

# Genesis Energy

## Turning the Power On — 1H20 Result Review

ANDREW HARVEY-GREEN

andrew.harvey-green@forsythbarr.co.nz  
+64 4 495 8185

### OUTPERFORM

Whilst Genesis Energy (GNE) delivered a weak 1H20 EBITDAF result in line with expectations, it also guided to record 2H earnings, with CEO Marc England stating the next 18 months will be GNE's best ever. The 1H20 result was hampered by the Kupe maintenance outage and high thermal generation fuel costs. However, falling thermal fuel costs and a strong retail performance bodes well for 2H20 and beyond. We reiterate our OUTPERFORM rating.

#### What's changed:

- FY20/FY21/FY22 EBITDAF +\$4m/-\$2m/-\$12m to \$366m/\$405m/\$437m respectively

NZX Code	GNE	Financials: Jun/	19A	20E	21E	22E	Valuation (x)	19A	20E	21E	22E
Share price	NZ\$3.25	NPAT* (NZ\$m)	165.0	163.5	198.8	239.9	EV/EBITDA	12.3	12.5	11.3	10.5
Target price	NZ\$3.15	EPS* (NZc)	16.1	15.8	19.0	22.8	EV/EBIT	26.4	32.8	26.9	24.4
Risk rating	Low	EPS growth* (%)	26.3	-2.0	20.3	20.0	PE	20.2	20.6	17.1	14.2
Issued shares	1029.4m	DPS (NZc)	17.1	17.2	17.5	17.8	Price / NTA	1.9	2.0	2.1	2.2
Market cap	NZ\$3,346m	Imputation (%)	80	90	95	90	Cash div yld (%)	5.2	5.3	5.4	5.5
Avg daily turnover	516.7k (NZ\$1,667k)	*Based on normalised profits					Gross div yld (%)	6.9	7.2	7.4	7.4

#### GNE delivers the expected weak 1H20 result

GNE's 1H20 EBITDAF result of \$167m was in line with expectations, albeit that is -15% lower than the pcg with higher thermal generation fuel costs (due to high cost imported coal) and the extended Kupe maintenance outage impacting earnings. The positive aspect of the result was an increase in the Retail contribution, with the margins across all of GNE's products (electricity, gas, LPG) increasing. Normalised NPAT of \$16m was -\$4m lower than forecast, with higher depreciation costs being the difference.

GNE's interim dividend is 8.525cps (80% imputed), -0.075cps lower than our forecast and is the bare minimum GNE can get away with under its policy. GNE has the highest gearing amongst the electricity companies; hence, it continues to focus on reducing debt in the near term.

#### 2H20 outlook strong as GNE guides to record 2H earnings

GNE is expecting a stronger 2H, as it has maintained the bottom of its FY20 EBITDAF guidance range. The new guidance range is \$360m to \$370m, which is narrowed from \$360m to \$380m. That implies 2H20 EBITDAF of between \$193m and \$203m. GNE's best 2H result in the past five years is \$177m in 2H20 — so GNE is guiding to record 2H earnings and is confident it can achieve that. Key drivers of improved 2H earnings are lower thermal generation costs, in the money hedge contracts and increased Kupe production.

We have lifted our FY20 EBITDAF forecast +\$4m to \$366m, with increased hedging gains the key factor. Whilst hedging gains can be argued as a one-off (and at the very least are lower quality earnings), we continue to believe GNE will be able to hit \$400m+ EBITDAF in FY21, with stronger Kupe earnings, retail earnings and normalised wholesale market conditions all contributing.

#### Getting into the solar game

GNE has announced it is close to securing a deal to support the construction of a 300MW solar farm. GNE will take the electricity generated from the solar farm, but will not be building the project on its balance sheet. Like Tilt Renewables wind farm deal, a solar farm deal further supports GNE's transition away from thermal generation.

## Genesis Energy Limited (GNE)

Priced as at 21 Feb 2020 (NZ\$)

3.25

### 12-month target price (NZ\$)\*

3.15

Expected share price return

-3.1%

Net dividend yield

5.4%

Estimated 12-month return

2.3%

### Key WACC assumptions

Risk free rate

2.00%

Equity beta

0.88

WACC

6.8%

Terminal growth

1.5%

### Spot valuations (NZ\$)

1. DCF

2.79

2. Market multiple

2.92

3. Dividend yield

3.58

### DCF valuation summary (NZ\$m)

Total firm value

4,166

(Net debt)/cash

(1,239)

Less: Capitalised operating leases

Value of equity

2,927

### Profit and Loss Account (NZ\$m)

	2018A	2019A	2020E	2021E	2022E
Sales revenue	2,304.5	3,410.0	3,333.6	3,245.3	3,198.1
<b>Normalised EBITDA</b>	<b>360.5</b>	<b>369.5</b>	<b>366.0</b>	<b>404.8</b>	<b>437.2</b>
Depreciation and amortisation	(205.7)	(196.5)	(226.0)	(234.4)	(249.7)
<b>Normalised EBIT</b>	<b>154.8</b>	<b>173.0</b>	<b>140.0</b>	<b>170.3</b>	<b>187.5</b>
Net interest	(74)	(73)	(71)	(64)	(59)
Associate income	0	0	0	0	0
Tax	(22)	(27)	(18)	(30)	(36)
Deprecation capex adjustment	71	92	113	122	147
<b>Adjusted normalised NPAT</b>	<b>129</b>	<b>165</b>	<b>164</b>	<b>199</b>	<b>240</b>
Abnormals/other	(109)	(100)	(120)	(122)	(147)
<b>Reported NPAT</b>	<b>20</b>	<b>65</b>	<b>44</b>	<b>76</b>	<b>92</b>
Normalised EPS (cps)	12.8	16.1	15.8	19.0	22.8
DPS (cps)	16.9	17.1	17.2	17.5	17.8

### Growth Rates

	2018A	2019A	2020A	2021A	2022A
Revenue (%)	18.1	48.0	-2.2	-2.7	-1.5
EBITDA (%)	5.9	2.5	-1.0	10.6	8.0
EBIT (%)	-2.0	11.8	-19.1	21.7	10.1
Normalised NPAT (%)	-18.9	28.2	-0.9	21.6	20.6
Normalised EPS (%)	-19.6	26.3	-2.0	20.3	20.0
Ordinary DPS (%)	1.8	0.9	1.0	1.6	1.7

### Cash Flow (NZ\$m)

	2018A	2019A	2020E	2021E	2022E
<b>EBITDA</b>	<b>360.5</b>	<b>369.5</b>	<b>366.0</b>	<b>404.8</b>	<b>437.2</b>
Working capital change	32.7	(27.3)	(0.3)	1.9	(4.5)
Interest & tax paid	(119.8)	(123.1)	(103.9)	(115.7)	(123.5)
Other	(6.9)	15.1	(7.4)	0	0
<b>Operating cash flow</b>	<b>266.5</b>	<b>234.2</b>	<b>254.3</b>	<b>290.9</b>	<b>309.2</b>
Capital expenditure	(107.7)	(68.5)	(69.3)	(64.5)	(57.0)
(Acquisitions)/divestments	0.3	(0.2)	(2.9)	0	0
Other	0	0	0	0	0
<b>Funding available/(required)</b>	<b>159.1</b>	<b>165.5</b>	<b>182.1</b>	<b>226.4</b>	<b>252.2</b>
Dividends paid	(147.7)	(131.6)	(138.1)	(141.4)	(165.2)
Equity raised/(returned)	(1.1)	(1.3)	(0.1)	0	0
<b>(Increase)/decrease in net debt</b>	<b>10.3</b>	<b>32.6</b>	<b>43.9</b>	<b>85.0</b>	<b>87.0</b>

### Balance Sheet (NZ\$m)

	2018A	2019A	2020E	2021E	2022E
Working capital	89.8	111.8	100.4	98.6	103.1
Fixed assets	3,430.0	3,773.1	3,651.4	3,501.5	3,316.9
Intangibles	364.3	364.0	357.9	353.6	347.5
Right of use asset	0	0	0	0	0
Other assets	84.0	120.8	122.8	122.8	122.8
<b>Total funds employed</b>	<b>3,968.1</b>	<b>4,369.7</b>	<b>4,232.5</b>	<b>4,076.5</b>	<b>3,890.3</b>
Net debt/(cash)	1,206.1	1,293.1	1,274.6	1,205.4	1,120.4
Lease liability	0	0	0	0	0
Other liabilities	805.6	931.6	896.4	874.5	846.0
Shareholder's funds	1,956.4	2,145.0	2,061.6	1,996.6	1,923.9
Minority interests	0	0	0	0	0
<b>Total funding sources</b>	<b>3,968.1</b>	<b>4,369.7</b>	<b>4,232.5</b>	<b>4,076.5</b>	<b>3,890.3</b>

### Valuation Ratios

	2018A	2019A	2020E	2021E	2022E
EV/EBITDA (x)	12.6	12.3	12.5	11.3	10.5
EV/EBIT (x)	29.3	26.4	32.8	26.9	24.4
PE (x)	25.5	20.2	20.6	17.1	14.2
Price/NTA (x)	2.1	1.9	2.0	2.1	2.2
Free cash flow yield (%)	4.7	5.0	5.5	6.8	7.5
Net dividend yield (%)	5.2	5.2	5.3	5.4	5.5
Gross dividend yield (%)	6.8	6.9	7.2	7.4	7.4

### Capital Structure

	2018A	2019A	2020E	2021E	2022E
Interest cover EBIT (x)	1.4	2.2	1.9	2.7	3.2
Interest cover EBITDA (x)	4.9	5.0	5.2	6.3	7.4
Net debt/ND+E (%)	37.7	36.8	37.4	36.8	35.9
Net debt/EBITDA (x)	3.3	3.4	3.4	2.9	2.5

### Key Ratios

	2018A	2019A	2020E	2021E	2022E
Return on assets (%)	2.4	3.5	2.9	4.0	4.6
Return on equity (%)	3.0	3.4	2.5	3.8	4.8
Return on funds employed (%)	3.6	3.7	3.1	3.9	4.5
EBITDA margin (%)	15.6	10.8	11.0	12.5	13.7
EBIT margin (%)	6.7	5.1	4.2	5.2	5.9
Capex to sales (%)	4.7	2.0	2.1	2.0	1.8
Capex to depreciation (%)	52	35	31	28	23
Imputation (%)	80	80	90	95	90
Pay-out ratio (%)	132	106	109	92	78

### Operating Performance

	2018A	2019A	2020E	2021E	2022E
Renewable generation	3,084	2,835	2,659	2,724	2,724
Gas generation	3,392	2,586	2,785	2,787	2,787
Coal generation	657	1,410	1,211	876	876
<b>Total GNE generation (GWh)</b>	<b>7,133</b>	<b>6,831</b>	<b>6,655</b>	<b>6,388</b>	<b>6,388</b>
GWAP (\$/MWh)	92	143	114	109	97

### Retail electricity

	2018A	2019A	2020E	2021E	2022E
Electricity customers (000)	504	499	495	490	488
MM/SME volumes	4,169	4,077	4,097	4,078	4,056
TOU volumes	1,811	1,992	2,037	2,058	2,078
<b>Total fixed price volumes (GWh)</b>	<b>5,980</b>	<b>6,068</b>	<b>6,135</b>	<b>6,135</b>	<b>6,135</b>
Average MM usage/cust (kWh/yr)	8,240	8,126	8,237	8,279	8,308
Average FPV price (\$/MWh)	206	210	211	208	209
LWAP (\$/MWh)	92	139	113	110	98
LWAP/GWAP	1.01	0.97	0.99	1.01	1.01
Line losses (%)	5.3	5.4	5.6	5.6	5.6

### Kupe production

	2018A	2019A	2020E	2021E	2022E
Gas production (PJ)	11.8	11.8	10.9	11.4	12.2
Oil production (k barrels)	532.8	472.9	384.4	386.2	569.8
LPG production (k tonnes)	45.9	50.6	48.4	51.1	55.2
Kupe EBITDAF (\$m)	115.4	109.0	98.3	107.3	130.1
Energy EBITDAF (\$m)	245.2	260.5	267.6	297.5	307.1
<b>GNE EBITDAF (\$m)</b>	<b>360.6</b>	<b>369.5</b>	<b>366.0</b>	<b>404.8</b>	<b>437.2</b>

## Key 1H20 Result Take-Outs

### GNE is confident in its 2H20 performance

The 1H20 result was weak, -15% lower than the pcg. Whilst wholesale market conditions were tough and the Kupe maintenance outage contributed to that, the result was, nevertheless, weaker than GNE had anticipated at the start of FY20. Despite the weak result, GNE has effectively held its FY20 EBITDAF guidance flat, albeit the top half has been taken off. The implied 2H20 EBITDAF guidance is, therefore, very strong — particularly given below average North Island hydro generation in January and February, and the softening of wholesale electricity prices following recent South Island rain.

GNE's 2H20 Energy EBITDAF (i.e. EBITDAF excl Kupe) guidance is \$140m to \$150m. In the past six years, GNE's 2H Energy EBITDAF has fluctuated between \$105m and \$125m, so the guidance represents a very strong 2H. The only time GNE has ever achieved Energy EBITDAF above \$125m was in 2H12 when it made \$147m due to dry conditions (and GNE not having a significant swaption contract).

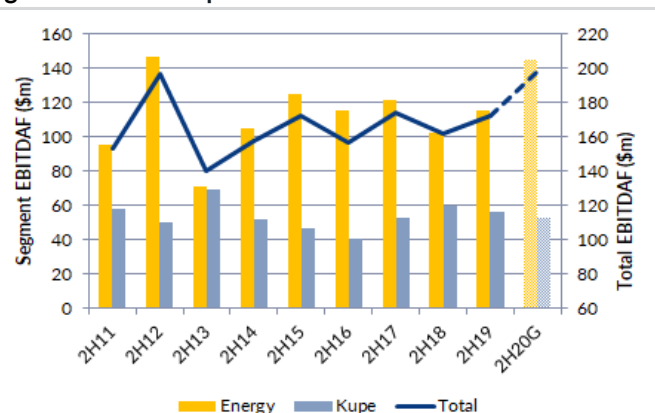
The strong guidance (and confidence expressed on the conference call) bodes well for FY21 and beyond. However, 2H20 is benefitting from expected hedge gains as GNE sold forward cover for the HVDC and Pohokura outages in 3Q20. We view these gains as one-off in nature (and estimate they will be \$10m).

**Figure 1. GNE 2H20 guidance**

	1H20	Implied 2H20		FY20 guidance		Forsyth Barr
		Low	High	Low	High	forecast
	\$m	\$m	\$m	\$m	\$m	\$m
Retail	64	64	64	128	128	128
Wholesale	79	95	105	174	184	177
Corproate	(19)	(19)	(19)	(38)	(38)	(37)
<b>Energy</b>	<b>124</b>	<b>140</b>	<b>150</b>	<b>264</b>	<b>274</b>	<b>268</b>
Kupe	43	53	53	96	96	98
<b>Group</b>	<b>291</b>	<b>333</b>	<b>353</b>	<b>625</b>	<b>645</b>	<b>633</b>

Source: GNE, Forsyth Barr analysis

**Figure 2. Historic 2H performance**



Source: GNE, Forsyth Barr analysis

### Forecast changes modest, but more conservative in medium-to-long-term

We have lifted our FY20 EBITDAF forecast +\$4m to \$366m. The main driver of the increase is better hedging gains (+\$8m) and lower thermal generation fuel costs (-\$6m) offset by a lower Kupe contribution (-\$7m) due to higher emission related costs. We have also trimmed our dividend forecast -0.2cps following the minimal 1H20 dividend.

Our medium-term forecasts are trimmed -\$2m in FY21 to \$405m (still above GNE's \$400m+ target) and -\$12m in FY22 to \$437m. The main cut in FY22 comes from GNE indicating it has contracted for additional gas in order to meet wholesale gas contract commitments, lowering the upside we had expected from GNE's long gas position rolling off.

**Figure 3. Summary forecast changes**

	FY20	FY20	Diff	FY21	FY21	Diff	FY21	FY21	Diff
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Sales revenue	2,640	3,334	26.3%	2,461	3,245	31.9%	2,382	3,198	34.3%
<b>EBITDAF</b>	<b>362</b>	<b>366</b>	<b>1.1%</b>	<b>407</b>	<b>405</b>	<b>-0.6%</b>	<b>449</b>	<b>437</b>	<b>-2.7%</b>
EBIT	148	132	-11.1%	188	170	-9.2%	216	188	-13.2%
Pre-tax profit	76	61	-19.7%	123	106	-13.3%	156	128	-17.5%
NPAT	55	44	-19.8%	88	76	-13.3%	112	92	-17.5%
<b>Normalised NPAT</b>	<b>55</b>	<b>51</b>	<b>-7.0%</b>	<b>88</b>	<b>76</b>	<b>-13.3%</b>	<b>112</b>	<b>92</b>	<b>-17.5%</b>
Earnings (cps)	5.3	4.9	-7.0%	8.4	7.3	-13.3%	10.7	8.8	-17.5%
Dividend (cps)	17.4	17.2	-0.7%	17.7	17.5	-0.8%	18.0	17.8	-0.8%

Source: Forsyth Barr analysis

## Supporting further renewable development – this time a solar farm

GNE is in the final stages of negotiating a power purchase agreement (PPA) to buy electricity from a 300MW solar farm. If the north Waikato project goes ahead, it will be the first large-scale solar farm in New Zealand (materially bigger than the 27MW solar farm Refining NZ is currently building).

Whilst the contract still needs to be finalised, it is a further indication GNE wants to back new renewable generation projects, albeit not with its own balance sheet. This contract would follow the Waipipi Wind Farm that Tilt Renewables is building and would increase total purchased energy ~+550GWh to 1,000GWh, which is ~85% of the Rankine annual average generation over the past five years or ~35% of Unit 5 generation. Based on Refining NZ's solar farm statistics, we believe the PPA price is likely to be ~\$65/MWh, which is well below the running costs of both the Rankine units and GNE's Unit 5 gas-fired generation plant.

## 1H20 Result Commentary

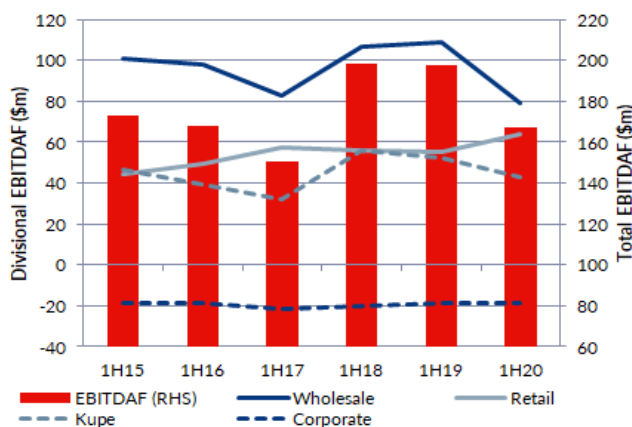
GNE delivered 1H20 EBITDAF of \$167m, consistent with expectations heading into the result, but -15% below the pcg – so not a great one. Hampering 1H20 was the triennial Kupe statutory maintenance outage and high thermal generation costs (due mainly to previously imported coal). The most positive aspect of the result was the retail performance, with its contribution increasing +\$9m (+16%) to \$64m. Retail netbacks across all products (electricity, gas, LPG) improved, which bodes well for near-term earnings.

Normalised NPAT of \$16m was -\$4m lower than forecast, with higher depreciation costs being the difference.

GNE's interim dividend is 8.525cps (80% imputed), -0.075cps lower than our forecast and is the bare minimum GNE can get away with under its policy. GNE has the highest gearing levels amongst its peers; hence, it continues to focus on reducing debt in the near term.

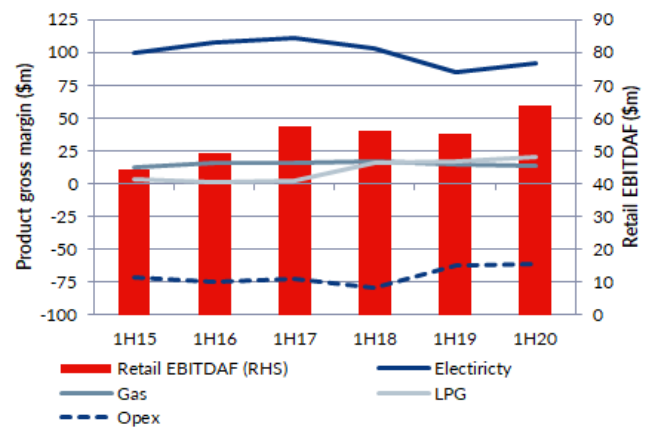
GNE reduced net debt -\$12m in 1H20 to \$1,239m. However, GNE remains the highest geared generator/retailer following its Kupe and LPG acquisitions in FY17.

**Figure 4. Divisional performance**



Source: GNE, Forsyth Barr analysis

**Figure 5. Retail product gross margins**



Source: GNE, Forsyth Barr analysis

**Figure 6. 1H20 result commentary**

6 months to 31 Dec	1H19 \$m	1H20 \$m	% Chg	FB \$m	Diff \$m	Commentary
Energy revenue	1,651	1,647	0%	1,206	441	GNE has changed segmental reporting and we are now grossing intersegment revenue
Kupe revenue	69	67	-4%	63	4	
<b>Total Revenue</b>	<b>1,720</b>	<b>1,714</b>	<b>0%</b>	<b>1,269</b>	<b>445</b>	
Energy operating costs	(1,506)	(1,523)	1%	(1,082)	(441)	GNE has changed segmental reporting and we are now grossing intersegment revenue
Kupe operating costs	(17)	(24)	40%	(19)	(4)	
Energy EBITDAF	145	124	-14%	124	0	Weaker wholesale performance due to higher thermal costs, but good retail result
Kupe EBITDAF	53	43	-18%	43	0	Lower Kupe EBITDAF due to maintenance outage
<b>Group EBITDAF</b>	<b>198</b>	<b>167</b>	<b>-15%</b>	<b>167</b>	<b>0</b>	
Depn & amort	(100)	(110)	9%	(103)	(7)	Lift in depreciation from asset revals and accelerated depreciation on some assets
<b>EBIT</b>	<b>97</b>	<b>57</b>	<b>-41%</b>	<b>65</b>	<b>(7)</b>	
FV mvmts & other	11	(8)		-	(8)	
Net interest	(39)	(36)	-7%	(37)	1	Fall in interest costs as interest rates decline — expect this to continue
<b>Pre-tax profit</b>	<b>69</b>	<b>13</b>	<b>-81%</b>	<b>28</b>	<b>(15)</b>	
Tax	(20)	(4)	-82%	(8)	4	
<b>Reported NPAT</b>	<b>49</b>	<b>9</b>	<b>-81%</b>	<b>20</b>	<b>(11)</b>	
<b>Normalised NPAT</b>	<b>42</b>	<b>16</b>	<b>-61%</b>	<b>20</b>	<b>(4)</b>	Decline in NPAT a function of lower EBITDAF and higher depreciation
Normalised EPS (cps)	4.1	1.6	-62%	1.9	(0.4)	
Interim dividend (cps)	8.45	8.525	1%	8.60	(0.075)	Minimal increase in dividend highlighting GNE's desire to reduce debt
<b>Operating statistics</b>						
Generation (GWh)	3,392	3,441	1%	3,441	0.0	
FPVV sales (GWh)	3,139	3,173	1%	3,173	0.0	Modest lift in electricity sales volumes
Electricity connections	501,684	497,435	-1%	497,435	0.0	
GWAP (\$/MWh)	\$146.0	\$117.0	-20%	\$117.0	0.0	Big decline in GWAP — but still above normal
LWAP/GWAP	0.976	0.990	0.014	0.990	0.000	

Source: GNE, Forsyth Barr analysis

## Investment Summary

Our rating is **OUTPERFORM**. GNE is trading on the sector leading dividend yield and market multiples. It also has the strongest near-term growth profile, aided by high cost gas contracts rolling off from FY21 onwards. Its downside risks to NZAS closing are also amongst the lowest in the sector.

### Business quality

- **Low risk, modest growth industry:** Electricity demand is relatively inelastic and is expected to grow slowly in the future. The industry is well positioned to benefit from NZ decarbonising transport and industrial heat.
- **Unique generation position:** Most of the value within the electricity sector lies within the generation assets. GNE has the only coal plant which is critical cover for low hydro years. Historically, monetising GNE's thermal position has been difficult, although we expect that to improve.

### Earnings and cashflow outlook

- **Strategy refresh:** GNE has announced a strategy refresh which will see it embracing new technology and focussing more on the customer. GNE is targeting FY21 EBITDAF of \$400m+.
- **Gas relief coming:** GNE currently has too much gas due to legacy high priced take or pay contracts. These contracts start to roll-off after 2020, providing an earnings tailwind.

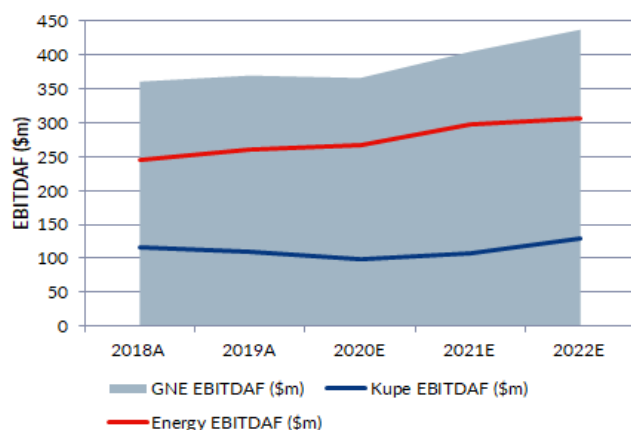
### Financial structure

- **Balance sheet:** Whilst we are comfortable with debt levels, GNE's balance sheet has limited spare capacity following the acquisitions of Nova's LPG business and increasing its Kupe stake. GNE is lowering gearing through the use of a dividend reinvestment plan (DRP).

### Risk factors

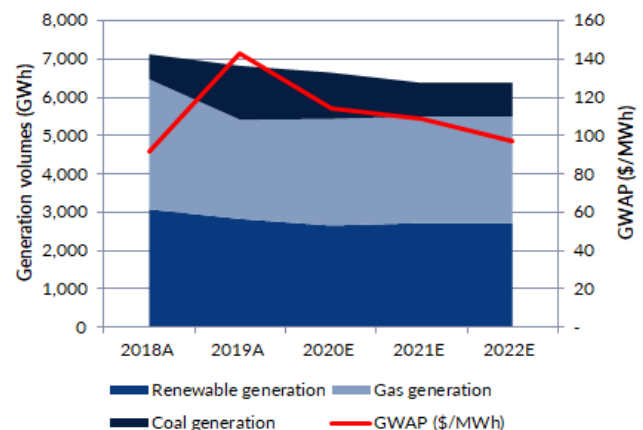
- **Increasing carbon costs:** GNE is required to relinquish an increasing value of carbon credits. Higher carbon prices combine to create financial headwinds for the next few years.
- **NZAS risk:** NZAS has indicated it is undertaking a strategic review, raising the possibility it may close. In our view, the smelter is unlikely to close (less than 10% chance) and the downside risks are fully factored into GNE's share price.
- **Rising bond yields:** In recent years GNE has traded in line with bond yields. A lift in interest rates is likely to see GNE trade lower, although in our view interest rates will probably remain low for the foreseeable future.

Figure 7. EBITDAF breakdown

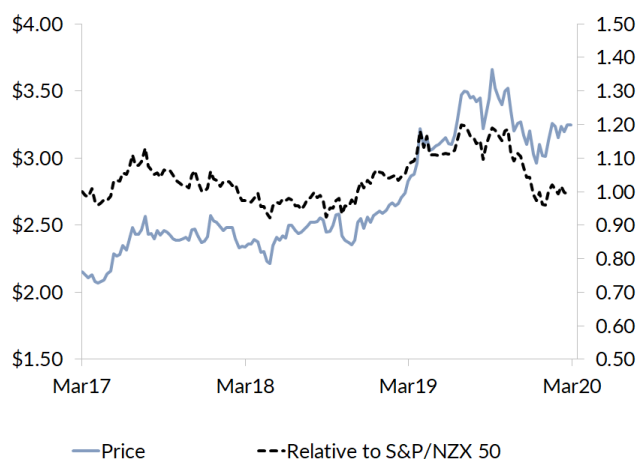


Source: GNE, Forsyth Barr analysis

Figure 8. Generation volumes and average price received



Source: GNE, Forsyth Barr analysis

**Figure 9. Price performance**


Source: Forsyth Barr analysis

**Figure 10. Substantial shareholders**

Shareholder	Latest Holding
NZ Govt	51.8%

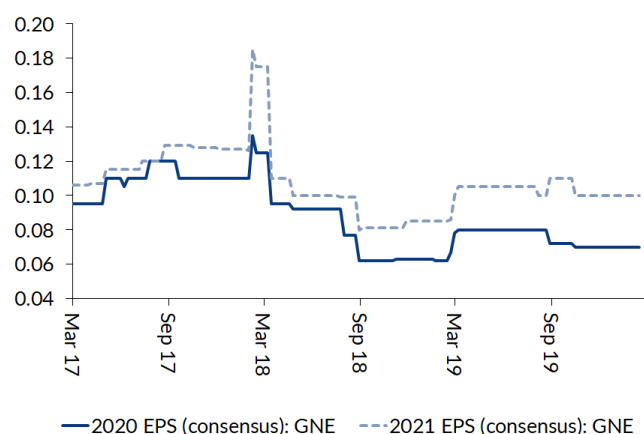
Source: NZX, Forsyth Barr analysis, NOTE: based on SSH notices only

**Figure 11. International valuation comparisons**

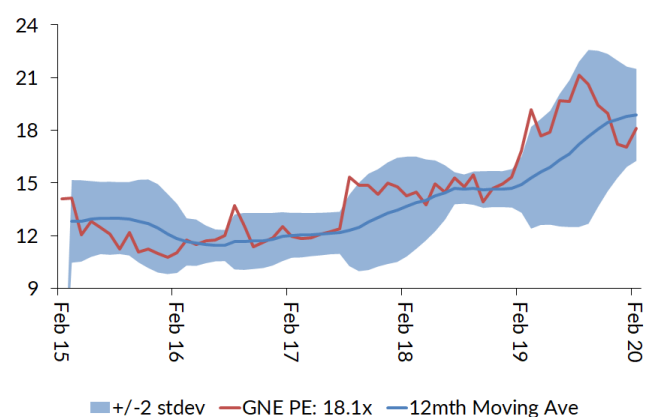
Company	Code	Price	Mkt Cap (m)	PE 2020E	PE 2021E	EV/EBITDA 2020E	EV/EBITDA 2021E	EV/EBIT 2020E	EV/EBIT 2021E	Cash Yld 2021E
(metrics re-weighted to reflect GNE's balance date - June)										
Genesis Energy	GNE NZ	NZ\$3.25	NZ\$3,346	20.6x	17.1x	12.6x	11.4x	32.8x	27.0x	5.4%
Contact Energy *	CEN NZ	NZ\$7.60	NZ\$5,457	23.5x	21.9x	14.4x	13.5x	28.2x	26.1x	5.1%
Meridian Energy *	MEL NZ	NZ\$5.65	NZ\$14,468	28.2x	30.7x	18.4x	19.7x	28.7x	31.4x	3.9%
Mercury *	MCY NZ	NZ\$5.46	NZ\$7,438	30.6x	27.4x	16.7x	16.3x	27.2x	26.5x	3.0%
Trustpower *	TPW NZ	NZ\$7.06	NZ\$2,210	22.8x	21.3x	13.5x	13.1x	16.8x	16.1x	4.9%
AGL Energy	AGL AT	A\$21.13	A\$13,502	16.0x	16.0x	7.8x	7.7x	12.0x	12.0x	4.7%
Origin Energy	ORG AT	A\$7.97	A\$14,037	13.5x	14.1x	6.2x	6.5x	14.8x	14.1x	4.5%
<b>Compco Average:</b>				<b>22.4x</b>	<b>21.9x</b>	<b>12.8x</b>	<b>12.8x</b>	<b>21.3x</b>	<b>21.0x</b>	<b>4.3%</b>
<b>GNE Relative:</b>				<b>-8%</b>	<b>-22%</b>	<b>-2%</b>	<b>-11%</b>	<b>54%</b>	<b>28%</b>	<b>24%</b>

EV = Current Market Cap + Actual Net Debt

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

**Figure 12. Consensus EPS momentum (NZ\$)**


Source: Forsyth Barr analysis

**Figure 13. One year forward PE (x)**


Source: Forsyth Barr analysis

**Analyst certification:** The research analyst(s) primarily responsible for the preparation and content of this publication ("**Analysts**") are named on the first page of this publication. Each such Analyst certifies (other than in relation to content or views expressly attributed to another analyst) that (i) the views expressed in this publication accurately reflect their personal views about each issuer and financial product referenced and were prepared in an independent manner, including with respect to Forsyth Barr Limited and its related companies; and (ii) no part of the Analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that Analyst in this report.

**Analyst holdings:** The following Analyst(s) have a threshold interest in the financial products referred to in this publication: N/A. For these purposes, a threshold interest is defined as being a holder of more than \$50,000 in value or 1% of the financial products on issue, whichever is the lesser.

**Ratings distributions:** As at 21 Feb 2020, Forsyth Barr's research ratings were distributed as follows:

<b>OUTPERFORM</b>	<b>NEUTRAL</b>	<b>UNDERPERFORM</b>
<b>29.4%</b>	<b>52.9%</b>	<b>17.6%</b>

Forsyth Barr's research ratings are OUTPERFORM, NEUTRAL, and UNDERPERFORM. The ratings are relative to our other equity security recommendations across our New Zealand market coverage and are based on risk-adjusted Estimated Total Returns for the securities in question. Risk-adjusted Estimated Total Returns are calculated from our assessment of the risk profile, expected dividends and target price for the relevant security.

**Disclosure:** Forsyth Barr Limited and its related companies (and their respective directors, officers, agents and employees) ("Forsyth Barr") may have long or short positions or otherwise have interests in the financial products referred to in this publication, and may be directors or officers of, and/or provide (or be intending to provide) investment banking or other services to, the issuer of those financial products (and may receive fees for so acting). Forsyth Barr is not a registered bank within the meaning of the Reserve Bank of New Zealand Act 1989. Forsyth Barr may buy or sell financial products as principal or agent, and in doing so may undertake transactions that are not consistent with any recommendations contained in this publication. Other Forsyth Barr business units may hold views different from those in this publication; any such views will generally not be brought to your attention. Forsyth Barr confirms no inducement has been accepted from the issuer(s) that are the subject of this publication, whether pecuniary or otherwise, in connection with making any recommendation contained in this publication. In preparing this publication, non-financial assistance (for example, access to staff or information) may have been provided by the issuer(s) being researched.

**Investment banking engagements:** Other than confidential engagements, Forsyth Barr has within the past 12 months been engaged to provide investment banking services to the following issuers that are the subject of this publication: IFT MCY TLT TPW VCT

**Not personalised financial advice:** The recommendations and opinions in this publication do not take into account your personal financial situation or investment goals. The financial products referred to in this publication may not be suitable for you. If you wish to receive personalised financial advice, please contact your Forsyth Barr Investment Adviser. The value of financial products may go up and down and investors may not get back the full (or any) amount invested. Past performance is not necessarily indicative of future performance. Disclosure statements for Forsyth Barr Investment Advisers are available on request and free of charge.

**Disclaimer:** This publication has been prepared in good faith based on information obtained from sources believed to be reliable and accurate. However, that information has not been independently verified or investigated by Forsyth Barr. Forsyth Barr does not make any representation or warranty (express or implied) that the information in this publication is accurate or complete, and, to the maximum extent permitted by law, excludes and disclaims any liability (including in negligence) for any loss which may be incurred by any person acting or relying upon any information, analysis, opinion or recommendation in this publication. Forsyth Barr does not undertake to keep current this publication; any opinions or recommendations may change without notice to you. Any analyses or valuations will typically be based on numerous assumptions; different assumptions may yield materially different results. Nothing in this publication should be construed as a solicitation to buy or sell any financial product, or to engage in or refrain from doing so, or to engage in any other transaction. This publication is not intended to be distributed or made available to any person in any jurisdiction where doing so would constitute a breach of any applicable laws or regulations or would subject Forsyth Barr to any registration or licensing requirement within such jurisdiction.

**Terms of use:** Copyright Forsyth Barr Limited. You may not redistribute, copy, revise, amend, create a derivative work from, extract data from, or otherwise commercially exploit this publication in any way. By accessing this publication via an electronic platform, you agree that the platform provider may provide Forsyth Barr with information on your readership of the publications available through that platform.

■ Insert your text here