

Reporting Season Summary

27 February 2014

Overview

It was a busy day yesterday in terms of reporting and we're now almost at the end of earnings season. The trend that has seen recently out of favour stocks rally hard after releasing results continued yesterday, helping to lift the S&P/ASX 200 benchmark into positive territory.

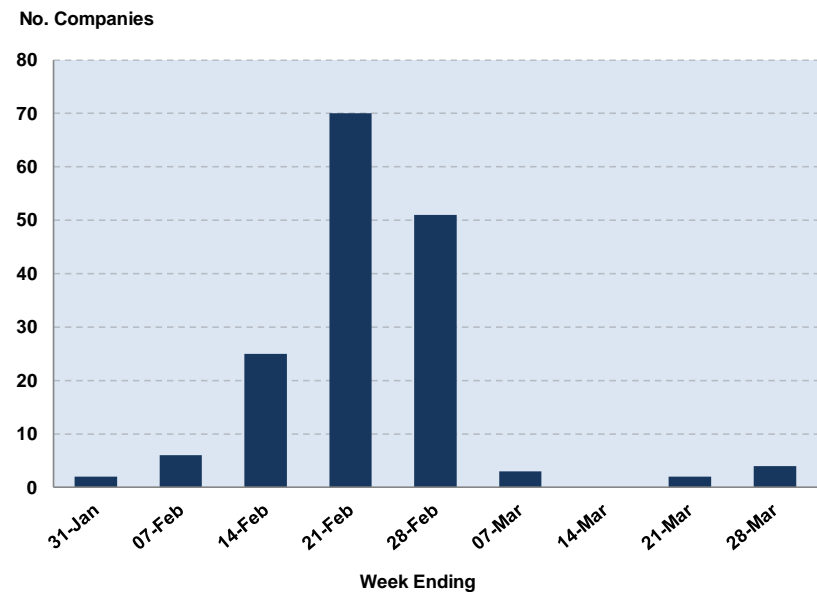
We've now seen over 71% of companies within the S&P/ASX 200 post results with varying degrees of success, but overall the outcome has been generally positive.

Yesterday, Lend Lease Group (LLC) was down 3.72% despite delivering what we believe was a solid set of earnings. While the first half of 2014 represented a heavy investment period for the Group, we believe that LLC has a clear path to earnings growth and cash generation over the next three years. The result also highlighted the benefits of the Group's diversified end market exposures. The Group's linkage to strong residential markets in Australia and London supported Development in the absence of major mixed use development profits.

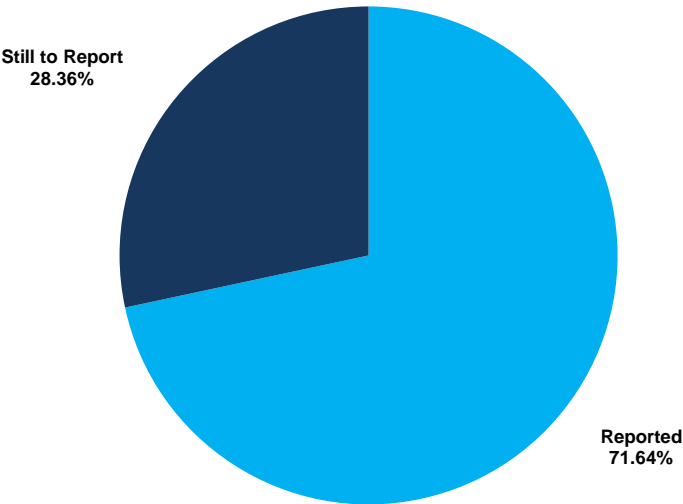
ASX200

as at 27/02/14 08:25

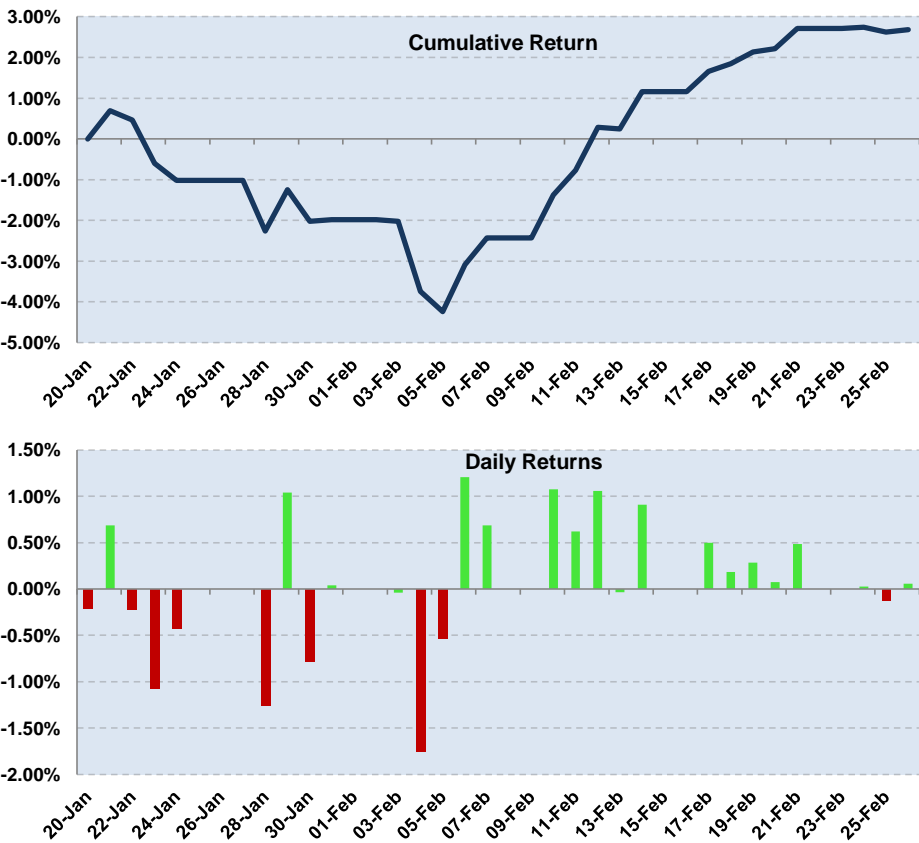
Distribution of Results by Week



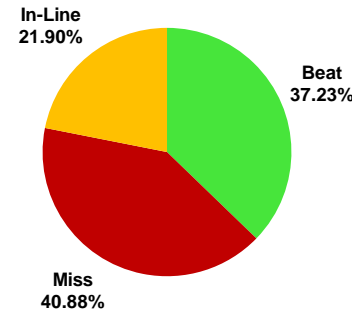
Reported to Date



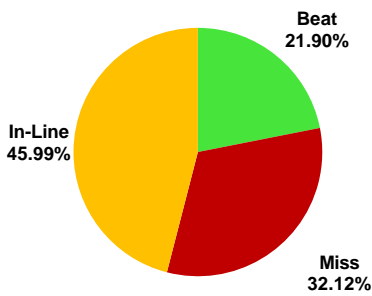
ASX200 During Reporting Season



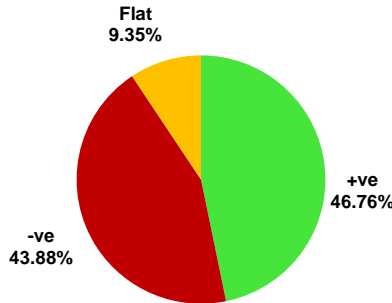
Earnings vs Consensus Estimates



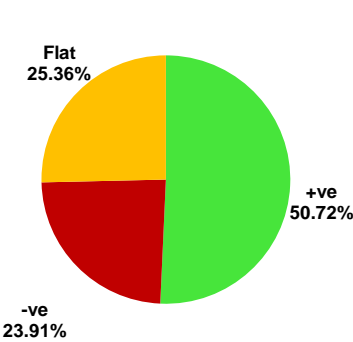
Sales vs Consensus Estimates



Earnings Growth vs Previous Year



Sales Growth vs Previous Year



Source: Bloomberg



Upcoming Results

27 February 2014

| Report Date | Code | Company | Est. EPS | Est. Sales | What to look for - eQR Comment |
|-------------|------|--------------------------------|----------|------------|---|
| 27-Feb | AVG | Australian Vintage Ltd | N/A | N/A | Margins in Europe and the domestic and US Packaged businesses have been slightly stronger than expected. |
| 27-Feb | CDP | Carindale Property Trust | N/A | N/A | No guidance around post-development stabilised earnings power. |
| 27-Feb | CTD | Corporate Travel Management Lt | N/A | N/A | Guidance is predicated on no improvement in ANZ economic conditions and US EBITDA margins remaining flat to growing slightly. We believe there is |
| 27-Feb | GBG | Gindalbie Metals Ltd | N/A | N/A | In the process of ramping up operations at Karara (50% GBG), so there are near-term risks around costs and working-capital requirements. FX and the |
| 27-Feb | IGO | Independence Group NL | 0.109 | \$168 | Earnings will be most impacted by changes in the exchange rate and commodity prices (nickel, zinc, copper and, increasingly, gold) as mines are |
| 27-Feb | MQA | Macquarie Atlas Roads Group | N/A | N/A | Traffic in France looks to be turning positive. A weak AUD/EUR is positive for translated AUD proportionate earnings and dividends. |
| 27-Feb | NWH | NRW Holdings Ltd | 0.094 | \$531 | Reduced demand for "day rate" contracting, contract losses/renegotiations, pricing pressures and weakening discretionary spending in Australian |
| 27-Feb | PPT | Perpetual Ltd | 1.050 | \$196 | Near-term earnings driven by markets and cost-out strategy. Execution risk remains on cost-out strategy and timing |
| 27-Feb | QAN | Qantas Airways Ltd | -0.095 | \$7,833 | QAN is a largely fixed cost business and hence the pressure on passenger revenue yields both domestically and internationally given excess seat |
| 27-Feb | QRX | QRxPharma Ltd | N/A | N/A | Resubmitted NDA for FDA approval. Risk if approval is not achieved in the US. |
| 27-Feb | SVW | Seven Group Holdings Ltd | 0.398 | \$1,762 | Upside risk should WesTrac Australia achieve higher than expected growth in Product Support and the recovery in Chinese heavy machinery demand is |
| 27-Feb | TSE | Transfield Services Ltd | 0.035 | \$1,871 | Continued weakness related to ramp-up/delivery of earnings from Easternwell; Further margin pressure in heritage Services |
| 27-Feb | WDC | Westfield Group | N/A | N/A | WDC is buying back stock impacting EPS growth expectations. Main focus will be on restructure that has been flagged and potential risk of uncertainty |
| 27-Feb | WRT | Westfield Retail Trust | 0.203 | \$1,074 | 0 |
| 28-Feb | HVN | Harvey Norman Holdings Ltd | 0.118 | \$1,282 | Slow sales environment (despite strength in seasonal items), continued tactical support to mitigate market share losses in a competitive environment |
| 28-Feb | JHX | James Hardie Industries Plc | N/A | N/A | The pulp price has continued to rise, and has almost reached US\$1,000/t. Note that in 2010/2011 when pulp prices were around current levels, |
| 28-Feb | VAH | Virgin Australia Holdings Ltd | -0.013 | \$2,198 | Given the intense competitive environment in the domestic airline industry and the industry excess seat capacity we believe there is downside risk to |
| 28-Feb | WOW | Woolworths Ltd | 1.058 | \$32,124 | Continued cost management in Australian Food & Liquor (better terms from suppliers, operating cost savings) plus updated Home Improvement EBIT |
| 3-Mar | AQA | Aquila Resources Ltd | 0.000 | \$0 | We expect AQA to continue to report higher than expected exploration and development costs. |
| 5-Mar | RRL | Regis Resources Ltd | 0.055 | \$242 | Earnings will be most impacted by changes in FX and gold price as operational performance has been solid. However, there is downside risk to |
| 20-Mar | DJS | David Jones Ltd | 0.129 | \$1,056 | Sales expected to be impacted by subdued consumer sentiment, the exit from low productivity categories, and increased apparel markdowns due to |
| 20-Mar | MYR | Myer Holdings Ltd | 0.130 | \$1,734 | While sales have improved, market share losses to online & specialties is expected. Rising CODB a challenge, despite gross margin expansion |
| 25-Mar | TPM | TPG Telecom Ltd | 0.095 | \$381 | Continued strong subscriber gains in broadband |
| 26-Mar | NUF | Nufarm Ltd/Australia | 0.025 | \$975 | While LatAm demand will continue to be strong, conditions in Australia haven't improved, suggesting the expected improvement in ag chem |
| 27-Mar | SIP | Sigma Pharmaceuticals Ltd | N/A | N/A | Downside risk emerges as price disclosure and the competition on generic pricing impacts SIP's revenues. Dominant Chemist groups will also make |



Last Reported

27 February 2014

Company Releases

Flight Centre Ltd (FLT): FLT's 1H14 result was solid with a 13% increase in PBT. This is above the top end of FY14 guidance for PBT growth of 8-12%. Though we forecast within this range, FLT could be primed for an upgrade given strong outbound travel growth for the broader market and continued improvements in productivity. However, April is key given the confluence of school holidays and Easter and Anzac day being close together. FLT usually provides an update in May.

AGL Energy (AGK): AGK reported a first half NPAT of \$242m, which was well below our forecast of \$285m. 1H14 EBIT fell by 9.5% to \$455m (eQRe: \$503m), which reflected a much weaker than expected Retail performance and a 6% decline in Merchant Energy's earnings. Although Retail's performance benefited from the non-recurrence of last year's \$40m carbon timing mismatch, the division only just held 1H13's EBIT level of \$136m (eQRe: \$155m). Despite the weak first half, management left unchanged FY14 NPAT guidance of \$560-610m.

Blackmores Limited (BKL): BKL reported 1H14 NPAT of A\$12.1m, down 10.7% on the pcp, ahead of our A\$11.2m forecast. 1H14 sales were A\$169.6m, up 3.2% on the pcp, and in-line with our A\$169.3m forecast. A fully franked interim dividend of 44cps was declared, in-line with the pcp, but above the company's historical payout ratio in the first half of ~50% of earnings.

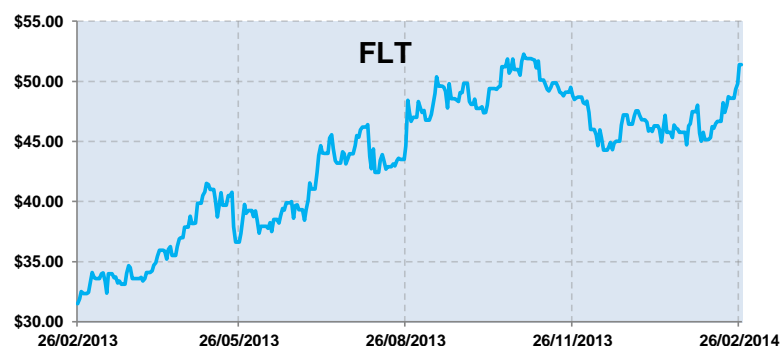
Lend Lease Group (LLC): LLC achieved normalised NPAT of \$251.6m, 1% below our \$254.4m forecast. LLC's Board declared a 22cps unfranked interim dividend vs. our 21cps 50% franked forecast. LLC's 1HFY14 results highlighted the benefits of the Group's diversified end market exposures. The Group's linkage to strong residential markets in Australia and London supported Development in the absence of major mixed use development profits.

Sydney Airport (SYD): Sydney Airport delivered a solid CY13 result, with EBITDA up 7.2% on the pcp on revenue growth of 7.2%, but cash growth was only 3%. The key to the result was the strong 2H13 operating leverage and cash conversion with EBITDA growth of 8.3% filtering through to cash growth of 9.7%. Given Sydney Airport's monopoly position, in our view the market needs to continue to see strong cash conversion growth in order to maintain its premium rating.

Westfield Group (WDC): With an as expected FY13 result and clear FY14 guidance in place the focus is on the proposed restructure and WDC's medium term EPSg prospects. On this latter point a strongly growing outlook for development starts offshore is of interest as development capex (increasingly funded by JV partner capital) drives the WDC business model. D&C activity jumped 68% to \$4.7bn since the start of the 2H with \$1.1bn of starts last month.

Price Charts

as at 27/02/14 08:25



Source: Bloomberg



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Dated: 19 November 2010

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