

Meridian Energy

UNDERPERFORM

Peak Earnings — FY19 Result

Meridian Energy's (MEL) FY19 result was sensational, producing EBITDAF of \$838m, +\$172m (+26%) higher than the pcp. Driving the record result were high hydro generation volumes and record wholesale electricity prices. The result was anticipated, hence, forecast changes are relatively small, although we have increased our target price +20cps to \$4.00.

What's changed?

- **Earnings:** FY20 EBITDAF increased +\$4m to \$769m
- **Target Price:** Lifted +20cps to \$4.00
- **Rating:** UNDERPERFORM rating retained

FY19 likely to be peak earnings

It is unusual for MEL to have both strong hydro generation volumes (~+5% above average) and high wholesale prices (+47% above pcp). But that is what occurred in FY19, with wholesale electricity prices elevated due to gas shortage issues, as opposed to low hydrology as is normally the case. It is little wonder that MEL's presentation cover page was a picture of a mountain top! In addition to favourable wholesale market conditions, FY19 was the first full year of Green State Power (GSP) earnings (~+\$20m), the Australian hedging position improved materially (+\$14m) and MEL was able to secure good commercial sales volumes at strong prices (+\$29m). Normalised NPAT of \$333m was +62% better than the pcp.

Dividend approach demonstrates confidence

MEL declared a final ordinary dividend of 10.72cps, in addition to the standard "special" dividend of 2.44cps. We had assumed MEL would increase its special dividend, allowing shareholders to benefit from the strong FY19 result, but also recognising FY19 is unlikely to be repeated soon. By rigidly sticking to the free cash flow (FCF) pay-out policy (the ordinary dividend is based on a minimum pay-out ratio of 75%), MEL has demonstrated confidence in FY20 earnings as a weak result would either require MEL to exceed its upper FCF pay-out bound of 90%, or cut the ordinary dividend. Given MEL's dividend approach, we have lifted our FY20 total dividend forecast +0.6cps to 21.4cps (just +0.1cps up on FY19). However, we still expect a small decline in the total FY22 dividend after the special dividend program ends in 1H22.

Minor forecast changes, with the exception of depreciation

We have increased our FY20 EBITDAF forecast +\$4m to \$769m. However, the biggest change is a +\$36m increase in depreciation following MEL's material \$1.14b upwards asset revaluation (due to lower interest rates). Whilst our headline NPAT forecast falls -8.0% to \$259m, NPAT adjusted for maintenance capex has lifted +1.5% to \$442m.

Target price increase, due mainly to WACC changes

We have increased our target price +20cps (+5.3%) to \$4.00 with the main driver being a +16% increase in our DCF valuation due to a lower risk free rate assumption. However, we still view MEL as an expensive electricity generator/retailer and we retain our UNDERPERFORM rating.

Investment View

Our rating is UNDERPERFORM. Whilst MEL is a high quality stock, in our view it offers less value than alternative electricity generator/retailers. Short-term trading conditions have been strong highlighted by the FY19 result, albeit we do not expect a repeat of that performance.

NZX Code	MEL
Share price	NZ\$4.67
Target price	NZ\$4.00
Risk rating	Low
Issued shares	2563.0m
Market cap	NZ\$11,969m
Average daily turnover	1,346k (NZ\$5,173k)

Share Price Performance



Financials: June	19A	20E	21E	22E
NPAT* (NZ\$m)	481.3	442.3	435.8	441.6
EPS* (NZc)	18.8	17.3	17.0	17.2
EPS growth* (%)	33.4	-8.1	-1.5	1.3
DPS (NZc)	21.3	21.4	21.6	20.6
Imputation (%)	66	65	65	70

Valuation (x)	19A	20E	21E	22E
EV/EBITDA	16.0	17.5	17.6	17.3
EV/EBIT	23.9	29.3	29.1	28.0
PE	24.9	27.1	27.5	27.1
Price / NTA	2.2	2.3	2.5	n/a
Cash dividend yield (%)	4.6	4.6	4.6	4.4
Gross dividend yield (%)	5.7	5.7	5.8	5.6

*Historic and forecast numbers based on underlying profits

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Meridian Energy Limited (MEL)

Priced as at 26 Aug 2019: NZ\$4.67

June year end

Forsyth Barr valuation					Valuation Ratios						
Valuation methodology					2018A 2019A 2020E 2021E 2022E						
Mix of market multiple and DCF					EV/EBITDA (x)	19.9	16.0	17.5	17.6	17.3	
					EV/EBIT (x)	33.4	23.9	29.3	29.1	28.0	
					PE (x)	33.2	24.9	27.1	27.5	27.1	
					Price/NTA (x)	2.5	2.2	2.3	2.5	2.6	
					Free cash flow yield (%)	1.5	4.7	3.8	3.8	4.0	
					Net dividend yield (%)	4.1	4.6	4.6	4.6	4.4	
					Gross dividend yield (%)	5.2	5.7	5.7	5.8	5.6	
					Imputation (%)	68	66	65	65	70	
					Pay-out ratio (%)	136	113	124	127	119	
Key WACC assumptions					Capital Structure						
DCF valuation summary (NZ\$m)					2018A 2019A 2020E 2021E 2022E						
Risk free rate	2.00%	Total firm value			11,199	Interest cover EBIT (x)	4.7	6.6	5.4	5.2	5.2
Equity beta	0.84	(Net debt)/cash			(1,424)	Interest cover EBITDA (x)	8.2	10.1	9.3	9.0	8.8
WACC	6.7%	Value of equity			9,775	Net debt/ND+E (%)	23.2	20.7	23.0	25.1	27.1
Terminal growth	1.5%	Shares (m)			2,563	Net debt/EBITDA (x)	2.2	1.7	2.0	2.1	2.2
Profit and Loss Account (NZ\$m)					Key Ratios						
2018A 2019A 2020E 2021E 2022E					2018A 2019A 2020E 2021E 2022E						
Sales revenue	3,297	4,104	3,531	3,443	3,458	Return on assets (%)	4.4	5.7	4.7	4.9	5.2
Normalised EBITDA	666	838	769	766	779	Return on equity (%)	4.3	6.1	5.0	5.3	5.9
Depreciation and amortisation	(268)	(276)	(309)	(302)	(296)	Return on funds employed (%)	4.6	5.9	5.0	5.2	5.5
Normalised EBIT	398	562	460	464	483	EBITDA margin (%)	20.2	20.4	21.8	22.3	22.5
Net interest	(81)	(83)	(82)	(86)	(88)	EBIT margin (%)	12.1	13.7	13.0	13.5	14.0
Associate income & other	(19)	(14)	(17)	(19)	(19)	Capex to sales (%)	7.5	1.7	2.1	2.2	1.7
Tax	(95)	(133)	(101)	(101)	(105)	Capex to depreciation (%)	100	28	27	27	21
Minority interests	-	-	-	-	-	Operating Statistics					
Reported NPAT	203	332	259	259	270	2018A 2019A 2020E 2021E 2022E					
Abnormals/other	158	149	183	177	171	Hydro generation	11,266	12,326	12,035	11,701	11,701
Adjusted normalised NPAT	361	481	442	436	442	Wind generation	1,263	1,244	1,460	1,474	1,474
Adjusted normalised EPS (cps)	14.1	18.8	17.3	17.0	17.2	Total NZ generation (GWh)	12,528	13,570	13,494	13,175	13,175
DPS (cps)	19.2	21.3	21.4	21.6	20.6	GWAP (\$/MWh)	83.0	123.3	102.5	94.9	90.6
Growth Rates					Overseas generation (GWh)						
2018A 2019A 2020E 2021E 2022E					2018A 2019A 2020E 2021E 2022E						
Revenue (%)	16.7	24.5	-14.0	-2.5	0.4	Overseas GWAP (\$/MWh) (NZD)	151	100	136	106	96
EBITDA (%)	1.4	25.8	-8.2	-0.4	1.7	Overseas customer numbers (000)	97	110	127	143	153
EBIT (%)	1.3	41.2	-18.2	1.0	4.0	Powershop customers (000)	66	74	74	76	77
Normalised NPAT (%)	-3.1	33.4	-8.1	-1.5	1.3	Meridian branded customers (000)	225	228	228	233	237
Normalised EPS (%)	-3.1	33.4	-8.1	-1.5	1.3	NZ electricity customers (000)	291	302	302	308	315
DPS (%)	1.5	10.9	0.4	0.9	-4.6	Average usage per cust (MWh/yr)	13.5	13.2	13.1	13.1	13.1
Cash Flow (NZ\$m)					Mass market volumes						
2018A 2019A 2020E 2021E 2022E					2018A 2019A 2020E 2021E 2022E						
EBITDA	666	838	769	766	779	Time of use volumes	2,157	2,338	2,508	2,528	2,548
Working capital change	(34)	(36)	6	12	16	Total fixed price volumes (GWh)	5,981	6,239	6,460	6,523	6,627
Interest & tax paid	(186)	(200)	(224)	(227)	(235)	NZAS sales	5,011	5,310	5,464	5,449	5,449
Other	(19)	33	(17)	(19)	(19)	Sell CFDs	2,278	2,239	2,195	2,195	2,195
Operating cash flow	427	635	533	532	541	Buy CFDs	-2,222	-1,965	-1,938	-1,740	-1,740
Capital expenditure	(247)	(69)	(75)	(76)	(58)	Total Sales (GWh)	11,047	11,823	12,181	12,426	12,531
(Acquisitions)/divestments	23	-	-	-	-	Average FPV price (\$/MWh)	105.2	104.8	106.2	108.3	110.5
Other	-	-	-	-	-	LWAP (\$/MWh)	88	132	111	101	98
Funding available/(required)	203	566	458	456	483	LWAP/GWAP	1.06	1.07	1.09	1.07	1.08
Dividends paid	(486)	(500)	(569)	(550)	(556)	Lines losses (%)	5.3	5.9	5.2	5.2	5.2
Equity raised/(returned)	(2)	(2)	-	-	-	New Zealand Energy Margin (\$m)	944	1,108	1,022	1,013	1,013
Increase/(decrease) in net debt	285	(64)	111	95	73	Overseas Energy Margin (\$m)	86	118	124	115	114
Balance Sheet (NZ\$m)					Meridian Energy Margin (\$m)						
2018A 2019A 2020E 2021E 2022E					2018A 2019A 2020E 2021E 2022E						
Working capital	(17)	(24)	(13)	(6)	(3)	1,030	1,226	1,146	1,128	1,127	
Fixed assets	7,941	8,825	8,599	8,377	8,139						
Intangibles	60	59	51	47	47						
Other assets	291	383	366	347	328						
Total funds employed	8,275	9,243	9,003	8,766	8,511						
Net debt/(cash)	1,461	1,424	1,535	1,630	1,703						
Other non current liabilities	1,991	2,362	2,321	2,280	2,238						
Shareholder's funds	4,823	5,457	5,147	4,856	4,571						
Minority interests	-	-	-	-	-						
Total funding sources	8,275	9,243	9,003	8,766	8,511						

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

FY19 result review

Figure 1. FY19 result summary

	FY18	FY19	%	FB	Diff	
	\$m	\$m	Chg	\$m	\$m	Comments
NZ Energy Margin	944	1,108	17%	1,105	3	Big increase in NZ EM due to strong hydro generation and high wholesale prices
Australia Energy Margin	86	118	37%	111	7	Australia EM up from GSP contribution and better retail performance
Energy Margin	1,030	1,226	19%	1,216	10	
Other revenue	22	25	14%	28	(3)	Increased Flux Federation revenue, but lower than forecast
Transmission costs	(127)	(131)	3%	(129)	(2)	
Operating costs	(259)	(282)	9%	(281)	(1)	Big lift in opex from GSP, Aussie retail and Ohau maintenance
EBITDAF	666	838	26%	834	4	Record EBITDAF, unlikely to be repeated in the near future
Deprn & amort	(268)	(276)	3%	(275)	(1)	Increase vs. pcp due to GSP acquisition
EBIT	398	562	41%	560	2	
Net interest	(81)	(83)	2%	(83)	0	
FV mvmts, assoc inc, other	(19)	(14)	-26%	(4)	(10)	
Pre-tax profit	298	465	56%	472	(7)	
Tax	(95)	(133)	40%	(134)	1	
NPAT	203	332	64%	338	(6)	
Normalised NPAT	206	333	62%	330	3	Material lift in NPAT due to strong operational earnings
EPS (cps)	8.0	13.0	62%	12.9	0.1	
Dividend (cps)	19.2	21.3	11%	21.1	0.2	MEL stuck with ordinary dividend policy and ordinary div = 75% of FCF
Final dividend (cps)	11.1	13.2	2%	12.9	0.2	Final ordinary dividend of 10.72cps + 2.44cps "special" dividend
Operating statistics						
Generation (GWh)	12,528	13,570	8%	13,570	0	Record hydro generation
FPVV sales (GWh)	5,981	6,239	4%	6,239	0	Lift in FPVV sales as MEL moved more into the commercial market
Customer numbers	291	302	4%	302	0	MEL has also been active attracting mass market/SME customers
GWAP (\$/MWh)	83	123	48%	123	0	Record high wholesale electricity prices – unusual given the strong hydro volumes

Source: MEL, Forsyth Barr analysis

Key points:

- As expected MEL delivered a record FY19 result, with FY19 EBITDAF up a staggering +\$172m (+26%) on the pcp. The two key factors behind the strong performance were strong hydro generation (12,326GWh, +9% up on the pcp) and record high wholesale electricity prices (\$123/MWh, +48% up on the pcp). It is unusual to get this combination, as typically when MEL has strong hydro generation, wholesale electricity prices are below average.
- Other factors that ensured a strong result were:
 - A lift in the Australian contribution (Australia EBITDAF up +\$20m) due to the first full year of the Green State Power (GSP) hydro assets and a much improved retail hedging performance.
 - Stronger ASX futures prices boosting commercial sales prices. The 2H19 commercial sales price was \$96/MWh, up +11% on the pcp (additional revenue of +\$14m due to higher prices). Volumes were also up +8%.
- FY19 operating costs increased +\$23m on the pcp due to increased staff costs, increased Australian investment, GSP operating costs and higher maintenance due to the Ohau refurbishment programme.
- Depreciation and amortisation increased +3% to \$276m mainly due to GSP.
- Normalised NPAT of \$333m is also a new record, up +62% on the pcp.
- Instead of paying an additional special dividend due to the extraordinary year, MEL has decided to stick with its dividend policy. As a result the final ordinary dividend of 10.72cps (86% imputed) equates to an FY19 free cash flow pay-out ratio of 75% — the bottom of MEL's pay-out ratio range. In addition, MEL is paying the now standard 2.44cps special dividend (0% imputed), taking the final dividend to 13.16cps and the FY19 dividend to 21.30cps. This is -0.23cps lower than our FY19 estimate, but the ordinary dividend is +0.77cps higher than our forecast.
- Strong operating cash flows and relatively low capex has seen net debt levels fall slightly. MEL's balance sheet remains strong.

Outlook comments

As usual, MEL has provided no outlook commentary, although it did note FY19 is unlikely to be repeated. It also provided opex guidance for the first time, with FY20 opex expected to be between \$280m and \$286m (after adjusting for a +\$6m benefit from adopting IFRS 16 which eliminates operating lease expenditure).

Dividend outlook

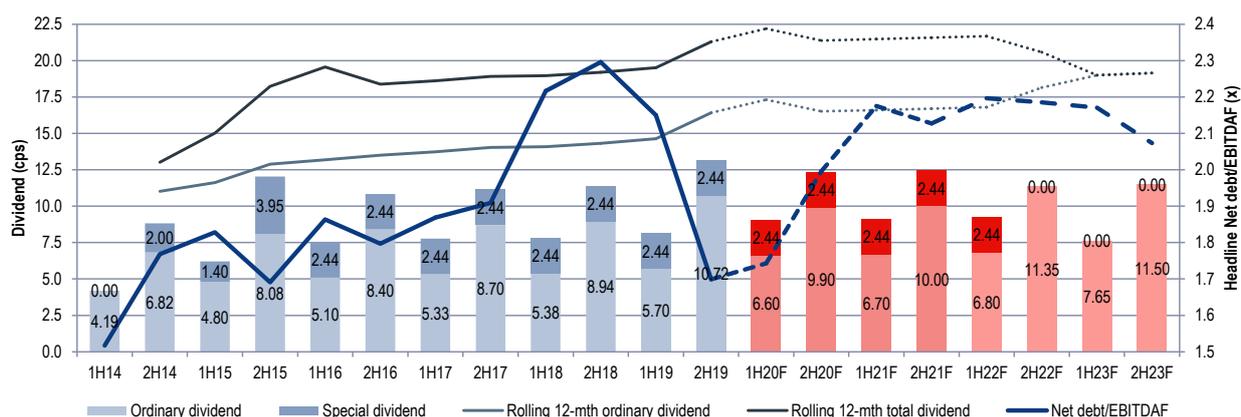
MEL's decision to pay an ordinary FY19 dividend consistent with its dividend policy poses a few challenges looking ahead. The strong FCF in FY19 means if FY20 ends up being a well below average hydrology year, there is a risk of MEL cutting its ordinary dividend if it chooses to stay with the dividend policy. Our take-outs of the dividend decision are:

- MEL is confident of FY20 profitability, such that the chance of breaking its dividend policy/lowering the ordinary dividend are slim.
- In order to rebalance the 1H/2H dividend split, the 1H20 ordinary dividend will have a significant increase, but the 2H20 ordinary dividend is likely to fall vs. 2H19.
- The FY20 ordinary dividend is likely to be close to flat on FY19 — i.e. don't expect much dividend growth. We anticipate a relatively flat dividend profile for the foreseeable future.

Looking longer term, MEL indicated that it will update the market on its capital management program at least two years before the end of the scheduled elevated dividends. That suggests the market should receive an update within the next 12 months. It also indicated that MEL is keen to maintain its current generation market share of ~31%. That means it is aiming to build ~31% of New Zealand's new generation to meet expected demand growth, indicating ongoing special dividends beyond 1H22 are unlikely.

Our assumption is that after the last "special dividend payment" in 1H22, MEL transitions to a FCF of 95% of underlying average hydrology earnings. That should allow MEL to retain sufficient balance sheet flexibility to fund new generation projects and deal with fluctuations in hydrological conditions. A 100% FCF payout in FY23 equates to a dividend of ~19.9cps, vs. the FY19 dividend of 21.3cps. It, therefore, seems inevitable that MEL's dividend will decrease once the capital management program ends.

Figure 2. MEL dividend – historic and future



Source: MEL, Forsyth Barr analysis

FY20 forecast and forecast changes

MEL has started FY20 well, with a strong performance in July 2019. However, there are some headwinds expected in FY20. Most notably HVDC outages in 3Q20 will take away upside potential.

FY20 forecast key points:

- Limited change to FY20 NZ Energy Margin as higher commercial margins are offset

by HVDC earnings impacts in 2H20.

- Increase in Australia Energy Margin (+\$7m) from flow through of better than expected FY19 performance.
- Overall EBITDAF increased +\$4m to \$769m.
- Significant increase in depreciation and amortisation (+\$36m to \$309m) following a material +\$1.14b revaluation increase in FY19. The significant upwards asset revaluation is largely due to lower interest rates lowering MEL's WACC estimate.
- The big increase in depreciation has resulted in our FY20 NPAT forecast falling -8% to \$259m. However, after swapping out depreciation for maintenance capex, FB adjusted NPAT increased +1.5% to \$442m.
- We have increased our FY20 dividend forecast +0.6cps to 21.4cps. This is just +0.1cps higher than the FY19 total dividend (and is inclusive of the standard 4.88cps "special" dividend).

Figure 3. Forecast changes

	FY20			FY21			FY22		
	Old	New	Chg	Old	New	Chg	Old	New	Chg
	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%
NZ Energy Margin	1,023	1,022	-0.1%	1,006	1,013	0.7%	1,013	1,013	0.1%
Australia Energy Margin	117	124	5.8%	105	115	9.2%	111	114	2.5%
Energy margin	1,141	1,146	0.5%	1,111	1,128	1.5%	1,124	1,127	0.3%
Other revenue	31	32	1.4%	34	35	3.2%	35	35	2.3%
Transmission costs	(120)	(123)	2.8%	(102)	(104)	1.5%	(95)	(96)	1.4%
Operating costs	(287)	(286)	-0.6%	(286)	(293)	2.4%	(293)	(287)	-2.1%
EBITDAF	765	769	0.6%	757	766	1.2%	770	779	1.2%
Depn & amort	(273)	(309)	13.5%	(269)	(302)	12.4%	(264)	(296)	12.1%
EBIT	492	460	-6.6%	489	464	-5.0%	506	483	-4.5%
Net interest	(85)	(82)	-2.8%	(89)	(86)	-3.4%	(96)	(88)	-7.6%
FV mvmts, assoc inc, other	(16)	(17)	6.3%	(18)	(19)	5.6%	(18)	(19)	5.6%
Pre-tax profit	391	360	-8.0%	382	360	-5.8%	392	375	-4.2%
Tax	(110)	(101)	-8.0%	(107)	(101)	-5.8%	(110)	(105)	-4.2%
Normalised NPAT	282	259	-8.0%	275	259	-5.8%	282	270	-4.2%
FB adjusted NPAT	436	442	1.5%	426	436	2.4%	433	442	2.0%
Dividend (cps)	20.8	21.4	2.6%	21.3	21.6	1.2%	19.3	20.6	6.6%
Normalised EPS	11.0	10.1	-8.0%	10.7	10.1	-5.8%	11.0	10.5	-4.2%
Operating statistics			Diff			Diff			Diff
NZ generation (GWh)	13,494	13,494	0.0%	13,175	13,175	0.0%	13,175	13,175	0.0%
FPVV sales (GWh)	6,460	6,460	0.0%	6,523	6,523	0.0%	6,627	6,627	0.0%
Customer numbers (000)	302	302	0.0%	308	308	0.0%	315	315	0.0%
GWAP (\$/MWh)	\$93.4	\$102.5	9.7%	\$87.7	\$94.9	8.2%	\$86.3	\$90.6	4.9%

Source: Forsyth Barr analysis

Valuation changes

We have increased our DCF valuation +15.6% to \$3.81, the main driver of the increase being the reduction in our risk free rate assumption from 2.75% to 2.00%. The changes to our other valuation methodologies are relatively minor, consistent with our relatively minor forecast earnings changes. We have increased our target price +5.3% to \$4.00.

Figure 4. Summary valuation changes

	Old	New	Change	
	\$/share	\$/share	\$/share	%
DCF	\$3.30	\$3.81	\$0.51	15.6%
Market multiple	\$4.06	\$4.08	\$0.02	0.5%
Dividend yield	\$4.10	\$4.16	\$0.06	1.4%
Target price	\$3.80	\$4.00	\$0.20	5.3%

Source: Forsyth Barr analysis

Investment summary

Our rating is **UNDERPERFORM**. Whilst MEL is a high quality stock, in our view it offers less value than alternative electricity generator/retailers. Short-term trading conditions have been strong highlighted by the FY19 result, albeit we do not expect a repeat of that performance.

Business quality

- **Low risk, modest growth industry:** Electricity demand is relatively inelastic and the industry is well positioned to benefit from New Zealand decarbonising transport and industrial processes.
- **Strong generation position:** Most of the generation value within the electricity sector lies within the generation assets. MEL is the largest generator in New Zealand, producing ~32% of New Zealand's electricity requirements and controls ~50% of New Zealand's hydro storage. Its hydro generation portfolio means it is the lowest cost generator.
- **Track record:** Since listing in 2014, MEL has demonstrated an ability to unlock value and has lifted operating earnings +25%.

Earnings and cash flow outlook

- **More modest growth after FY19:** We expect earnings growth to slow after the stellar FY19 year. We expect transmission benefits to be offset by a gradually declining wholesale electricity price.
- **Cash flow strong in near-term:** Limited electricity demand growth means capital expenditure is limited, resulting in strong free cash flows.

Company description

Meridian is New Zealand's largest electricity generator/retailer. It produces ~11,500GWh of electricity from its South Island hydro power stations and ~1,500GWh from its predominantly North Island wind farms. MEL's retail brands, Meridian and Powershop retail electricity to around 290,000 customers. MEL also has an international presence in Australia owning two wind farms and has launched its Powershop retail brand in Victoria and NSW. MEL's largest customer is New Zealand's largest power user, the Tiwai Point aluminium smelter which consumes ~13% of New Zealand's power and ~40% of MEL's output.

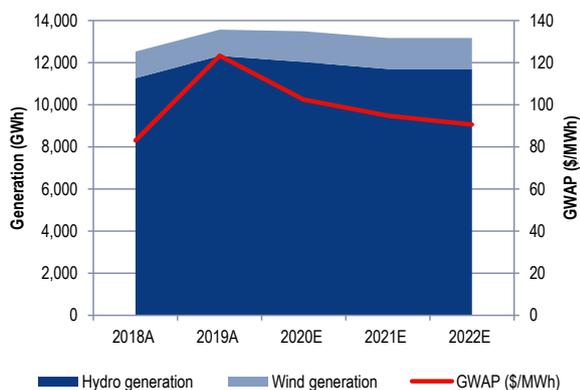
Financial structure

- **Balance sheet:** Management recognises that surplus cash is better with shareholders than the business. MEL currently has spare capacity on its balance sheet and hence it has in place a capital management plan that will gradually lift gearing in the business.
- **Dividends:** MEL's strong free cash flow enables it to pay high dividends, which are currently elevated due to the capital management plan.

Key risks

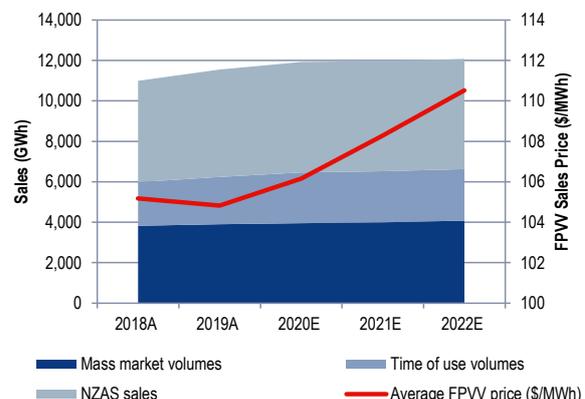
- **Regulatory risk:** The 2014 election highlighted the political/regulatory risks inherent in the sector. Whilst the Electricity Price Review creates some uncertainty, we believe there is as much upside as downside risk, and in any case is unlikely to have a material impact on MEL.
- **Rising bond yields:** In recent years MEL has traded in line with bond yields. A lift in interest rates is likely to see MEL trade lower.

Figure 5. Generation and generation weighted average price



Source: MEL, Forsyth Barr analysis

Figure 6. Sales volumes and average selling price



Source: MEL, Forsyth Barr analysis

Figure 7. Substantial Shareholders

Shareholder	Latest Holding
NZ Govt	51.0%

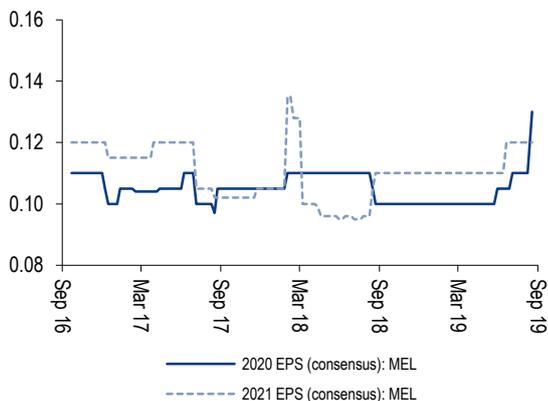
Source: NZX, Forsyth Barr analysis, NOTE: based on SSH notices only

Figure 8. International Compcos

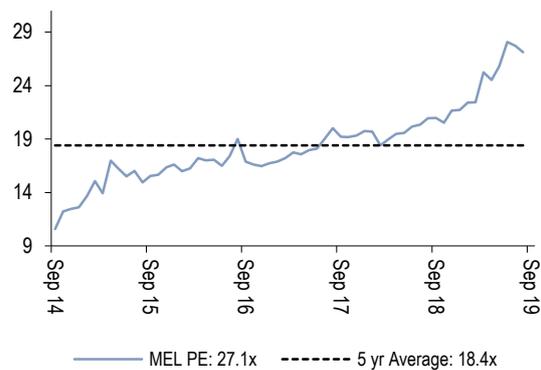
Company	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash D/Yld
				2020E	2021E	2020E	2021E	2020E	2021E	
<i>(metrics re-weighted to reflect MEL's balance date - June)</i>										
Meridian Energy	MEL NZ	NZ\$4.67	NZ\$11,969	27.1x	27.5x	17.4x	17.5x	29.1x	28.9x	4.6%
Contact Energy *	CEN NZ	NZ\$8.48	NZ\$6,078	22.9x	22.9x	14.4x	14.3x	24.5x	24.2x	4.7%
Genesis Energy *	GNE NZ	NZ\$3.33	NZ\$3,409	20.5x	19.4x	12.7x	12.7x	27.9x	27.2x	5.3%
Mercury *	MCY NZ	NZ\$5.10	NZ\$6,941	30.4x	25.6x	16.5x	15.4x	28.0x	25.3x	3.2%
Trustpower *	TPW NZ	NZ\$7.70	NZ\$2,410	22.9x	22.4x	14.1x	13.8x	17.8x	17.3x	4.6%
AGL Energy	AGL AT	A\$18.75	A\$12,297	14.6x	14.5x	7.2x	7.2x	11.0x	11.3x	5.3%
ERM Power	EPW AT	A\$2.45	A\$613	12.0x	16.7x	7.0x	6.8x	10.0x	9.7x	4.1%
Infigen Energy	IFN AT	A\$0.58	A\$550	11.1x	17.4x	6.2x	7.5x	9.6x	13.4x	3.5%
Origin Energy	ORG AT	A\$7.36	A\$12,963	12.3x	11.9x	7.7x	7.1x	14.2x	14.0x	4.9%
Compcos Average:				18.3x	18.8x	10.7x	10.6x	17.9x	17.8x	4.4%
MEL Relative:				+48%	+46%	+63%	+65%	+63%	+62%	+4%

EV = Current Market Cap + Actual Net Debt

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

Figure 9. Consensus EPS Momentum


Source: Forsyth Barr analysis, Bloomberg

Figure 10. 12 Month Forward PE


Source: Forsyth Barr analysis

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