	Onderlying i Bi	340	314	403	400	400
Normalised NPAT (%)	2.9	-30.8	9.0	14.0	2.9	Available Seat Km (ASK)					
, ,	3.4	-30.4	9.0	14.0	2.9	Domestic Domestic	6 005	7,104	6,926	7,030	7 126
Normalised EPS (%)	3.4 4.8						6,905 12,964	,	13,981	14,400	7,136 14,832
Ordinary DPS (%)	4.0	0.0	0.0	0.0	0.0	Tasman and Pacific		13,640			
O1- El (NZ\$)	00404	00404	0000	00045	0000	Long-haul	24,406	25,285	27,181	27,997	28,837
Cash Flow (NZ\$m)	2018A	2019A	2020E	2021E	2022E	Total	44,275	46,029	48,089	49,428	50,805
EBITDA	1,065	935	1,039	1,117	1,128	Change (%)	n/a	4.0	4.5	2.8	2.8
Working capital change	227	245	242	242	264	D D 14 (DD14)					
Interest & tax paid	(183)	(135)	(145)	(158)	(157)	Revenue Passenger Km (RPK)	40				
Other	(78)	(59)	(137)	(133)	(144)	Domestic	5,719	5,957	5,784	5,870	5,958
Operating cash flow	1,031	986	999	1,068	1,091	Tasman and Pacific	10,584	11,195	11,464	11,808	12,163
Capital expenditure	(809)	(821)	(775)	(650)	(650)	Long-haul	20,359	21,421	22,832	23,517	24,223
(Acquisitions)/divestments	33	13	40	40	40	Total	36,662	38,573	40,080	41,196	42,344
Other	(2)	(75)	23	24	24						
Funding available/(required)	253	103	287	481	505	Load factor (%)					
Dividends paid	(260)	(260)	(247)	(247)	(247)	Domestic	82.8	83.9	83.5	83.5	83.5
Equity raised/(returned)	(17)	(14)	-	-	-	Tasman and Pacific	81.6	82.1	82.0	82.0	82.0
Increase/(decrease) in net debt	24	171	(40)	(234)	(258)	Long-haul	83.4	84.7	84.0	84.0	84.0
						Total	82.8	83.8	83.3	83.3	83.3
Balance Sheet (NZ\$m)	2018A	2019A	2020E	2021E	2022E						
Working capital	89	60	63	62	62	RASK (cents per ASK)					
Fixed assets	5,035	5,268	5,365	5,313	5,257	Domestic	22.0	22.5	23.6	24.1	24.6
Intangibles	170	186	186	186	186	Tasman and Pacific	9.6	9.6	9.8	9.9	10.0
Other assets	647	602	602	602	602	Long-haul	7.9	8.1	8.0	8.2	8.3
Total funds employed	5,941	6,116	6,216	6,163	6,107	Total	10.6	10.8	10.8	11.0	11.1
Net debt/(cash)	1,391	1,542	1,502	1,268	1,010						
Other non current liabilities	2,374	2,485	2,545	2,608	2,677	Costs					
Shareholder's funds	2,176	2,089	2,169	2,287	2,420	CASK ex-fuel/forex (cents per ASK)	7.22	7.36	7.21	7.25	7.35
Minority interests	_,	_,500	_,	_,,	_,5	Fuel (NZ\$m)	987	1,271	1,274	1,290	1,359
•	5,941	6,116	6,216	6,163	6,107	Fuel per ASK	2.2	2.8	2.6	2.6	2.7
Total funding sources	5,941	0,110	0,210	0,103	0,107	Luei hei vov	۷.۷	2.0	2.0	2.0	2.1

^{*} Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend



Result summary: cyclical low

Air New Zealand (AIR) reported an FY19 operating result comfortably 'in-line' with its PBT guidance of more than NZ\$340m (actual: NZ\$374m). Cost control continues to be a strength, with further CASK (cost per available seat km) improvements evident. However, the result was substantially lower than FY18, largely due to higher fuel costs.

Figure 1. FY19 result summary (NZ\$m)

	FY18	FY19	Change	Forsyth Barr
Sales revenue	5,485	5,785	5.5%	5,790
EBITDRA	1,292	1,180	-8.7%	1,134
Underlying PBT	540	374	-30.7%	352
Reported NPAT	390	270	-30.8%	260
Underlying NPAT	390	270	-30.8%	260
Underlying diluted EPS (cents)	34.4	23.9	-30.4%	22.9
Final DPS (cents)	11.0	11.0	0.0%	11.0

Source: AIR, Forsyth Barr analysis

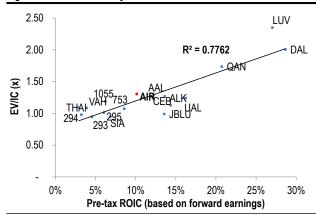
We increase our target price to NZ\$2.60 from NZ\$2.50 to reflect our lower WACC estimate (reduced from 10.2% to 9.7%). We retain a NEUTRAL rating and remain wary of any additional demand weakness given the economic backdrop is more likely to deteriorate than improve, in our opinion.

Figure 2. AIA vs. QAN



Source: Eikon, Forsyth Barr analysis

Figure 3. Returns are a key driver of airline valuations



Source: Eikon, Forsyth Barr analysis Note: each data point represents a listed airline

Earnings revisions

Our earnings forecasts are largely unchanged as shown in Figure 4. Our unchanged FY20 PBT forecast of NZ\$409m is consistent with management's first time guidance range of NZ\$350m–NZ\$450m and incorporates fuel costs of ~NZ\$1.3bn.

Figure 4. Earnings revisions (NZ\$m)

	FY20E				FY21E		FY22E		
	Old	New	Chg	Old	New	Chg	Old	New	Chg
Group RASK growth	-0.3%	0.1%	41 bps	0.7%	1.5%	78 bps	n/a	1.5%	n/a
Group ASK growth	5.1%	4.5%	-66 bps	3.1%	2.8%	-28 bps	n/a	2.8%	n/a
Jet fuel (average US\$ price)	85	78	-9%	85	78	-8%	n/a	83	n/a
Fuel cost (ex FX hedging)	1,340	1,274	(66)	1,367	1,290	(77)	n/a	1,359	n/a
Sales revenue	6,033	6,006	0%	6,250	6,237	0%	n/a	6,492	n/a
Underlying PBT	409	409	0%	465	466	0%	n/a	480	n/a
Underlying NPAT	301	294	-2%	341	336	-1%	n/a	345	n/a
Underlying EPS (cents)	26.5	26.1	-2%	30.0	29.7	-1%	n/a	30.6	n/a
DPS (cents)	22.0	22.0	0%	22.0	22.0	0%	n/a	22.0	n/a

Source: Forsyth Barr analysis



Key issues from the result

(1) Return on capital in the range, just

AIR reported its lowest return on capital (pre-tax ROIC at 10.2%) outcome since FY12 but still just within its target range of 10%–15%. In response, management wants to drive a recovery in PBT to ~NZ\$500m (from NZ\$374m in FY19) over the next several years. On its FY19 capital base this would amount to a pre-tax ROIC of ~13%, comfortably within the target range.

However, in light of the dramatic decline in bond yields (and therefore the risk free rate) its target range may no longer be appropriate. Management suggested it was reviewing the range, which we anticipate will be lowered in due course.

Figure 5. ROIC history

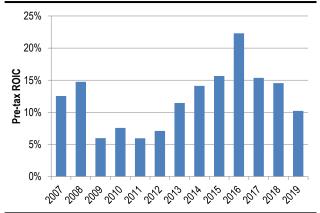
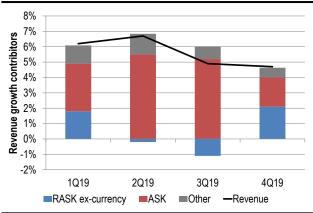


Figure 6. Revenue growth softened in FY19



Source: AIR, Forsyth Barr analysis

Source: AIR, Forsyth Barr analysis

(2) More moderate revenue run-rate

We already knew that passenger revenue growth had slowed through FY19 (given the monthly operating stats), ending the year at a ~+5% run-rate. In contrast, non-passenger revenue declined -5% in 2H19, having grown +10% in 1H19. Cargo in particular has weakened, consistent with the general decline in cargo evident in IATA air freight data.

We expect passenger revenue growth to remain at current run-rate levels through FY20, driven by capacity growth of +4.5% (management has reduced its capacity growth guidance to +4% to +5%) and broadly flat RASK. While RASK will likely increase domestically due to capacity reductions, international RASK will decline, particularly on long haul as a result of the mix impact of new routes.

Non-passenger revenue growth will remain subdued through FY20, in our opinion, given in particular the unfavourable freight market impact on cargo.

(3) Cost focus; cost tailwinds in FY20

Cost per available seat km (CASK) continues to improve, a function of the company's general approach to cost management. The company's lean stature and general cost focus will make its ~NZ\$60m cost-out initiative hard to achieve and difficult to measure.

In FY19 CASK improved +1.2% (pre fuel, forex and the Roll Royce engine issues) given economies of scale and efficiency benefits, more than offsetting inflationary pressure of +1.8%. The rate of CASK improvement should increase in FY20 given (1) the stronger capacity growth in lower unit cost long haul, and (2) realisation of the overhead and operations cost programme benefits.

Fuel cost guidance for FY20 incorporates existing crack spread hedges (45% of the Brent hedging in place for 1H20 and 65% for 2H20 has further crack spread hedging), which provides protection against a crack-spread blow-out as a result of the IMO2020 (low sulphur marine fuel regulations) changes from next calendar year.



Result analysis

Figure 7. Result analysis (NZ\$m)

	FY18	FY19	Change	Comments
Profit and loss account				
Sales revenue	5,485	5,785	5.5%	New record high
EBITDRA	1,292	1,180	-8.7%	Includes fuel price headwinds of NZ\$209m
Rentals	(227)	(245)	7.9%	•
Depreciation and amortisation	(525)	(567)	8.0%	New aircraft deliveries. NZ\$70m increase in depreciation in FY20
Interest expense	(33)	(31)	-6.1%	, , , , , , , , , , , , , , , , , , , ,
Associates	33	37	12.1%	Increased volume growth in Christchurch Engine Centre JV
PBT	540	374	-30.7%	Comfortably above guidance of "PBT exceeding NZ\$340m"
Taxation	(150)	(104)	-30.7%	Effective rate of 27.8%
Underlying NPAT	390	270	-30.8%	
Abnormals (post tax)	0	0	n/a	
Reported NPAT	390	270	-30.8%	
EPS (cents)	34.4	23.9	-30.4%	1,123m shares on issue
Final DPS (cents)	11.0	11.0	0.0%	Consistent with recent periods
				·
Cashflow and net debt Operating cashflow	1,031	986	-4.4%	Reduction in cash earnings offset by strong working capital cash flow
Maintenance capex = depreciation	(525)	(567)	8.0%	Forecast investment of NZ\$1.9bn in aircraft through to 2023
Disposals	33	13	-60.6%	Torodat invocation of NZ \$1.551 in anotal anotagn to 2525
Free cash flow	539	432	-19.9%	
(Acquisitions)/divestments	0	0	n/a	
Net debt/(cash)	1,391	1,542	10.9%	Gearing at 54.6% in between 45%-55% target band
	,	,-		3 3
Key statistics Revenue per ASK (RASK) growth by segm	ent			
Domestic	3.7%	2.6%	n/a	
Tasman & Pacific Islands	3.7%	0.6%	n/a	Tasman stronger driven by additional capacity following end of Virgin
rasman & racine islands	0.7 /0	0.070	11/4	Australia JV
Long haul	-0.8%	2.8%	n/a	Up +0.7% excluding FX, loads up +1.3%
Total RASK	1.8%	2.0%	n/a	Slowed to +1.4% in 2H19
Total ASK growth	5.0%	4.0%	n/a	ASK growth guidance of +4% to +5% in FY20
Passenger revenue	6.9%	6.0%	n/a	2H19 pax revenue growth of +5.1%
_				. ,
Non-pax revenue growth Cargo	10.4%	5.4%	n/a	Volume down -1.3% and yield down -0.5%; softer 2H19
Contract services	17.7%	2.1%	n/a	Increase in third party maintenance work
Other services	3.8%	-2.1%	n/a	Higher utilisation of lounge services and increased loyalty membership
Total revenue	7.4%	5.5%	n/a	riigher utilisation of lourige services and increased loyalty membership
	71170	0.070		
Cost per ASK growth by segment (cents)	2.92	2.94	0.4%	Pate and activity increases as well as appraisant inefficiencies
Labour				Rate and activity increases as well as operational inefficiencies
Fuel at hedged price translated at	2.23	2.76	23.9%	Cost of fuel excluding FX up +21%, largely driven by price increases
prevailing forex rate Maintenance	0.80	0.87	9.0%	Reflect capacity growth, price increases and third party maintenance
Wallichance	0.00	0.07	9.076	activity
Aircraft operations	1.43	1.47	2.9%	Reflective of capacity growth and price increase
Passenger services	0.67	0.69	4.0%	
Sales & Marketing	0.78	0.76	-2.1%	Greater promotional activity
Forex hedging	0.04	(0.12)	-368.3%	
Other	0.63	0.63	0.3%	
Pre-abnormals	9.49	10.00	5.4%	Reported CASK including fuel impact up +5.4%

Source: Forsyth Barr analysis



Investment summary

Air New Zealand (AIR) offers one of the most favourable structural positions for any airline globally. A dominant domestic business with ~80% market share and an international business that has mitigated competitive threats through JVs, lower cost capacity, and its brand positioning among higher yielding NZ travellers. Management is pursuing a rational value accretive strategy of optimising revenues through yield and capacity initiatives, and keeping a lid on costs. A softening demand backdrop and higher fuel costs, means a step down in profitability in FY19, albeit a stable dividend offers share price support. NEUTRAL.

Business quality

- Strong position in tough industry: AIR operates in an intensely competitive industry. It benefits from a duopoly industry structure in NZ.
- Fleet investment: AIR continues to invest in new lower cost capacity, which provides scope for growth and a more competitive fleet.

Earnings and cash flow outlook

- Fuel prices: Jet fuel represents ~25% of the cost base at AIR and can have a significant impact on company profitability from period to period. AIR hedges forward most of its exposure, which offers near term certainty. Crack spread risks are apparent over the next 18 months given IMO2020.
- Passenger demand: Rising demand both domestically and from offshore markets is supportive to yields and load factors.
- Cost control: Management believes cost control measures can more than offset inflationary pressures to lower CASK (cost per available seat km).

Financial structure

- **Balance sheet:** Gearing is at the top end of management's 45%–55% target band but is likely to fall ahead of the wide-body capex from FY23.
- Special dividend opportunity: A relative capex holiday in FY21 and FY22 provides scope for special dividends.

Risks factors

- Left field events: Disease outbreak, volcanic ash clouds, terrorism events.
- Macro: Volatility in exchange rates and global oil prices can have a dramatic impact on profitability.
- Safety: Any blip on AIR's good safety record could impact passenger confidence in the airline.

Figure 1. Geographic revenue mix in FY19

Company description

sharing JV basis.

AIR is the dominant airline in New

Zealand, with a market share of around

80% in the domestic duopoly. In addition it

operates and has the leading market shares on key international routes to Asia,

Australia, Pacific Islands, North America

and South America reflective of its Pacific Rim focussed strategy. Several of these

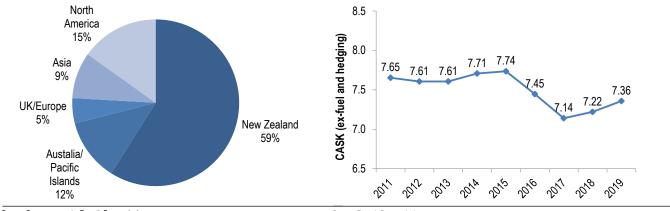
routes including Singapore (Singapore Airlines), trans-Tasman (Virgin Australia

until 27 Octo 2018), Hong Kong (Cathay

Pacific), China (Air China), and the US

(United) are operated on a full revenue

Figure 2. Cost per ASK under control (cents per ASK)



 $\label{thm:controls} \mbox{Source: Company reports, Forsyth Barr analysis}$

Source: Forsyth Barr analysis



Figure 8. Substantial Shareholders

Shareholder	Latest Holding
NZ Govt	52.5%

Source: NZX, Forsyth Barr analysis, NOTE: based on SSH notices only

Figure 9. International Compcos

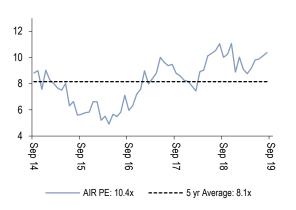
Company	Code	Price	Mkt Cap	PE		EV/EBI	TDA	EV/EBI	T C	ash D/Yld
(metrics re-weighted to reflect AIR's balance date - June)			(m)	2020E	2021E	2020E	2021E	2020E	2021E	2021E
Air New Zealand	AIR NZ	NZ\$2.77	NZ\$3,111	10.6x	9.3x	4.5x	4.2x	11.6x	10.2x	7.9%
Deutsche Lufthansa AG	LHA GY	€13.17	€6,259	4.2x	3.5x	2.6x	2.4x	5.8x	5.1x	6.6%
Air France-KLM	AF FP	€10.44	€4,473	7.0x	5.5x	2.6x	2.5x	8.3x	7.4x	0.6%
Singapore Airlines	SIA SP	S\$8.94	S\$10,594	13.6x	13.4x	5.7x	5.2x	14.6x	13.0x	3.7%
Cathay Pacific Airways	293 HK	HK\$10.42	HK\$40,991	10.8x	9.3x	6.5x	6.2x	25.2x	21.2x	4.4%
Qantas Airways	QAN AT	A\$5.78	A\$9,078	9.8x	8.9x	3.9x	3.8x	8.1x	8.0x	4.5%
Virgin Australia Holdings	VAH AT	A\$0.16	A\$1,351	<0x	<0x	5.7x	5.3x	22.1x	17.3x	0.0%
American Airlines Group Inc	AAL US	US\$26.42	US\$11,764	5.0x	4.5x	6.8x	6.6x	10.4x	10.0x	1.4%
United Airlines Holdings Inc	UAL US	US\$85.29	US\$21,913	7.0x	6.4x	5.6x	5.3x	8.5x	8.1x	n/a
		Con	npco Average:	8.2x	7.4x	4.9x	4.7x	12.9x	11.3x	3.0%
EV = Current Market Cap + Actual Net Debt			AIR Relative:	+29%	+27%	-9%	-11%	-10%	-9%	+162%

Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (AIR) companies fiscal year end

Figure 10. Consensus EPS Momentum

0.41 - 0.36 - 0.31 - 0.26 - 0.21 - 0.21 - 0.26 - 0.21 - 0.21 - 0.26 - 0.21 - 0.

Figure 11. 12 Month Forward PE



Source: Forsyth Barr analysis, Bloomberg

Source: Forsyth Barr analysis

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