

# Mercury

## Whineray's Electron Milking Comes to an End — 1H20 Result Review

**ANDREW HARVEY-GREEN**

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

**NEUTRAL** 

Fraser Whineray's final result as Mercury (MCY) CEO was a good one, albeit the comparison to the spectacular pcp is unflattering. With 1H20 EBITDAF of \$255m, in line with expectations, there is little to no change to our medium-term views. However, reduced hydro generation volumes in 3Q20 has lowered our FY20 EBITDAF forecast -\$10m to \$501m. The main focus for MCY is on building its Turitea Wind Farm, which is progressing as expected.

**What's changed:**

- **Earnings:** FY20/FY21/FY22 EBITDAF -\$10m/+\$3/+\$2m to \$500m/\$526m/\$554m respectively
- **Target price and rating:** Unchanged at \$4.60 and NEUTRAL respectively

NZX Code	MCY	Financials: Jun/	19A	20E	21E	22E	Valuation (x)	19A	20E	21E	22E
Share price	NZ\$5.36	NPAT* (NZ\$m)	239.0	235.6	272.4	286.6	EV/EBITDA	16.2	16.2	15.6	14.8
Target price	NZ\$4.60	EPS* (NZc)	17.6	17.3	20.0	21.1	EV/EBIT	27.2	27.4	25.9	24.1
Risk rating	Low	EPS growth* (%)	-6.4	-1.4	15.6	5.2	PE	30.5	31.0	26.8	25.4
Issued shares	1360.9m	DPS (NZc)	15.5	15.8	16.2	18.6	Price / NTA	2.1	2.1	2.2	2.2
Market cap	NZ\$7,294m	Imputation (%)	100	100	100	100	Cash div yld (%)	2.9	2.9	3.0	3.5
Avg daily turnover	1,043k (NZ\$4,901k)	*Based on normalised profits					Gross div yld (%)	4.0	4.1	4.2	4.8

**1H20 result in line with expectations**

MCY has reported 1H20 EBITDAF of \$255m, +\$1m better than our forecast but -\$47m lower than the pcp. The pcp was very strong due to high hydrology, high wholesale prices and MCY still owned its metering business. 1H20 operating costs were well controlled (down -\$5m) and came in below expectation, although some is expected to shift into 2H20. The other key feature is the -\$9m decline in interest costs (-\$6m on 2H19) as high cost debt continues to roll off. MCY's fully imputed interim dividend of 6.4cps is +0.2cps up on the pcp (+0.1cps higher than forecast).

**FY20 guidance downgrade consistent with weaker hydro generation**

MCY has revised its FY20 EBITDAF guidance down -\$15m to \$500m due to dry 3Q20 conditions lowering its hydro generation expectation -170GWh to 3,900GWh, -120GWh below average. The revised guidance is +\$15m higher than MCY's guidance at the beginning of the year, which is positive given hydro generation is now expected to be below average and highlights the strength of the 1H20 result. MCY is still guiding to an FY20 dividend of 15.8cps.

We have lowered our FY20 EBITDAF forecast -\$10m to \$501m, with the lower hydro generation being the key factor. We have also increased our FY20 capex forecast +\$15m as MCY has indicated it is drilling a new well at its Rotokawa geothermal field. Longer-term forecasts only see minor changes.

**Turitea development progressing well and is the driver of earnings/dividend increases by FY23**

MCY's key near-term focus is the development of its Turitea Wind Farm. Turbines have arrived in the country and the \$464m project is progressing as planned. First power from Stage 1 is expected later this calendar year. We are forecasting Turitea to be a key driver of earnings, lifting EBITDAF ~+\$55m and enabling the dividend to increase to ~23.0cps in FY23.

**Mercury NZ Limited (MCY)**

Priced as at 25 Feb 2020 (NZ\$)

**5.36**
**12-month target price (NZ\$)\***
**4.60**

Expected share price return	-14.2%
Net dividend yield	3.0%
Estimated 12-month return	-11.2%

**Spot valuations (NZ\$)**

1. DCF	4.10
2. Market multiple	4.94
3. Dividend yield	4.64

**Key WACC assumptions**

Risk free rate	2.00%
Equity beta	0.88
WACC	6.8%
Terminal growth	1.5%

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

Total firm value	6,801
(Net debt)/cash	(1,124)
Less: Capitalised operating leases	
Value of equity	5,677

<b>Profit and Loss Account (NZ\$m)</b>	2018A	2019A	2020E	2021E	2022E	<b>Valuation Ratios</b>	2018A	2019A	2020E	2021E	2022E
Sales revenue	1,798.0	2,000.0	1,781.5	1,772.3	1,731.6	EV/EBITDA (x)	14.6	16.2	16.2	15.6	14.8
<b>Normalised EBITDA</b>	<b>566.0</b>	<b>505.0</b>	<b>501.3</b>	<b>525.7</b>	<b>553.6</b>	EV/EBIT (x)	22.6	27.2	27.4	25.9	24.1
Depreciation and amortisation	(201.0)	(204.0)	(207.5)	(209.0)	(212.3)	PE (x)	28.6	30.5	31.0	26.8	25.4
<b>Normalised EBIT</b>	<b>365.0</b>	<b>301.0</b>	<b>293.8</b>	<b>316.7</b>	<b>341.2</b>	Price/NTA (x)	2.3	2.1	2.1	2.2	2.2
Net interest	(91.0)	(75.0)	(57.7)	(60.0)	(64.1)	Free cash flow yield (%)	3.4	2.8	1.1	1.2	2.9
Associate income	2.0	1.0	3.0	0	0	Net dividend yield (%)	2.8	2.9	2.9	3.0	3.5
Tax	(91.0)	(73.0)	(51.5)	(73.9)	(79.6)	Gross dividend yield (%)	3.9	4.0	4.1	4.2	4.8
Depreciation capex adj	57.6	77.8	63.0	89.5	89.1						
<b>Adjusted normalised NPAT</b>	<b>255.6</b>	<b>239.0</b>	<b>235.6</b>	<b>272.4</b>	<b>286.6</b>	<b>Capital Structure</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Abnormals/other	(6.6)	118.0	(70.0)	(89.5)	(89.1)	Interest cover EBIT (x)	4.7	6.7	4.8	5.3	5.3
<b>Reported NPAT</b>	<b>249.0</b>	<b>357.0</b>	<b>165.6</b>	<b>182.8</b>	<b>197.5</b>	Interest cover EBITDA (x)	6.2	6.7	8.7	8.8	8.6
Normalised EPS (cps)	18.8	17.6	17.3	20.0	21.1	Net debt/ND+E (%)	70.8	61.8	66.0	69.5	70.7
DPS (cps)	15.1	15.5	15.8	16.2	18.6	Net debt/EBITDA (x)	2.2	2.2	2.4	2.6	2.5
<b>Growth Rates</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>Key Ratios</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Revenue (%)	12.6	11.2	-10.9	-0.5	-2.3	Return on assets (%)	7.1	7.8	4.2	4.8	5.2
EBITDA (%)	8.2	-10.8	-0.7	4.9	5.3	Return on equity (%)	6.0	4.6	5.0	5.3	5.8
EBIT (%)	7.9	-17.7	-1.7	6.7	7.7	Return on funds employed (%)	5.8	4.7	4.5	4.7	5.1
Normalised NPAT (%)	1.8	-6.5	-1.4	15.6	5.2	EBITDA margin (%)	31.5	25.3	28.1	29.7	32.0
Normalised EPS (%)	2.9	-6.4	-1.4	15.6	5.2	EBIT margin (%)	20.4	15.1	16.7	17.9	19.7
Ordinary DPS (%)	3.4	2.6	1.9	2.5	14.8	Capex to sales (%)	7.1	6.1	17.3	14.4	9.3
						Capex to depreciation (%)	69	67	168	136	85
<b>Cash Flow (NZ\$m)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	Imputation (%)	100	100	100	100	100
<b>EBITDA</b>	<b>566.0</b>	<b>505.0</b>	<b>501.3</b>	<b>525.7</b>	<b>553.6</b>	Pay-out ratio (%)	80	88	91	81	88
Working capital change	4.0	2.0	49.2	(31.2)	(20.0)						
Interest & tax paid	(192.0)	(148.0)	(152.0)	(153.8)	(163.9)	<b>Operating Performance</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Other	(4.0)	(33.0)	(8.0)	0	0	Hydro	4,947	4,006	3,902	4,016	4,016
<b>Operating cash flow</b>	<b>374.0</b>	<b>326.0</b>	<b>390.5</b>	<b>340.8</b>	<b>369.6</b>	Geothermal	2,757	2,894	2,795	2,843	2,843
Capital expenditure	(127.0)	(122.0)	(308.0)	(254.9)	(161.4)	Wind	0	0	0	181	562
(Acquisitions)/divestments	(139.0)	215.0	0	0	0	<b>Total MCY Generation (GWh)</b>	<b>7,704</b>	<b>6,900</b>	<b>6,697</b>	<b>7,040</b>	<b>7,421</b>
Other	1.0	12.0	0.8	(2.5)	(2.7)	GWAP (\$/MWh)	86	139	110	105	93
<b>Funding available/(required)</b>	<b>109.0</b>	<b>431.0</b>	<b>83.3</b>	<b>83.5</b>	<b>205.5</b>	<b>Electricity sales</b>					
Dividends paid	(273.0)	(208.0)	(214.1)	(216.4)	(224.5)	Electricity customers (000)	388	373	352	349	345
Equity raised/(returned)	(50.0)	0	0	0	0	MM volumes	3,278	3,182	2,910	2,843	2,821
<b>(Increase)/decrease in net debt</b>	<b>(214.0)</b>	<b>223.0</b>	<b>(130.8)</b>	<b>(132.9)</b>	<b>(19.0)</b>	TOU volumes	1,200	1,319	1,460	1,519	1,527
						<b>Total Fixed Price volumes (GWh)</b>	<b>4,478</b>	<b>4,501</b>	<b>4,370</b>	<b>4,363</b>	<b>4,347</b>
<b>Balance Sheet (NZ\$m)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	Spot Sales	891	780	729	732	736
Working capital	63.0	63.0	18.8	50.0	70.0	Net CFD's	2,110	1,665	1,881	2,069	2,069
Fixed assets	5,370.0	5,528.0	5,636.7	5,686.2	5,639.0	<b>Total Sales (GWh)</b>	<b>7,479</b>	<b>6,946</b>	<b>6,979</b>	<b>7,163</b>	<b>7,152</b>
Intangibles	85.0	62.0	60.1	60.6	61.4	Average usage per cust (MWh/yr)	11.4	11.8	12.2	12.4	12.5
Right of use asset	0	0	0	0	0	LWAP (\$/MWh)	92	145	115	110	99
Other assets	385.0	521.0	516.2	518.6	521.4	LWAP/GWAP	1.06	1.04	1.04	1.05	1.06
<b>Total funds employed</b>	<b>5,903.0</b>	<b>6,174.0</b>	<b>6,231.8</b>	<b>6,315.4</b>	<b>6,291.8</b>	Average FPV price (\$/MWh)	113	113	115	117	119
Net debt/(cash)	1,264.0	1,096.0	1,222.8	1,355.7	1,374.7	Line losses (%)	5.6	5.1	5.1	5.2	5.1
Lease liability	0	0	0	0	0						
Other liabilities	1,306.0	1,498.0	1,482.5	1,466.8	1,451.2	Energy margin (\$m)	730	667	676	700	736
Shareholder's funds	3,333.0	3,580.0	3,526.5	3,492.9	3,465.9	Operating costs (\$m)	(205)	(199)	(192)	(194)	(203)
Minority interests	0	0	0	0	0	Other revenue (\$m)	41	37	17	20	21
<b>Total funding sources</b>	<b>5,903.0</b>	<b>6,174.0</b>	<b>6,231.8</b>	<b>6,315.4</b>	<b>6,291.8</b>	<b>MCY EBITDAF (\$m)</b>	<b>566</b>	<b>505</b>	<b>501</b>	<b>526</b>	<b>554</b>

## 1H20 result summary

Figure 1. 1H20 result summary

6 months ending 31 Dec	1H19	1H20	Change	FB	Diff	
	\$m	\$m	%	\$m	\$m	Commentary
<b>Summary P&amp;L</b>						
Sales revenue	1,054	917	-13%	924	(7)	Decline in sales revenue due to lower wholesale electricity prices in 1H20
Cost of sales	(674)	(575)	-15%	(574)	(1)	
<b>Energy margin</b>	<b>380</b>	<b>342</b>	<b>-10%</b>	<b>349</b>	<b>(7)</b>	Lower hydrology vs pcp had a big impact on the Energy Margin
Other revenue	21	7	-67%	9	(2)	Decline vs. pcp following sale of Metrix
Other operating costs	(99)	(94)	-5%	(105)	11	Lower than expected opex with some maintenance costs shifting to 2H
<b>EBITDAF</b>	<b>302</b>	<b>255</b>	<b>-16%</b>	<b>254</b>	<b>1</b>	
Depn & amort	(104)	(105)	1%	(99)	(6)	
<b>EBIT</b>	<b>198</b>	<b>150</b>	<b>-24%</b>	<b>155</b>	<b>(5)</b>	
FV mvmts, assoc inc, other	(14)	(19)	36%	-	(19)	-\$22m of FV mvmts and \$3m of associated income (which MCY reported in EBITDA)
Net interest	(39)	(30)	-23%	(34)	4	Significant decline in interest costs following the roll off of high cost debt
<b>Pre-tax profit</b>	<b>145</b>	<b>101</b>	<b>-30%</b>	<b>121</b>	<b>(20)</b>	
Tax	(41)	(18)	-56%	(35)	17	Tax low due to \$10m deferred tax reversal – is normalised
<b>NPAT</b>	<b>104</b>	<b>83</b>	<b>-20%</b>	<b>86</b>	<b>(3)</b>	
<b>Normalised NPAT</b>	<b>114</b>	<b>90</b>	<b>-21%</b>	<b>86</b>	<b>4</b>	Better than expected result flows from the operating result
EPS (cps)	8.4	6.6	-21%	6.3	0.3	
Dividend (cps)	6.2	6.4	3%	6.3	0.1	Slightly higher 1H dividend than expected, but no change to FY20 dividend guidance
<b>Operating statistics</b>						
Generation (GWh)	3,901	3,524	-10%			Hydro generation down -13% as pcp high and geothermal down -5% due to maintenance
FPVV sales (GWh)	2,319	2,242	-3%			Increase in commercial sales partly offset the decline in mass market volumes
Customer numbers (000)	381	356	-7%			Decline in electricity connections as MCY chooses other channels to sell electricity
GWAP (\$/MWh)	\$139	\$114	-18%			Lower wholesale electricity prices, but still elevated
<b>Summary cash flow</b>						
Operating cash flow	261	260	0%			
Interest paid	(35)	(30)	-14%			Decrease due to lower effective interest rate
Tax paid	(55)	(50)	-9%			Tax down on reduced earnings
Maintenance capex	(45)	(53)	18%			Increase in capex due to geothermal maintenance programme
<b>Free cash flow</b>	<b>126</b>	<b>127</b>	<b>1%</b>			
Net debt	1,139	1,167	28			Increase in debt due to timing of FY dividend and Turitea development

Source: MCY, Forsyth Barr analysis

## Forecast changes

Figure 2. Summary forecast changes

	FY20	FY20		FY21	FY21		FY22	FY22	
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Sales revenue	1,842	1,762	-4.3%	1,764	1,750	-0.8%	1,709	1,709	0.0%
Energy margin	695	676	-2.7%	705	700	-0.7%	742	736	-0.9%
<b>EBITDAF</b>	<b>511</b>	<b>501</b>	<b>-1.9%</b>	<b>523</b>	<b>526</b>	<b>0.6%</b>	<b>552</b>	<b>554</b>	<b>0.2%</b>
EBIT	314	275	-12.4%	322	317	-1.7%	353	345	-2.2%
Pre-tax profit	247	217	-12.3%	253	257	1.4%	279	281	0.8%
<b>NPAT</b>	<b>176</b>	<b>166</b>	<b>-6.0%</b>	<b>180</b>	<b>183</b>	<b>1.4%</b>	<b>200</b>	<b>201</b>	<b>0.8%</b>
<b>Normalised NPAT</b>	<b>176</b>	<b>173</b>	<b>-2.0%</b>	<b>180</b>	<b>183</b>	<b>1.4%</b>	<b>196</b>	<b>198</b>	<b>0.8%</b>
Dividend (cps)	15.8	15.8	0.0%	16.2	16.2	0.0%	18.7	18.6	-0.5%
Generation (GWh)	6,845	6,697	-2.2%	7,040	7,040	0.0%	7,421	7,421	0.0%
FPVV sales (GWh)	4,370	4,370	0.0%	4,363	4,363	0.0%	4,347	4,347	0.0%
GWAP (\$/MWh)	\$121.1	\$110.0	-9.2%	\$107.3	\$105.2	-2.0%	\$92.7	\$93.3	0.6%
LWAP/GWAP	1.043	1.042	-0.1%	1.050	1.050	0.0%	1.056	1.056	0.0%

Source: Forsyth Barr analysis

## Investment Summary

Our rating is NEUTRAL. MCY is a strong operator in the sector with well-positioned generation assets. Whilst its near-term dividend yield is the lowest in the sector, we expect that to improve following the completion of its Turitea windfarm in 2021. Overall we see MCY as fairly valued.

### 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 New Zealand decarbonising transport and industrial processes.
- **Strong generation position:** The value within the electricity sector lies within the generation assets. MCY is the largest North Island generator and its hydro generation is suited to meeting electricity demand peaks.
- **Track record:** MCY has a strong development track record, having built a geothermal generation portfolio in the past 15 years and is expanding into wind.

### Earnings and cashflow outlook

- **Earnings growth after FY21:** MCY's move into a development phase will drive earnings growth after FY21. The new wind farm development at Turitea is likely to add ~\$55m (~+11%) per annum to underlying EBITDAF.
- **Operating cash flow strong but development restarting:** MCY has a strong track record of returning surplus cash to shareholders; however, with new generation under development, capital returns above the ordinary dividend are less likely.

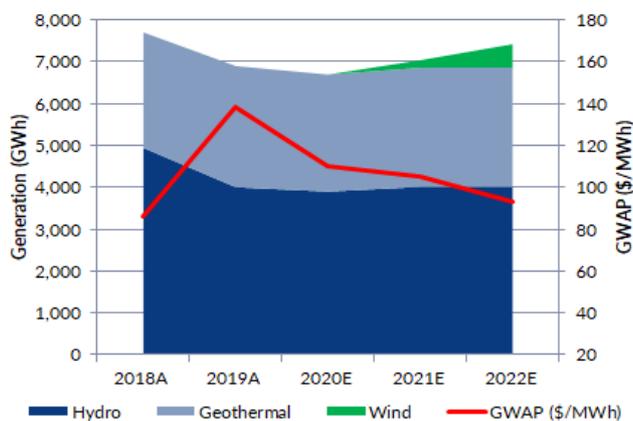
### Financial structure

- **Balance sheet:** MCY's balance sheet has reasonable headroom (particularly after including treasury shares acquired in past buy-backs). Its Tilt Renewables investment and decision to build new generation means there is no surplus capital for the next few years. Insert your text here

### Risk factors

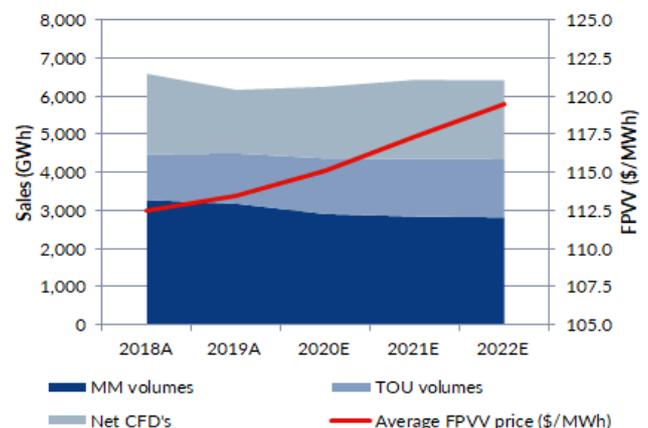
- **Political/regulatory:** The 2014 election and recent Electricity Price Review (EPR) highlighted the political/regulatory risks inherent in the sector. Whilst the EPR gave the sector a thumbs-up in most areas, the political risk is unlikely to ever disappear.
- **NZAS risk:** NZAS has indicated it is undertaking a strategic review, raising the possibility it may close. In our view, the smelter is unlikely to close (less than 10% chance), but if it did MCY would be one of the least affected generator/retailers.

Figure 3. Generation volumes and average price received

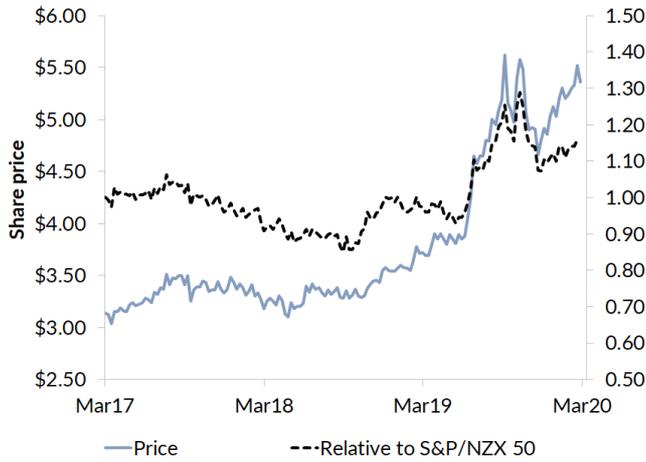


Source: MCY, Forsyth Barr analysis

Figure 4. Sales volumes and average price received



Source: MCY, Forsyth Barr analysis

**Figure 5. Price performance**


Source: Forsyth Barr analysis

**Figure 6. Substantial shareholders**

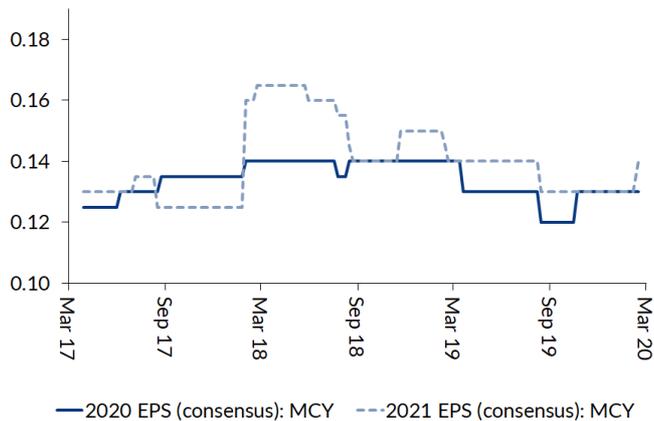
Shareholder	Latest Holding
NZ Govt	52.6%

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

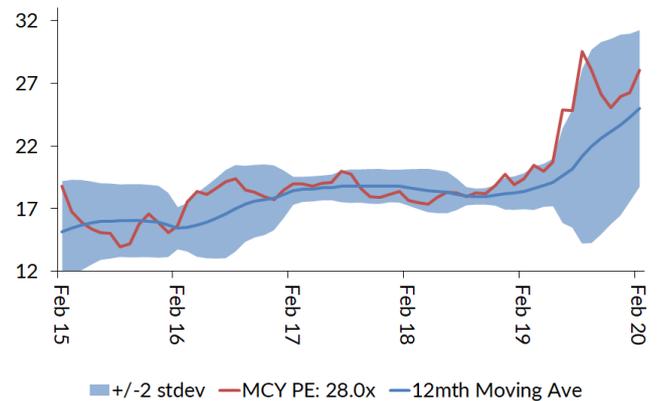
**Figure 7. International valuation comparisons**

Company	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash Yld 2021E		
				2020E	2021E	2020E	2021E	2020E	2021E			
Mercury	MCY NZ	NZ\$5.36	NZ\$7,294	31.0x	26.8x	16.7x	16.0x	28.3x	26.5x	3.0%		
Contact Energy*	CEN NZ	NZ\$7.39	NZ\$5,307	22.8x	21.3x	14.1x	13.2x	27.6x	25.4x	5.3%		
Genesis Energy*	GNE NZ	NZ\$3.22	NZ\$3,310	20.4x	16.9x	12.5x	11.3x	32.6x	26.8x	5.4%		
Meridian Energy*	MEL NZ	NZ\$5.38	NZ\$13,789	26.9x	29.2x	17.6x	18.8x	27.5x	30.1x	4.1%		
Trustpower*	TPW NZ	NZ\$7.01	NZ\$2,194	22.6x	21.1x	13.4x	13.0x	16.7x	16.0x	4.9%		
AGL ENERGY	AGL AT	A\$20.90	A\$13,355	15.8x	15.8x	7.7x	7.7x	11.9x	11.8x	4.8%		
ORIGIN ENERGY	ORG AT	A\$7.53	A\$13,262	12.9x	13.3x	6.1x	6.2x	14.6x	15.5x	4.7%		
<b>Compco Average:</b>				<b>20.2x</b>	<b>19.6x</b>	<b>11.9x</b>	<b>11.7x</b>	<b>21.8x</b>	<b>20.9x</b>	<b>4.9%</b>		
<b>EV = Current Market Cap + Actual Net Debt</b>				<b>MCY Relative:</b>		<b>53%</b>	<b>37%</b>	<b>41%</b>	<b>37%</b>	<b>30%</b>	<b>27%</b>	<b>-38%</b>

Source: \*Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (MCY) 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

**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: Andrew Harvey-Green. 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 24 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.