

# Briscoe Group

## FY20 Result — Rebel Scored; Uncertainty in Store

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### RESEARCH INSIGHTS

Briscoe Group (BGP) reported a reasonable FY20 result against a challenging backdrop, in line with expectations. Continued cost pressure combined with a competitive retail environment drove margin contraction, offset by group same store sales (SSS) growth of +2.0%. The near-term outlook appears highly uncertain in light of the evolving coronavirus (COVID-19) situation in New Zealand, and possible wider economic implications. We currently assume a relatively short lived slowdown in activity has a negative impact on FY21 SSS sales growth; although note BGP's strong track record of operationally outperforming peers and its net cash position makes it better positioned to navigate any choppy conditions ahead.

| NZX Code           | BGP             | Financials: Jan/             | 20A  | 21E  | 22E  | 23E  | Valuation (x)     | 20A  | 21E  | 22E  | 23E  |
|--------------------|-----------------|------------------------------|------|------|------|------|-------------------|------|------|------|------|
| Share price        | NZ\$3.15        | NPAT* (NZ\$m)                | 62.6 | 60.4 | 62.6 | 61.2 | EV/EBITDA         | 5.0  | 5.0  | 4.8  | 4.9  |
| Issued shares      | 221.1m          | EPS* (NZc)                   | 28.3 | 27.3 | 28.3 | 27.7 | EV/EBIT           | 6.4  | 6.5  | 6.2  | 6.3  |
| Market cap         | NZ\$696m        | EPS growth* (%)              | -1.3 | -3.5 | 3.7  | -2.3 | PE                | 11.1 | 11.5 | 11.1 | 11.4 |
| Avg daily turnover | 22.9k (NZ\$81k) | DPS (NZc)                    | 21.0 | 22.0 | 23.0 | 24.0 | Price / NTA       | 2.3  | 2.1  | 2.0  | 1.9  |
|                    |                 | Imputation (%)               | 100  | 100  | 100  | 100  | Cash div yld (%)  | 6.7  | 7.0  | 7.3  | 7.6  |
|                    |                 | *Based on normalised profits |      |      |      |      | Gross div yld (%) | 9.3  | 9.7  | 10.1 | 10.6 |

#### FY20 result in line, few surprises

BGP reported FY20 NPAT (pre-IFRS 16) of NZ\$65m, largely in line with both guidance and expectations (NZ\$64m). In addition, BGP announced a final dividend of 12.5cps (full year 21cps), slightly ahead of our expectations.

- **Sporting goods outperforms Homeware:** Rebel Sport was the highlight in FY20, achieving SSS growth of +2.8%, with total sales growth bolstered by two additional store openings. Homeware FY20 SSS growth of +1.6% was the slowest in a decade.
- **Margin pressure:** FY20 gross margin contracted to 39.4% (FY19 40.1%) amid elevated retail competition and cost headwinds. A pull through of December sales into the November Black Friday sales period placed additional pressure on margins.
- **Ecommerce:** Online sales were up +16% and made up ~11% of group sales for the period. BGP has invested into its online platforms and continues to roll out its click and collect service. We expect online sales to see a boost in the current period with an increased portion of consumers favouring the online channel amid COVID-19 uncertainty.

#### Recent trading robust; Near-term outlook highly uncertain

BGP did not provide formal guidance, but its outlook commentary highlighted the uncertain backdrop. We expect to see continued margin pressure with further wage inflation combined with a competitive retail environment. Adding to the downside risk is the uncertainty attached to the COVID-19 pandemic. We understand recent trading has been strong, with no demand impact from COVID-19 apparent to date, and limited supply chain disruption. However, the situation remains extremely fluid and with risk of a wider economic slowdown we have lowered our underlying FY21E earnings forecasts c. -3% to reflect uncertainty. Headline earnings changes include the impact of incorporating IFRS 16 into our forecasts.

**Briscoe Group Limited (BGP)**

Priced as at 16 Mar 2020 (NZ\$)

**3.15**
**Research Insights**

Forsyth Barr Research Insights focuses on qualitative rather than quantitative assessments of an equity investment.

We do not provide valuation, target prices or investment ratings for companies in the Research Insights series. It is targeted at selected smaller cap stocks with typically higher risk attributes, or those under transitional coverage.

Our earnings and cashflow forecasts, together with key valuation and ratios provided on this page should assist investors in determining the relative valuation merits of the company.

| <b>Profit and Loss Account (NZ\$m)</b> | <b>2019A</b> | <b>2020A</b>  | <b>2021E</b> | <b>2022E</b> | <b>2023E</b> | <b>Valuation Ratios</b>           | <b>2019A</b> | <b>2020A</b> | <b>2021E</b> | <b>2022E</b> | <b>2023E</b> |
|--|--------------|---------------|--------------|--------------|--------------|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Sales revenue                          | 638.9        | 653.0         | 672.8        | 694.5        | 705.1        | EV/EBITDA (x)                     | 6.6          | 5.0          | 5.0          | 4.8          | 4.9          |
| <b>Normalised EBITDA</b>               | <b>92.8</b>  | <b>124.6</b>  | <b>123.6</b> | <b>127.5</b> | <b>125.9</b> | EV/EBIT (x)                       | 7.2          | 6.4          | 6.5          | 6.2          | 6.3          |
| Depreciation and amortisation          | (6.8)        | (27.4)        | (27.2)       | (28.2)       | (28.7)       | PE (x)                            | 11.0         | 11.1         | 11.5         | 11.1         | 11.4         |
| <b>Normalised EBIT</b>                 | <b>86.0</b>  | <b>97.2</b>   | <b>96.4</b>  | <b>99.3</b>  | <b>97.2</b>  | Price/NTA (x)                     | 2.6          | 2.3          | 2.1          | 2.0          | 1.9          |
| Net interest                           | 0.6          | (12.9)        | (12.6)       | (12.4)       | (12.2)       | Free cash flow yield (%)          | 6.3          | 8.7          | 11.3         | 11.8         | 12.3         |
| Associate income                       | 0            | 0             | 0            | 0            | 0            | Net dividend yield (%)            | 6.3          | 6.7          | 7.0          | 7.3          | 7.6          |
| Tax                                    | (23.2)       | (21.7)        | (23.5)       | (24.3)       | (23.8)       | Gross dividend yield (%)          | 8.8          | 9.3          | 9.7          | 10.1         | 10.6         |
| Minority interests                     | 0            | 0             | 0            | 0            | 0            |                                   |              |              |              |              |              |
| <b>Normalised NPAT</b>                 | <b>63.4</b>  | <b>62.6</b>   | <b>60.4</b>  | <b>62.6</b>  | <b>61.2</b>  | <b>Capital Structure</b>          | <b>2019A</b> | <b>2020A</b> | <b>2021E</b> | <b>2022E</b> | <b>2023E</b> |
| Abnormals/other                        | 0            | 2.7           | 0            | 0            | 0            | Interest cover EBIT (x)           | n/a          | 7.5          | 7.7          | 8.0          | 8.0          |
| <b>Reported NPAT</b>                   | <b>63.4</b>  | <b>65.3</b>   | <b>60.4</b>  | <b>62.6</b>  | <b>61.2</b>  | Interest cover EBITDA (x)         | n/a          | 9.7          | 9.8          | 10.3         | 10.3         |
| Normalised EPS (cps)                   | 28.7         | 28.3          | 27.3         | 28.3         | 27.7         | Net debt/ND+E (%)                 | -42.1        | -27.6        | -32.2        | -37.2        | -43.1        |
| DPS (cps)                              | 20.0         | 21.0          | 22.0         | 23.0         | 24.0         | Net debt/EBITDA (x)               | n/a          | n/a          | n/a          | n/a          | n/a          |
|  |              |               |              |              |              |                                   |              |              |              |              |              |
| <b>Growth Rates</b>                    | <b>2019A</b> | <b>2020A</b>  | <b>2021A</b> | <b>2022A</b> | <b>2023A</b> | <b>Key Ratios</b>                 | <b>2019A</b> | <b>2020A</b> | <b>2021E</b> | <b>2022E</b> | <b>2023E</b> |
| Revenue (%)                            | 4.5          | 2.2           | 3.0          | 3.2          | 1.5          | Return on assets (%)              | 23.6         | 14.0         | 13.5         | 13.4         | 12.8         |
| EBITDA (%)                             | 3.6          | 34.3          | -0.8         | 3.2          | -1.3         | Return on equity (%)              | 23.2         | 20.1         | 18.1         | 17.5         | 16.3         |
| EBIT (%)                               | 3.2          | 13.1          | -0.8         | 3.0          | -2.2         | Return on funds employed (%)      | 34.7         | 34.6         | 29.3         | 29.2         | 28.1         |
| Normalised NPAT (%)                    | 3.4          | -1.3          | -3.5         | 3.7          | -2.3         | EBITDA margin (%)                 | 14.5         | 19.1         | 18.4         | 18.4         | 17.9         |
| Normalised EPS (%)                     | 1.5          | -1.3          | -3.5         | 3.7          | -2.3         | EBIT margin (%)                   | 13.5         | 14.9         | 14.3         | 14.3         | 13.8         |
| Ordinary DPS (%)                       | 5.3          | 5.0           | 4.8          | 4.5          | 4.3          | Capex to sales (%)                | 3.4          | 2.9          | 2.6          | 2.2          | 1.6          |
|  |              |               |              |              |              | Capex to depreciation (%)         | 318          | 70           | 63           | 54           | 39           |
|  |              |               |              |              |              | Imputation (%)                    | 100          | 100          | 100          | 100          | 100          |
| <b>Cash Flow (NZ\$m)</b>               | <b>2019A</b> | <b>2020A</b>  | <b>2021E</b> | <b>2022E</b> | <b>2023E</b> | Pay-out ratio (%)                 | 70           | 74           | 81           | 81           | 87           |
| <b>EBITDA</b>                          | <b>92.8</b>  | <b>124.6</b>  | <b>123.6</b> | <b>127.5</b> | <b>125.9</b> |                                   |              |              |              |              |              |
| Working capital change                 | (3.4)        | (11.1)        | 8.6          | 6.8          | 7.1          | <b>Operating Performance</b>      | <b>2019A</b> | <b>2020A</b> | <b>2021E</b> | <b>2022E</b> | <b>2023E</b> |
| Interest & tax paid                    | (23.6)       | (36.9)        | (36.0)       | (36.7)       | (36.0)       | <b>Divisional revenue (NZ\$m)</b> |              |              |              |              |              |
| Other                                  | 0            | 2.8           | 0            | 0            | 0            | Homeware                          | 403          | 411          | 415          | 428          | 434          |
| <b>Operating cash flow</b>             | <b>65.7</b>  | <b>79.5</b>   | <b>96.1</b>  | <b>97.6</b>  | <b>97.0</b>  | Rebel Sport                       | 229          | 242          | 251          | 260          | 264          |
| Capital expenditure                    | (21.6)       | (19.2)        | (17.2)       | (15.3)       | (11.3)       | Other                             | 7            | 0            | 7            | 7            | 7            |
| (Acquisitions)/divestments             | (0.7)        | (13.6)        | 0            | 0            | 0            | <b>Total revenue</b>              | <b>639</b>   | <b>653</b>   | <b>673</b>   | <b>695</b>   | <b>705</b>   |
| Other                                  | 0            | (16.3)        | (16.2)       | (16.2)       | (16.2)       |                                   |              |              |              |              |              |
| <b>Funding available/(required)</b>    | <b>43.5</b>  | <b>30.5</b>   | <b>62.7</b>  | <b>66.2</b>  | <b>69.5</b>  | <b>Gross profit (NZ\$m)</b>       | <b>253</b>   | <b>258</b>   | <b>260</b>   | <b>267</b>   | <b>270</b>   |
| Dividends paid                         | (43.1)       | (45.5)        | (48.6)       | (50.9)       | (53.1)       |                                   |              |              |              |              |              |
| Equity raised/(returned)               | 2.2          | 1.6           | 0            | 0            | 0            | <b>Gross margins (%)</b>          |              |              |              |              |              |
| <b>(Increase)/decrease in net debt</b> | <b>2.6</b>   | <b>(13.4)</b> | <b>14.1</b>  | <b>15.4</b>  | <b>16.5</b>  | Homeware                          | 40.2         | 39.5         | 39.3         | 39.3         | 39.0         |
|  |              |               |              |              |              | Rebel Sport                       | 39.9         | 39.3         | 38.7         | 38.2         | 38.0         |
| <b>Balance Sheet (NZ\$m)</b>           | <b>2019A</b> | <b>2020A</b>  | <b>2021E</b> | <b>2022E</b> | <b>2023E</b> | <b>Group</b>                      | <b>39.7</b>  | <b>39.4</b>  | <b>38.7</b>  | <b>38.5</b>  | <b>38.2</b>  |
| Working capital                        | 0.1          | 9.7           | 8.1          | 8.4          | 8.5          |                                   |              |              |              |              |              |
| Fixed assets                           | 92.0         | 97.3          | 107.3        | 114.3        | 116.8        | <b>Divisional EBIT (NZ\$m)</b>    |              |              |              |              |              |
| Intangibles                            | 2.5          | 3.5           | 3.5          | 3.5          | 3.5          | Homeware                          | 47           | 49           | 49           | 51           | 48           |
| Right of use asset                     | 0            | 266.0         | 266.0        | 266.0        | 266.0        | Rebel Sport                       | 31           | 36           | 38           | 38           | 37           |
| Other assets                           | 105.4        | 171.2         | 171.2        | 171.2        | 171.2        | Other                             | 8            | 11           | 10           | 11           | 12           |
| <b>Total funds employed</b>            | <b>200.0</b> | <b>547.6</b>  | <b>556.0</b> | <b>563.3</b> | <b>565.9</b> | <b>Total EBIT</b>                 | <b>86</b>    | <b>97</b>    | <b>96</b>    | <b>99</b>    | <b>97</b>    |
| Net debt/(cash)                        | (80.3)       | (66.4)        | (80.5)       | (95.9)       | (112.3)      |                                   |              |              |              |              |              |
| Lease liability                        | 0            | 296.4         | 296.4        | 296.4        | 296.4        | <b>EBIT Margins (%)</b>           |              |              |              |              |              |
| Other liabilities                      | 7.6          | 5.7           | 5.7          | 5.7          | 5.7          | Homeware                          | 11.6         | 12.0         | 11.8         | 11.8         | 11.1         |
| Shareholder's funds                    | 272.7        | 311.9         | 334.4        | 357.0        | 376.1        | Rebel Sport                       | 13.6         | 15.1         | 15.0         | 14.7         | 14.1         |
| Minority interests                     | 0            | 0             | 0            | 0            | 0            | <b>Group</b>                      | <b>13.5</b>  | <b>14.9</b>  | <b>14.3</b>  | <b>14.3</b>  | <b>13.8</b>  |
| <b>Total funding sources</b>           | <b>200.0</b> | <b>547.6</b>  | <b>556.0</b> | <b>563.3</b> | <b>565.9</b> |                                   |              |              |              |              |              |

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

## FY20 result summary

Figure 1. FY20 result summary (NZ\$m)

|                                 | FY19        | FY20 (pre IFRS 16) | chg % (LFL)  | FY20         | Comments   |
|---------------------------------|-------------|--------------------|--------------|--------------|--|
| <b>Profit and Loss Account</b>  |             |                    |              |              |  |
| Total Revenue                   | 638.9       | 653.0              | +2.2%        | 653.0        | Group same store sales up +2.0%                                    |
| Cost of Sales                   | (385.6)     | (395.5)            | +2.6%        | (395.5)      | Wage pressure & competitive backdrop                               |
| Gross Profit                    | 253.4       | 257.5              | +1.6%        | 257.5        | Gross margin 39.4% (FY19 40.1%)                                    |
| SG&A Costs                      | (160.6)     | (162.9)            | +1.5%        | (132.9)      | Well controlled costs  |
| <b>EBITDA</b>                   | <b>92.8</b> | <b>94.6</b>        | <b>+1.9%</b> | <b>124.6</b> |  |
| Depreciation & Amort.           | (6.8)       | (7.5)              | +10.4%       | (27.4)       | Increased store investment   |
| <b>EBIT</b>                     | <b>86.0</b> | <b>87.1</b>        | <b>+1.3%</b> | <b>97.2</b>  |  |
| Net Interest                    | 0.6         | 0.6                | -3.1%        | (12.9)       | Lower cash balance   |
| Profit Before Tax               | 86.6        | 87.7               | +1.2%        | 84.3         |  |
| Tax                             | (23.2)      | (22.7)             | -2.3%        | (21.7)       | Effective tax rate 25.9%   |
| <b>Normalised Profit</b>        | <b>63.4</b> | <b>62.3</b>        | <b>-1.7%</b> | <b>62.6</b>  | <b>Normalises for NZ\$2.7m gain relating to Kathmandu rights</b>   |
| Reported Profit                 | 63.4        | 65.0               | +2.5%        | 65.3         | Slightly ahead of guidance and expectations of NZ\$64m             |
| Underlying EPS                  | 28.7c       | 28.2c              | -1.7%        | 28.3c        |  |
| Full Year DPS                   | 20.0c       | 21.0c              | +5.0%        | 21.0c        | Ahead of expectations (20cps)                                      |
| <b>Balance Sheet / Cashflow</b> |             |                    |              |              |  |
| Operating Cashflow              | 65.7        | n/a                | n/a          | 79.5         | Includes IFRS 16 impact  |
| Fixed Assets                    | 92.0        | 97.3               | +5.7%        | 97.3         | Three new stores   |
| Capex                           | 21.6        | 19.2               | -11.2%       | 19.2         | NZ\$10m associated with property development                       |
| Working Capital                 | 0.1         | 9.7                | n/a          | 9.7          | Inventory up +NZ\$6m reflecting new stores and higher online sales |
| Net Debt (Cash)                 | (80.8)      | (67.4)             | -16.5%       | (67.4)       | Working capital increase and additional investment in Kathmandu    |
| Shareholders Equity             | 273.5       | 332.7              | +21.6%       | 312.1        |  |
| <b>Segment breakdown</b>        |             |                    |              |              |  |
| <b>Homeware</b>                 |             |                    |              |              |  |
| Sales                           | 403.2       | 403.2              | +1.9%        | 410.9        | Same store sales up +1.6%  |
| EBIT                            | 46.7        | n/a                | n/a          | 49.4         | EBIT margin 12.0% (including IFRS 16)                              |
| <b>Rebel Sport</b>              |             |                    |              |              |  |
| Sales                           | 228.8       | 228.8              | +5.8%        | 242.1        | Same store sales up +2.8%  |
| EBIT                            | 31.1        | n/a                | n/a          | 36.4         | EBIT margin 15.1% (including IFRS 16)                              |
| Other EBIT                      | 8.2         | n/a                | n/a          | 11.4         |  |
| <b>Total EBIT</b>               | <b>86.0</b> | <b>87.1</b>        | <b>+1.3%</b> | <b>97.2</b>  | <b>Group EBIT margin 13.3% (14.9% including IFRS 16)</b>           |

Source: Company reports, Forsyth Barr analysis

## Earnings changes

The near-term earnings outlook is highly uncertain in light of rapidly developing COVID-19 related disruption. We currently assume a short-term economic slowdown and have factored in c. -1% same store sales growth across the portfolio in FY21E. As a result, we have downgraded our underlying FY21E NPAT forecasts c. -3% (headline earnings changes reflect the inclusion of IFRS 16 to our forecasts). We have left our medium-term underlying earnings forecasts relatively unchanged as higher store count assumptions offset a lower FY21E base.

Figure 2. Forecast changes (NZ\$m)

|                      | FY21E |       |       | FY22E |       |       | FY23E |       |       |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                      | Old   | New   | %chg  | Old   | New   | %chg  | Old   | New   | %chg  |
| Revenue              | 680.2 | 672.8 | -1.1% | 691.4 | 694.5 | 0.5%  | 701.6 | 705.1 | 0.5%  |
| EBIT                 | 89.1  | 96.4  | 8.3%  | 85.8  | 97.5  | 13.7% | 83.4  | 97.2  | 16.5% |
| Normalised NPAT      | 65.0  | 60.4  | -7.0% | 62.7  | 61.3  | -2.3% | 61.2  | 61.2  | 0.0%  |
| Normalised EPS (cps) | 29.3  | 27.3  | -6.6% | 28.3  | 27.7  | -1.9% | 27.6  | 27.7  | 0.4%  |
| DPS (cps)            | 22.0  | 22.0  | -     | 23.0  | 23.0  | -     | 23.0  | 24.0  | 4.3%  |

Source: Company reports, Forsyth Barr analysis

## Investment Summary

Briscoe Group (BGP) has two dominant chains which are market leaders. The company has reported robust earnings growth over recent years and is outperforming its peers. Looking forward, we expect a more modest growth outlook as the macro drivers weaken and the retail landscape becomes more competitive for discretionary retailers. BGP is trading around our view on fair value and valuation multiples for a retailer with a low to mid-single digit growth outlook.

### Business quality

- **Competitive positioning same-store sales:** BGP has market leading positions and is outperforming industry peers. Market growth has been helped by a buoyant housing market, and the mainstream sportswear fashion trend. There is risk the macro backdrop is less favourable in future.
- **Gross margins:** The NZDUSD is a key factor. BGP can help mitigate unfavourable impact through buying, inventory management, and pricing.

### Earnings and cashflow outlook

- **Steady earnings delivery:** BGP has a strong track record of steady earnings growth, achieved through a combination of tight margin and inventory management, reinvestment in new stores and the use of strong brands at competitive prices.
- **Store rollout:** BGP has incremental store opportunities for both its chains. There is also opportunity for continued refurbishment of existing stores.
- **KMD investment:** BGP has a 16.3% investment in KMD and receives dividend payments. KMD is trading ahead of BGP's average entry price.

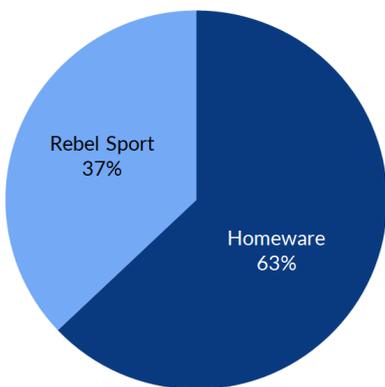
### Financial structure

- **Balance sheet:** Strong balance sheet position with net cash was NZ\$67m (30cps) at FY20. Steady operating cash flow of NZ\$79.5m, helps support further store investment.
- **Dividends:** BGP has an attractive and steadily growing dividend with a pay-out ratio of around 75%.

### Risk factors

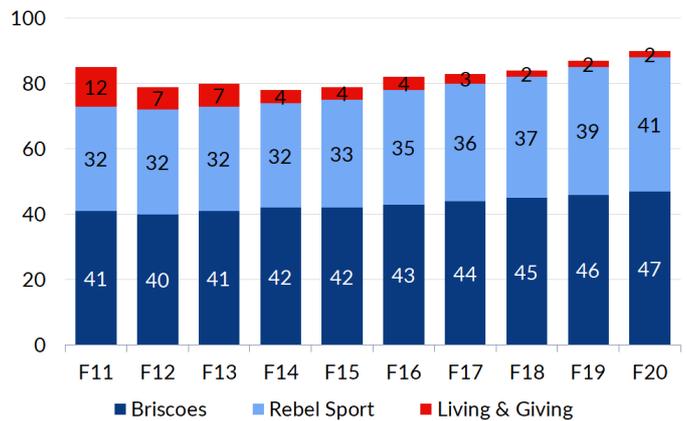
- **Consumer sentiment and retail backdrop:** Deterioration in economic conditions, the housing market and/or consumer confidence as well as pressure from online competition and increased wage costs.
- **Key person risk Rod Duke:** BGP's CEO has been with the company since 1988 and has been an integral part of the company's success.

**Figure 3. Divisional revenue breakdown (FY20)**

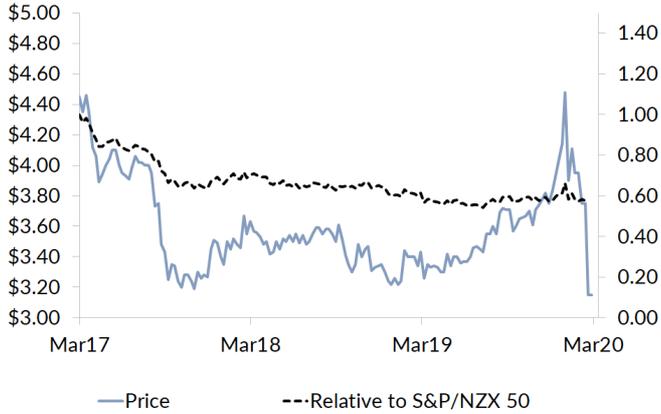


Source: Company reports, Forsyth Barr analysis

**Figure 4. Store footprint**



Source: Company reports, Forsyth Barr analysis

**Figure 5. Price performance**


Source: Forsyth Barr analysis

**Figure 6. Substantial shareholders**

| Shareholder   | Latest Holding |
|---------------|----------------|
| RA Duke Trust | 77.8%          |

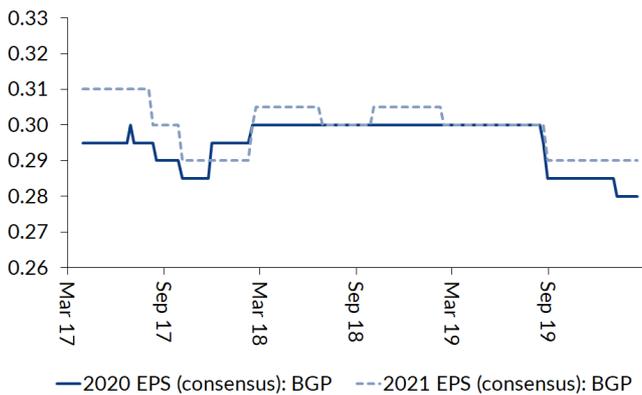
Source: NZX, Forsyth Barr analysis, NOTE: based on SSH notices only

**Figure 7. International valuation comparisons**

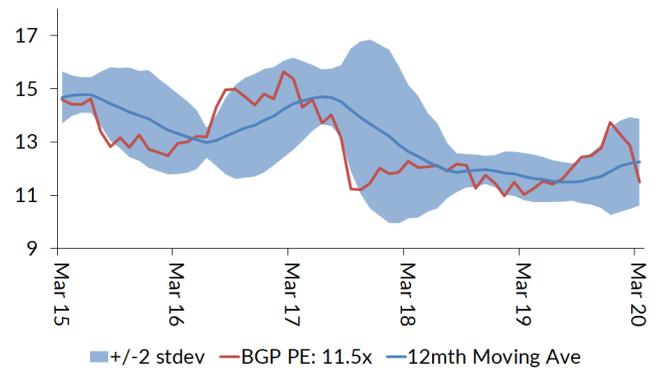
| Company<br>(metrics re-weighted to reflect BGP's balance date - January) | Code  | Price    | Mkt Cap<br>(m) | PE          |             | EV/EBITDA   |             | EV/EBIT     |             | Cash Yld<br>2022E |
|--|-------|----------|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------------|
|  |       |          |                | 2021E       | 2022E       | 2021E       | 2022E       | 2021E       | 2022E       |                   |
| Briscoe Group  | BGNZ  | NZ\$3.15 | NZ\$696        | 11.5x       | 11.1x       | 5.1x        | 4.9x        | 6.5x        | 6.3x        | 7.3%              |
| Kathmandu Holdings *   | KMDNZ | NZ\$1.82 | NZ\$537        | 6.2x        | 5.6x        | 3.6x        | 3.2x        | 4.4x        | 3.9x        | 11.0%             |
| Michael Hill Intl *  | MHJNZ | A\$0.40  | A\$155         | 5.9x        | 5.7x        | 3.0x        | 2.9x        | 4.5x        | 4.3x        | 13.1%             |
| Restaurant Brands NZ *   | RBDNZ | NZ\$8.20 | NZ\$1,023      | 18.3x       | 18.0x       | 8.6x        | 8.0x        | 12.6x       | 12.6x       | 0.0%              |
| The Warehouse Group *  | WHSNZ | NZ\$2.07 | NZ\$718        | 8.7x        | 7.8x        | 4.3x        | 3.8x        | 6.5x        | 5.8x        | 9.5%              |
| SUPER RETAIL GROUP   | SULAT | A\$6.47  | A\$1,278       | 8.9x        | 8.2x        | 6.0x        | 5.8x        | 10.1x       | 9.5x        | 8.1%              |
| HARVEY NORMAN HOLDINGS   | HVNAT | A\$2.94  | A\$3,663       | 10.4x       | 10.0x       | 7.6x        | 7.4x        | 9.8x        | 9.3x        | 8.5%              |
| ACCENT GROUP   | AX1AT | A\$1.01  | A\$548         | 9.1x        | 8.3x        | 6.3x        | 5.7x        | 9.9x        | 9.0x        | 10.1%             |
| <b>Compc Average:</b>  |       |          |                | <b>9.7x</b> | <b>9.1x</b> | <b>5.6x</b> | <b>5.3x</b> | <b>8.3x</b> | <b>7.8x</b> | <b>8.6%</b>       |
| <b>BGP Relative:</b>   |       |          |                | <b>19%</b>  | <b>23%</b>  | <b>-9%</b>  | <b>-6%</b>  | <b>-21%</b> | <b>-19%</b> | <b>-15%</b>       |

EV = Current Market Cap + Actual Net Debt

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

**Figure 8. Consensus EPS momentum (NZ\$)**


Source: Forsyth Barr analysis

**Figure 9. One year forward PE (x)**


Source: Forsyth Barr analysis

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|-------------------|----------------|---------------------|
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