Sanford

OUTPERFORM

Catch of the Day

The 2019 fishing season has been mixed with a particularly strong squid harvest and broad based pricing growth offsetting weakness elsewhere. Looking forward, we see some catch volume headwinds from wild capture fisheries given (1) Hoki quota reductions, (2) normalisation of squid catch, and (3) possible changes to fishing requirements in certain areas; however, a full 12 month contribution from its San Granit vessel will provide a large offset. While short term earnings volatility from swings in catch volume/mix will remain a feature, we continue to like SAN given (1) its strategy of moving up the value chain, (2) undemanding valuation at 13.4x forward PE, and (3) possible upside from aquaculture opportunities. OUTPERFORM.

What's changed?

- **Earnings:** Minor reductions to EBIT forecasts, FY20E/FY21E -2%/-2%
- **Target Price:** We have lifted our target price to NZ$8.10 from NZ$7.70, largely reflecting changes to our WACC estimates
- **Rating:** OUTPERFORM

FY19 season a mixed catch

After a slow start to the fishing season for SAN with Hoki reductions, the extended San Granit outage and disruption to the inshore fleet, a strong squid season has helped put FY19 volumes back on track. Export data for the first 11 months show a slight lift in total volumes with broad based price growth. Key highlights include squid and mussels with export values up +94% and +24% respectively on the prior comparable period, with both strong volume and price growth.

Quota changes for FY20 season — Slightly more downs than ups

Changes to allowable commercial catch limits were announced on 27 September and were largely in line with expectations. Key negative changes include negative revisions to Hoki, Hake, and Tarakihi, with the industry opting to take a bigger cut than proposed as it looks to rebuild the stock. Whilst catch volume is down, we expect the value change to be largely offset by a lift to higher value Orange Roughy. The net impact from quota changes now factored into our forecasts has a ~-1% impact on revenue.

Government mussels up

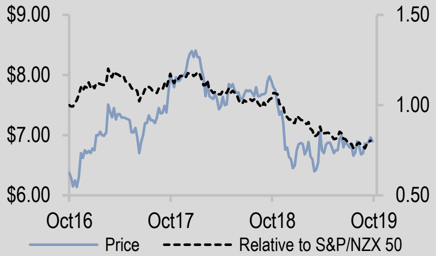
The Government recently released its long-term strategic goal for the Aquaculture industry, putting in place a target to grow it to an NZ$3bn industry by 2035 (2019 ~NZ$650m). The strategy is centred on volume opportunities, primarily in open ocean marine farming and illustrates growing Government support. SAN stands to benefit given its leadership position: producing ~40% of New Zealand's Greenshell mussels and ~25% of its King salmon. Additional water space to be made available to SAN under the new strategy provides upside to our forecasts.

Investment View

SAN has a unique asset in its significant holdings of commercial fishing quota and extensive marine farming operations. While short term earnings volatility from swings in catch volume/mix will remain a feature, SAN's strategy to move up the value chain appears both sensible and achievable. Execution on EBIT/kg targets is likely to be a key driver of performance. OUTPERFORM.

NZX Code	SAN
Share price	NZ$6.90
Target price	NZ$8.10
Risk rating	Medium
Issued shares	93.6m
Market cap	NZ$646m
Average daily turnover	89.9k (NZ$607k)

Share Price Performance



Financials: September	18A	19E	20E	21E
NPAT* (NZ$m)	38.9	41.6	48.1	56.5
EPS* (NZc)	41.6	44.4	51.4	60.4
EPS growth* (%)	-2.3	6.7	15.8	17.4
DPS (NZc)	23.0	23.0	23.0	23.0
Imputation (%)	100	100	100	100

Valuation (x)	18A	19E	20E	21E
EV/EBITDA	9.3	9.1	7.7	6.8
EV/EBIT	12.1	12.2	10.6	9.2
PE	16.6	15.5	13.4	11.4
Price / NTA	8.6	6.6	5.0	3.9
Cash dividend yield (%)	3.3	3.3	3.3	3.3
Gross dividend yield (%)	4.6	4.6	4.6	4.6

*Historic and forecast numbers based on underlying profits

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Sanford Ltd (SAN)		Priced as at 03 Oct 2019: NZ$6.90	
Forsyth Barr valuation			
Valuation methodology			DCF
12-month target price (NZ$)*	**8.10**	**Spot valuations (NZ$)**	
Expected share price return	17.4%	1. DCF	8.08
Net dividend yield	3.3%	2. Comparative multiples	7.20
Estimated 12-month return	20.7%	3. Market multiple	n/a
Key WACC assumptions		**DCF valuation summary (NZ$m)**	
Risk free rate	2.00%	Total firm value	909
Equity beta	1.04	(Net debt)/cash	(152)
WACC	8.4%	Value of equity	757
Terminal growth	2.0%	Shares (m)	94

Profit and Loss Account (NZ$m)	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
Sales revenue	477.9	515.0	526.6	552.5	592.4
Normalised EBITDA	**82.5**	**86.7**	**87.6**	**102.9**	**116.8**
Depreciation and amortisation	(18.8)	(19.7)	(22.3)	(28.2)	(30.2)
Normalised EBIT	**63.7**	**67.0**	**65.3**	**74.7**	**86.6**
Net interest	(8.5)	(8.1)	(7.6)	(7.8)	(8.1)
Associate income	-	-	-	-	-
Tax	14.2	17.7	16.2	18.7	22.0
Minority interests	-	-	-	-	-
Normalised NPAT	**39.8**	**38.9**	**41.6**	**48.1**	**56.5**
Abnormals/other	(3.6)	3.4	-	-	-
Reported NPAT	**37.5**	**42.3**	**41.6**	**48.1**	**56.5**
Normalised EPS (cps)	42.6	41.6	44.4	51.4	60.4
DPS (cps)	23.0	23.0	23.0	23.0	23.0

Growth Rates	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
Revenue (%)	3.1	7.7	2.3	4.9	7.2
EBITDA (%)	4.7	5.0	1.1	17.5	13.5
EBIT (%)	0.6	5.0	-2.5	14.4	15.9
Normalised NPAT (%)	0.2	-2.1	6.7	15.8	17.4
Normalised EPS (%)	0.2	-2.3	6.7	15.8	17.4
Ordinary DPS (%)	0.0	-0.2	0.1	0.0	0.0

Cash Flow (NZ$m)	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
EBITDA	**82.5**	**86.7**	**87.6**	**102.9**	**116.8**
Working capital change	(1.0)	6.4	(8.9)	(3.5)	(5.5)
Interest & tax paid	(22.7)	(25.7)	(23.7)	(26.6)	(30.1)
Other	(8.6)	5.3	-	-	-
Operating cash flow	**50.3**	**72.6**	**54.9**	**72.8**	**81.3**
Capital expenditure	(36.8)	(24.7)	(55.3)	(65.2)	(55.2)
(Acquisitions)/divestments	(1.1)	1.6	24.3	-	-
Other	-	-	-	-	-
Funding available/(required)	**12.4**	**49.5**	**23.9**	**7.6**	**26.0**
Dividends paid	(21.5)	(21.5)	(21.5)	(21.5)	(21.5)
Equity raised/(returned)	-	-	-	-	-
Increase/(decrease) in net debt	**9.1**	**(28.0)**	**(2.4)**	**13.9**	**(4.5)**

Balance Sheet (NZ$m)	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
Working capital	69.6	63.2	72.1	75.7	81.2
Fixed assets	132.0	130.8	139.5	176.5	201.5
Intangibles	504.4	506.2	506.2	506.2	506.2
Other assets	79.5	74.1	77.5	80.8	84.1
Total funds employed	**785.5**	**774.3**	**795.4**	**839.3**	**873.0**
Net debt/(cash)	181.0	152.4	150.0	163.9	159.4
Other non current liabilities	28.7	40.0	40.0	40.0	40.0
Shareholder's funds	575.3	581.3	604.8	634.8	673.0
Minority interests	0.5	0.6	0.6	0.6	0.6
Total funding sources	**785.5**	**774.3**	**795.4**	**839.3**	**873.0**

September year end

Valuation Ratios	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
EV/EBITDA (x)	9.8	9.3	9.1	7.7	6.8
EV/EBIT (x)	12.7	12.1	12.2	10.6	9.2
PE (x)	16.2	16.6	15.5	13.4	11.4
Price/NTA (x)	9.1	8.6	6.6	5.0	3.9
Free cash flow yield (%)	2.1	7.4	-0.1	1.2	4.0
Net dividend yield (%)	3.3	3.3	3.3	3.3	3.3
Gross dividend yield (%)	4.6	4.6	4.6	4.6	4.6
Imputation (%)	100	100	100	100	100
Pay-out ratio (%)	54	55	52	45	38

Capital Structure	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
Interest cover EBIT (x)	7.5	8.3	8.6	9.5	10.7
Interest cover EBITDA (x)	9.7	10.7	11.6	13.1	14.5
Net debt/ND+E (%)	23.9	20.8	19.9	20.5	19.2
Net debt/EBITDA (x)	2.2	1.8	1.7	1.6	1.4

Key Ratios	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
Return on assets (%)	7.8	8.3	7.9	8.5	9.5
Return on equity (%)	6.9	6.7	6.9	7.6	8.4
Return on funds employed (%)	6.1	7.1	6.2	6.8	7.5
EBITDA margin (%)	17.3	16.8	16.6	18.6	19.7
EBIT margin (%)	13.3	13.0	12.4	13.5	14.6
Capex to sales (%)	7.7	4.8	10.5	11.8	9.3
Capex to depreciation (%)	196	125	248	231	183

Operating Performance	**2017A**	**2018A**	**2019E**	**2020E**	**2021E**
Revenue split (division)					
Wild catch	330	355	345	351	371
Mussels	105	113	133	144	157
Salmon	43	46	48	57	65
Total	**478**	**515**	**527**	**552**	**592**
Revenue split (market)					
NZ	169	221	228	243	263
North America	85	57	62	69	79
Australia	66	55	57	60	65
Japan	18	17	17	18	18
Europe	46	62	56	52	49
Other Asia	70	88	90	94	101
Other	24	16	16	17	18
Total	**478**	**515**	**527**	**552**	**592**
Catch split (division GWT)					
Wild catch	96,225	92,612	84,277	83,434	84,686
Mussels	31,631	26,976	28,864	30,163	31,521
Salmon	3,657	3,498	3,446	3,738	3,944
Total	**131,513**	**123,086**	**116,587**	**117,336**	**120,150**
EBIT	**63.7**	**67.0**	**65.3**	**74.7**	**86.6**
EBIT ($/kg)	**0.49**	**0.55**	**0.56**	**0.64**	**0.72**

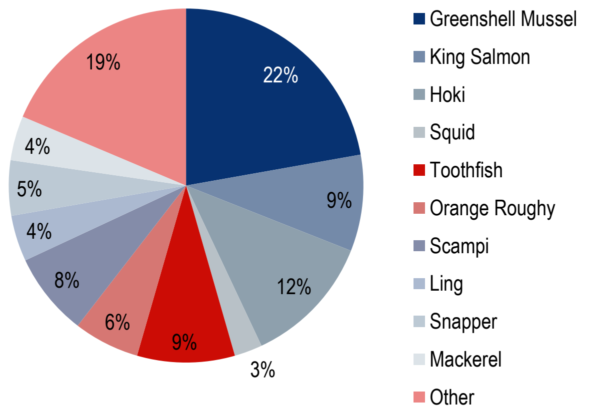
* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

FY19 season a mixed catch

The 2019 fishing season has been mixed with particularly strong volumes in a handful of species and broad based pricing growth offsetting weakness elsewhere. We use export data as a proxy for season performance.

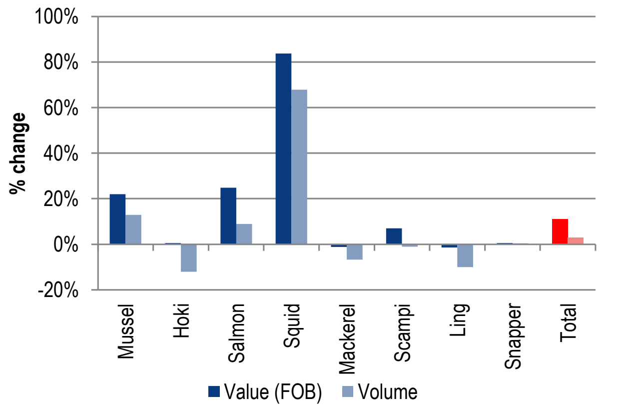
All data is for the season/financial year to date (October-18 to August-19), with September export numbers yet to be released. We summarise the key species below.

Figure 1. SAN FY17* revenue exposure



Source: Company reports, Forsyth Barr analysis, *last available revenue split

Figure 2. Export data for season to date (Oct-18 to Aug-19) vs pcp



Source: Stats NZ, Forsyth Barr analysis

Total seafood export volumes for the financial year to date are up +4.1% on the prior comparable period (pcp), led by a strong squid season and a recovery in mussel volumes. Prices are generally up across the board with the seafood prices up an average +7.4%.

Deepwater

- **Hoki:** Catch volumes remain challenged in FY19 and are down -12% on the prior year period. We expect underlying price increases combined with SAN's execution on its Hoki cascade improvements will more than offset volume declines. Export prices are up +16%.
  - One indicator of execution on cascade is Hoki exports by form. As a portion of export weight, Hoki fillets make up 39% of exports for the period, this compares to 35% in the pcp. Fillets sell at a +40% premium to block.
  - Hoki has a three year breeding cycle. We understand early signs of recruitment in the Hoki East fishing management area are positive and supportive of volume recovering in FY22.
- **Squid:** A very strong squid season in FY19 provides a positive volume offset and we understand SAN redeployed vessels that usually would have been targeting Hoki to squid grounds. Squid volumes are up +80% on the prior year period, with prices up +8.2%.
  - Squid have a one year breeding cycle and therefore can have more volatile annual catch volumes.
  - Low squid catch in other fisheries have driven strong global pricing growth.
- **Toothfish:** Toothfish volumes recovered slightly (+0.9%), however, a -20% drop in average price puts a large dampener on its contribution. Patagonian toothfish are subject to the global commodity price of Chilean sea bass, which has fallen from record highs.
- **Scampi:** Scampi prices continue to track in the right direction, up +7.0% on the pcp, more than offsetting a slight decline in volume (-1.1%).
- **Orange Roughy:** A mixed season for Orange Roughy saw volume down -8.7%, partially offset by price growth.

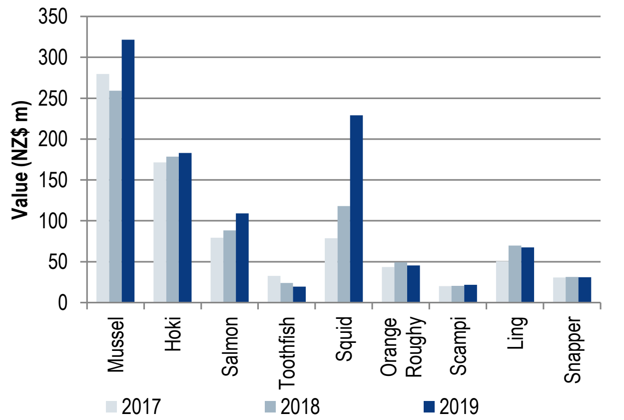
Inshore

- **Snapper:** Both value and volumes remain steady for a third year in a row, with a small drop in volume and a minor lift in price.
  - We understand Snapper biomass indicators suggest an abundance on the west coast of the North Island, with catch volumes limited by quota.

Aquaculture

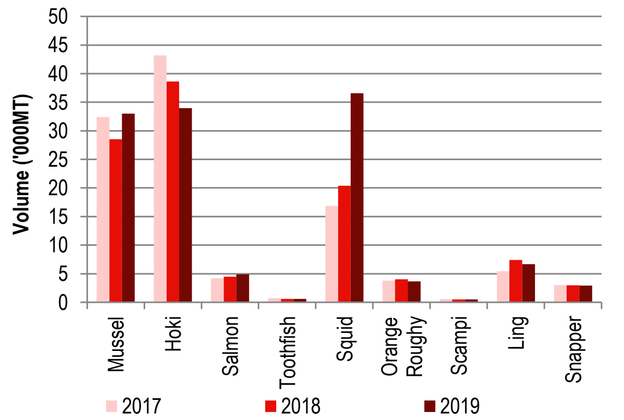
- **Greenshell mussels:** Export stats suggest SAN was able to continue to harvest through the usually quiet winter months (spawning season), indicating a recovery in full year harvest numbers. The warmer waters, which in part led to an algae bloom in the Marlborough Sounds in April, also helped delay spawning, allowing SAN to harvest later into the year. Mussel volumes are up +16% on the prior comparable period (flat on 2017), while strong price increases drove export value up +24% on the pcp. Strong Greenshell mussel prices are encouraging given the species is a key area of focus for SAN.
- **King salmon:** An algae bloom slowed salmon growth through 1H19, suggesting volume may be impacted as SAN delay harvest to supply the peak Christmas period. Export data suggests prices have been strong again in the period, up +14% on the pcp.

Figure 3. NZ seafood export data by key species*



Source: Stats NZ, Forsyth Barr analysis, * years represent fishing year (Oct-Sep)

Figure 4. NZ seafood export data by key species*



Source: Stats NZ, Forsyth Barr analysis, * years represent fishing year (Oct-Sep)

The outlook for FY20

We expect SAN's total green weight tonnage to be relatively flat in the year ahead, with further quota cuts and a normalisation of squid volumes offset by a full 12 month contribution from SAN Granit. Price growth is expected to continue, underpinned by SAN's value add strategy, although we temper our expectations slightly as marketing strategies are finalised and channels developed.

The Government released its initial options for the Dolphin Threat Management Plan in June 2019 with submissions having closed in August. The proposal includes options for significant expansion of the current areas where a ban on set nets and trawl nets exist to protect dolphins from the risk of bycatch in fishing nets. The decision now sits with the Ministers of Conservation and Fisheries pending a summary of the submissions from DoC and Fisheries NZ. Whilst this is a headwind for the fishing industry, we expect the financial impact on SAN is not likely to be material. We also note that the last confirmed Maui dolphin catch by a commercial fishing boat was in 2002.

Quota changes — more downs than ups

Total allowable commercial catch (TACC) limits for the 2020 fishing year were announced on 27 September. We estimate that changes have a net ~-1% impact to SAN's Wild capture revenue (~-0.5% to total revenue). Key changes include negative revisions to Hoki, Hake, and Tarakihi, however, we expect these will be largely offset by a lift to higher value Orange Roughy.

We have summarised the key changes to TACC that relate to SAN in Figure 5. Given the limited insight we have on SAN's revenue exposure by species we have used quota ownership figures to estimate the impact of quota changes. The economic impact numbers used are those provided in the Government release and account for changes in deemed values and industry shelved quota (as opposed to statutory catch reductions).

Figure 5. Changes to FY20 quota

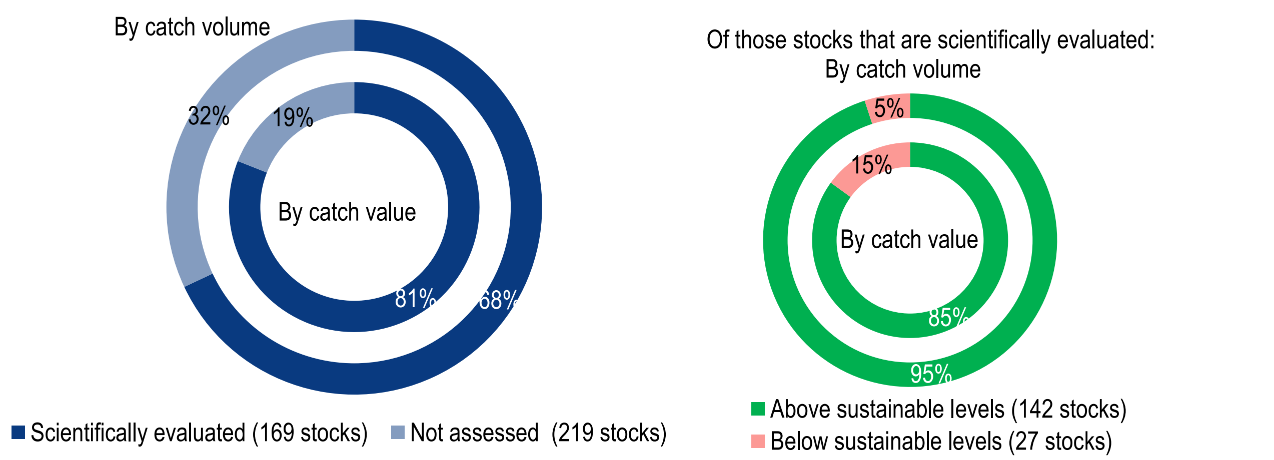
FMA	Species	Direction	TACC (MT)	Change to TACC	SAN quota ownership	Expected economic impact (NZ$m)	Implied SAN revenue impact (NZ$m)
HAK 7	Hake	▼	5,064	(2,792)	22%	(4.4)	(1.0)
HOK 1	Hoki	▼	150,000	(15,000)*	15%	(17.0)	(2.6)
LIN 7	Ling	▲	3,080	307	19%	1.1	0.2
ORH (3B, 7A)	Orange Roughy	▲	7,691	1,139	33%	8.3	2.7
Deepwater							**(0.7)**
TAR (1, 2, 3, 7)	Tarakihi	▼	4,679	(1,616)	15%	(12.2)	(1.8)
Other	Other inshore	▲	1455	270	3%	0.2	0.0
Inshore							**(1.8)**
Total							**(2.5)**

Source: MPI, Stats NZ, Fishserve, Forsyth Barr analysis * actual changes to TACC vary to quoted number, we have adjusted for industry shelving of quota

Additional points to note

- **Impact from reductions likely overstated:** In reality we expect that the impact from stocks being reduced is likely to be lower with Government economic impact numbers assuming a full allocation of TACC was being caught, which is unlikely (or else we wouldn't be seeing negative revisions).
- **Breeding cycles matter for rebuild:** Hoki has a three year breeding cycle implying a relatively short period required for stock rebuild, adding to this our industry conversations suggest there has been reasonable recruitment in juveniles. By comparison, Orange Roughy, a stock which is seeing an increase in TACC, has a ~25 year breeding cycle.
- **Catch diversity:** SAN has a diverse exposure to New Zealand's fisheries, reducing risk of year-to-year fluctuations in annual catch. New Zealand fisheries are well regarded internationally and are generally in a good state (Figure 6).

Figure 6. State of New Zealand fisheries



Source: MPI, Forsyth Barr analysis

Earnings changes

There are a lot of moving parts within SAN. Expectations around catch/harvest volumes and prices achieved have shifted in various directions across the business. Although our thinking has been revised the resulting net forecast changes are minimal.

We have lifted our FY19 revenue assumptions slightly to reflect strong squid catch and mussel volumes offsetting weakness elsewhere, however, given the low margin nature of these species it has had minimal impact on earnings. Further out we have reduced our margin forecasts, dropping our price assumptions and increasing both labour and marketing costs.

Figure 7. Earnings changes (NZ$m)

	FY19E			FY20E			FY21E		
	old	new	% chg	old	new	% chg	old	new	% chg
Revenue	517.9	526.6	2%	551.8	552.5	0%	587.5	592.4	1%
EBITDA	87.4	87.6	0%	104.3	102.9	-1%	118.2	116.8	-1%
EBIT	65.1	65.3	0%	76.0	74.7	-2%	88.0	86.6	-2%
NPAT	41.4	41.6	0%	49.1	48.1	-2%	57.6	56.5	-2%
EPS (cps)	44.3	44.4	0%	52.5	51.4	-2%	61.5	60.4	-2%
DPS (cps)	23.0	23.0	0%	23.0	23.0	0%	23.0	23.0	0%

Source: Forsyth Barr analysis

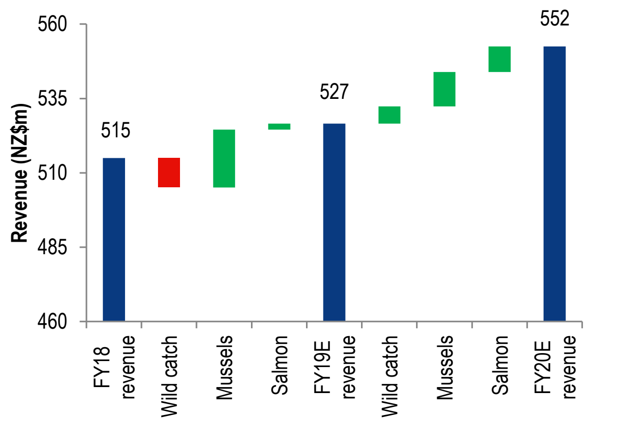
Valuation remains attractive

We view SAN as trading on undemanding multiples given its attractive growth outlook, and is trading at a discount to peers which has widened significantly in recent months. Although short term volatility exists from year to year changes in catch/harvest, we remain attracted to its strategy of moving up the value chain and believe further upside exists from possible aquaculture opportunities. OUTPERFORM.

Figure 8. Consensus PE ratio

Source: Bloomberg, Forsyth Barr analysis

Figure 9. Revenue bridge



Source: Forsyth Barr analysis

Key assumptions

Our forecasts assume robust revenue growth and margin expansion over the next five years, revenue CAGR of +5% and EBITDA CAGR of +11% out to FY23. SAN has highlighted a target of NZ$1.00 EBIT/kg by FY23, we view this as aspirational over the time frame though see scope for it to be exceeded should the company execute fully on stated initiatives. Our current FY23 EBIT/kg assumption is NZ$0.89/kg.

- **Wild catch:** We assume a reduction in wild catch from (1) extended San Granit outage and (2) constrained inshore volume due to unplanned vessel outages in 1H19, although we suspect the strong squid catch has helped. We now forecast wild catch volume down -9% (-14% in 1H19). In FY20 the wild catch volume sees another reduction, with the cycling of the San Granit outage offset by a normalisation of squid catch and quota changes.
- **Mussels:** We assume a recovery in mussel volumes over the two year period following suppressed FY18 harvest levels, compounded by strong pricing growth as evidenced in export data.
- **Salmon:** Salmon volumes are expected to decline on the prior period with an algae bloom slowing growth and delaying sales into FY20. Underlying price growth has been strong for salmon with warm waters squeezing supply. We see price growth continuing as SAN looks to sell a higher portion of its salmon through the Big Glory Bay brand (currently ~4% of volume).

Investment summary

SAN has a unique asset in its significant fishing quota holdings and marine farm licenses. SAN is targeting EBIT/kg of NZ$1.00/kg through a range of initiatives such as improved product utilisation, a directed sales and marketing strategy, and internal efficiency gains. While earnings volatility is likely to be a feature in the near-term, execution on its value add strategy will be a key driver of share price performance in the medium-term and will reduce commodity exposures over time. We rate SAN OUTPERFORM.

Business quality

- **Property rights:** SAN holds ~19% of commercial fishing quota as well as extensive aquaculture interests in salmon and mussels.
- **Growing demand and sustainable supply:** Global demand for protein is expected to rise as population and protein consumption/capita increases. New Zealand fisheries are regarded as one of the most sustainable in the world.
- **Diversity of operations:** SAN has one of the most diverse earnings exposures by species in the world with operations in wild capture and aquaculture. Diversity of exposure mitigates, to some extent, year on year fluctuations in single species.

Earnings and cash flow outlook

- **Seafood volumes and quality:** Changes in catch and climatic impacts on fish stocks make volume and quality forecasts challenging.
- **EBIT/kg:** SAN's key performance metric of execution on value add strategy. SAN is targeting NZ$1.00 EBIT for every kg of fish by FY23.

Financial structure

- **Elevated capex cycle:** SAN has entered an elevated capex cycle with a mix of rejuvenation and business transformation investments occurring. Dividends are expected to remain flat as SAN reinvests in the business.
- **Balance sheet capacity:** SAN targets net debt to EBITDA of 1.75x and currently has ~NZ$80m headroom on its balance sheet.

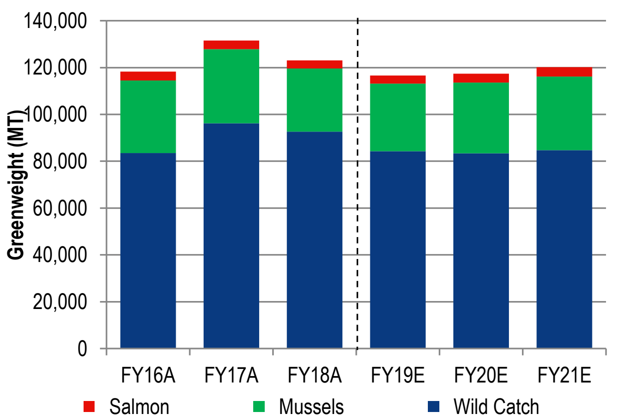
Risk factors

- **Environmental and food safety regulations:** A biosecurity event is likely to impact production outcomes and can affect market access.
- **Catch volume and commodity mix:** Catch volumes can fluctuate from year to year with upside and downside risk to quota numbers following material swings. The diverse species exposure can mean catch mix varies, with a risk that commodity exposure may be greater in any given year.

Company description

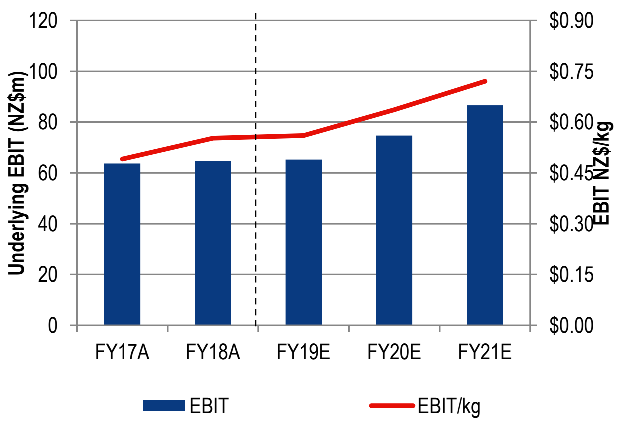
Sanford (SAN) is an integrated fishing company, which is involved in the harvesting, processing and marketing of fish and fish products globally. SAN's fish quota holdings are spread over 100 fish species and account for 19% of the total quota available. SAN has extensive interests in aquaculture across mussels and salmon.

Figure 11. Catch/harvest weight by division



Source: Forsyth Barr analysis, Company reports

Figure 12. EBIT/Kg



Source: Forsyth Barr analysis, Company reports

Figure 13. Substantial Shareholders

Shareholder	Latest Holding
Amalgamated Dairies Ltd	12.0%
Harbour Asset Management & Jarden Securities Limited	7.8%
Forsyth Barr Investment Management	5.6%

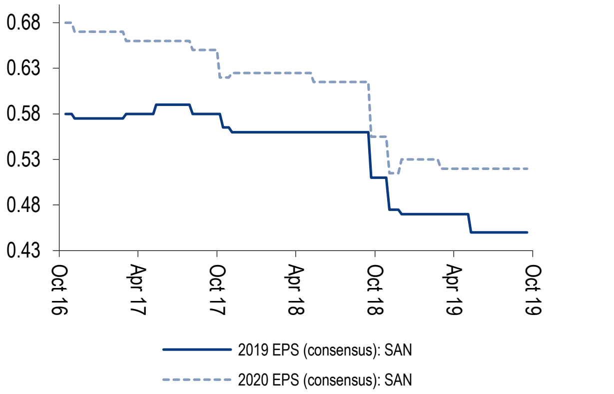
Source: NZX, Forsyth Barr analysis, NOTE: based on SSH notices only

Figure 14. International Compcos

Company	Code	Price	Mkt Cap	PE		EV/EBITDA		EV/EBIT		Cash D/Yld
(metrics re-weighted to reflect SAN's balance date - September)			(m)	2019E	2020E	2019E	2020E	2019E	2020E	2020E
Sanford	**SAN NZ**	**NZ$6.90**	**NZ$646**	**15.5x**	**13.4x**	**9.1x**	**7.8x**	**12.2x**	**10.7x**	**3.3%**
Nippon Suisan Kaisha	1332 JT	¥611.00	¥190,895	11.6x	10.3x	9.3x	8.6x	n/a	n/a	1.5%
High Liner Foods Inc	HLF CN	US$10.69	US$357	16.3x	n/a	10.0x	n/a	13.6x	n/a	n/a
Huon Aquaculture Group	HUO AT	A$4.44	A$388	34.9x	15.2x	11.2x	7.6x	35.7x	14.5x	2.0%
Tassal Group	TGR AT	A$4.16	A$863	12.7x	12.6x	8.4x	7.7x	11.3x	10.4x	4.5%
New Zealand King Salmon *	NZK NZ	NZ$2.37	NZ$328	27.6x	22.6x	13.1x	11.8x	17.5x	15.9x	2.2%
Delegat Group *	DGL NZ	NZ$11.00	NZ$1,112	21.6x	20.8x	13.9x	13.4x	16.5x	15.8x	1.7%
Comvita *	CVT NZ	NZ$3.19	NZ$159	<0x	16.4x	<0x	11.5x	<0x	16.7x	0.5%
Scales *	SCL NZ	NZ$4.95	NZ$701	20.3x	17.9x	14.2x	13.0x	17.6x	16.0x	4.0%
			Compco Average:	**20.7x**	**16.6x**	**11.5x**	**10.5x**	**18.7x**	**14.9x**	**2.3%**
EV = Current Market Cap + Actual Net Debt			**SAN Relative:**	**-25%**	**-19%**	**-20%**	**-26%**	**-35%**	**-28%**	**+42%**

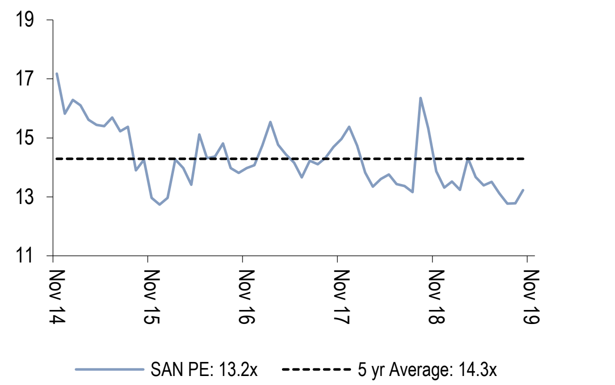
Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (SAN) companies fiscal year end

Figure 15. Consensus EPS Momentum



Source: Forsyth Barr analysis, Bloomberg

Figure 16. 12 Month Forward PE



Source: Forsyth Barr analysis

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