# **BELL POTTER**

## Analyst

Sam Haddad 612 8224 2819

#### Authorisation

Jonathan Snape 613 9235 1601

# Recommendation Hold (Buv) **Price** \$25.00 Target (12 months) \$26.00 (previously \$23.00)

### **GICS Sector**

### Retailing

<b>Expected Return</b>	
Capital growth	4.0%
Dividend yield	1.9%
Total expected return	5.9%
Company Data & Rat	ios
Enterprise value	\$3,331m
Market cap	\$3,436m
Issued capital	137.4m
Free float	72.7%
Avg. daily val. (52wk)	\$7.3m
12 month price range	\$10.00 - \$28.84

Price Performance					
	(1m)	(3m)	(12m)		
Price (A\$)	23.69	18.52	18.83		
Absolute (%)	5.45	34.88	32.66		
Rel market (%)	2.69	22.04	40.17		



# **Breville Group (BRG)**

# Downgrade to Hold based on valuation

# Resilient FY20 result, delivers ahead of pre-COVID guidance

BRG announced underlying FY20 EBIT (pre-AASB 16) of \$111.1m, up 14.3% on pcp. We note the underlying result adds back salary reductions & cuts to marketing spend. Notwithstanding the disruption from COVID-19, the result slightly exceeded BRG's withdrawn guidance (FY20 EBIT pre-AASB16 of ~\$110m). Key result takeaways are:

- Strong revenue growth throughout the year across all key markets: BRG's Global Product segment achieved 20.1% constant currency (cc) revenue growth over the year. Strong double-digit sales continued in 2H20 despite retailers in key regions closing stores with 2H20 cc sales up ~20% after achieving 20.3% growth in 1H20. We believe BRG's strong online presence in offshore markets (direct to consumer channel, Amazon, William Sonoma & John Lewis) was a key factor to the resilient 2H20 result. All regions contributed positively, with (cc growth): North America +11.3%; Europe +54.8%; ANZ +18.3%; & Rest of World (RoW) +25.6%.
- International rollout plan remains on track: BRG's rollout in Europe continues to progress strongly. The strong cc sales result reflects a strong result in the UK, traction in Germany/Austria (launched in 2H18/1H19) & the Benelux/Switzerland (launched 2H19) and early benefits in Spain (launched 1H20). France launched in 2H20, with Portugal/Italy to follow in FY21. In the Americas, BRG announced it plans to launch into Mexico in FY21, while in the Middle East BRG is switching to the Sage brand to enable a wider product range and shorter lead times.
- Although some near-term uncertainties to be mindful of: Aside from COVID-19 risks, key swing factors for FY21 include: 1) the need to replenish inventory back to target levels, which may constrain near-term sales and timing of launches into new markets; 2) timing of Amazon Prime Day clashing with Cyber Monday/ Black Friday; & 3) the lumpy nature of RoW sales cycling a strong FY20 baseline.

# Earnings changes/Investment View: Move to Hold, PT \$26.00

The stronger than expected result increases our FY21/FY22/FY23 EPS by 8%/3%/0% and our PT increases to \$26.00 (previously \$23.00). We have a positive view on BRG on several fronts: growth prospects in several large markets, flexible cost structure & strong balance sheet. However, given the strong share price run, and mindful of nearterm uncertainties, we believe BRG is now fair-value and downgrade from Buy to Hold.

Earnings Forecast				
Jun Year end	2020a	2021e	2022e	2023e
Sales (A\$m)	952.2	1,086.3	1,256.1	1,448.2
EBITDA (A\$m)	138.8	156.7	178.3	207.4
NPAT (reported) (A\$m)	66.2	89.5	103.6	122.3
NPAT (underlying) (A\$m)	75.0	89.5	103.6	122.3
EPS underlying (cps)	56.7	65.2	75.4	89.0
EPS underlying growth (%)	10.4%	14.9%	15.7%	18.1%
PER (on underlying EPS) (x)	44.1	38.4	33.2	28.1
EV/EBITDA (x)	24.0	21.3	18.7	16.1
Dividend (¢ps)	41.0	46.5	53.6	63.6
Yield (%)	1.6%	1.9%	2.1%	2.5%
Franking (%)	60%	60%	60%	60%
ROE (%)	21.0%	19.8%	21.2%	23.1%

SOURCE: BELL POTTER SECURITIES ESTIMATES

# FY20 EBIT ahead of pre-COVID guidance

# Headline result

Breville Group Ltd (BRG) announced underlying FY20 EBIT (post-AASB16) of \$113.1m, 6.1% ahead vs BPe \$106.7m. Pre-AASB16, FY20 EBIT was \$111.1m, up 14.3% on pcp & slightly ahead of BRG's pre-COVID guidance (i.e. FY20 EBIT pre-AASB16 of ~\$110m). Underlying NPAT was \$75.0m, 4.3% ahead vs BPe \$71.9m. We note the underlying result adjusts for: 1) double debt charges; 2) non-cash write-down of IoT platform; 3) adding back compensation reductions and 4) adding back cuts to marketing spent. Post these one-off items reported NPAT was \$66.2m. A final dividend of 20.5cps (60% franked) was declared, up 2.0cps on pcp.

An overview of the result is below in Figure 1.

	Actuals History (FY20 and beyond is post AASB-16)			Actual	Expected	Actual vs		
	1H19	2H19	FY19	1H20	2H20	FY20	FY20e	Expected
Total Revenue	440.4	319.6	760.0	552.1	400.1	952.2	888.4	7.2%
% - Growth (pcp)	15.2%	20.4%	17.3%	25.4%	25.2%	25.3%		
EBITDA	70.5	43.5	114.0	85.2	53.6	138.8	130.9	6.0%
%-Margin	16.0%	13.6%	15.0%	15.4%	13.4%	14.6%	14.7%	-1.1%
% - Growth (pcp)	14.6%	12.3%	13.7%	20.8%	23.3%	21.8%		
Depn & Amort.	-8.2	-8.5	-16.6	-9.0	-10.2	-19.2	-17.9	7.5%
EBIT	62.3	35.0	97.3	73.0	40.2	113.1	106.7	6.1%
%-Margin	14.2%	11.0%	12.8%	13.2%	10.0%	11.9%	12.0%	-1.0%
% - Growth (pcp)	12.9%	10.4%	12.0%	17.1%	14.7%	16.2%		
Net Interest	-1.5	-1.5	-3.0	-4.2	-4.0	-8.2	-7.2	
Profit before Tax	60.8	33.5	94.3	68.8	36.2	105.0	99.5	5.5%
Tax	-17.3	-9.6	-26.9	-19.1	-10.9	-30.0	-27.6	8.7%
Associates/Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Underlying NPAT	43.5	23.9	67.4	49.7	25.3	75.0	71.9	4.3%
%-Margin	9.9%	7.5%	8.9%	9.0%	6.3%	7.9%	8.1%	-2.7%
% - Growth (pcp)	19.7%	7.6%	15.2%	14.1%	5.9%	11.2%		
Abnormals post tax	0.0	0.0	0.0	0.0	-8.8	-8.8	-4.5	94.5%
Reported NPAT	43.5	23.9	67.4	49.7	16.5	66.2	67.4	-1.7%
DPS (¢ps)	18.5	18.5	37.0	20.5	20.5	41.0	37.2	10.3%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# Forecast changes

The stronger than expected result increases our FY21/FY22/FY23 EPS by 8%/3%/0%. Including model roll-forward our 12-month price target increases to \$26.00 (previously \$23.00). Figure 2 summarises our forecast changes for FY21e-FY23e.

F	Figure 2 – Earnings revisions summary										
				FY21e			FY22e			FY23e	
			Old	New	% Change	Old	New	% Change	Old	New	% Change
F	Revenue	\$m	981.7	1086.3	10.7%	1143.9	1256.1	9.8%	1292.5	1448.2	12.1%
E	BITDA	\$m	144.7	156.7	8.3%	171.1	178.3	4.2%	202.0	207.4	2.6%
E	BITDA Margin	%	14.7%	14.4%	-0.3%	15.0%	14.2%	-0.8%	15.6%	14.3%	-1.3%
L	Inderlying NPAT	\$m	82.8	89.5	8.2%	100.9	103.6	2.7%	122.3	122.3	0.0%
L	Inderlying EPS	¢ps	60.2	65.2	8.2%	73.4	75.4	2.7%	89.0	89.0	0.0%
	PS	¢ps	43	46	8.6%	52	54	3.1%	64	64	-0.6%

SOURCE: BELL POTTER SECURITIES ESTIMATES



# **Breville Group Limited**

# **Company Description**

Breville Group Limited (BRG) is the active manager of a number of consumer electrical appliance brands, with a core focus in the small kitchen appliances segment. BRG owns the Breville, Sage (*UK and certain European markets*), Kambrook and Ronson brands and has a license agreement with Nestle Nespresso SA for the distribution of Breville cobranded Nespresso portioned (*capsule system based*) espresso machines in a number of markets (including Australia, New Zealand and North America).

# **Investment Strategy**

We rate BRG Hold with a price target of \$26.00.

BRG's core strategy is to invest in and build the Breville brand globally by leveraging its products and capabilities across multiple geographies. The two key ingredients to this strategy include product innovation (undertaken by a Sydney based products development team) and investment in infrastructure to support global operations.

Growth in North America, the UK and through BRG's international distributor network is targeted at the mid to high-end segment of the small appliances market. BRG's product range in these regions is more focused and primarily "New Product Development" products that are designed and development by BRG from the ground-up. By contrast, BRG's growth in Australia and New Zealand is across a broader market value segment from the low/mid to up-market end. This is matched by broader product range that is weighted to "Sourced Developed Products" which use an externally sourced (from Asia) product base.

## **Valuation**

Our blended 12-mth price target is \$26.00. Our DCF is \$26.00 (WACC of 9.5%), while our SOTP (EV/EBITDA basis) is \$26.02. We take a 75%/25% split to derive our price target.

# **Risk to Investment Thesis**

Key downside risks to our valuation include (but are not limited to):

- COVID-19: The substantial impact of COVID-19 on the global & domestic economies
  together with the Saudi Arabia-Russia oil price war is creating enormous volatility and
  uncertainty in global share markets. The forecasts in the report may be subject to
  significant changes if this situation continues for an extended period of time.
- Exposed to cyclical risk: More material or prolonged weakness in discretionary spending than expected, placing additional pressure on earnings than forecast. This in turn will have downside risk to dividends. The impact to earnings varies by region, with ANZ exhibiting the highest sensitivity given BRG's mature presence in these markets.
- **Deterioration in brand equity risk due to poor product quality**: Brand deterioration will lead to loss of market share and pricing power in highly competitive markets.
- Brand acceptance risk in new markets such as the UK, Germany, France and others.
- Material impairment charge risks on intangibles due to difficult market conditions or the deterioration in brand equity.
- House-brands impinging on market share and placing downward pressure on price.
- Product & Supply Chain: BRG's products are manufactured in China and hence are exposed to risks around sourcing, production, warehousing & supply chain disruptions.

# Breville Group as at 13 August 2020

RecommendationHoldPrice\$25.00Target (12 months)\$26.00

# Table 1 - Financial summary

Jun Year end Profit & Loss (A\$m)	2018	2019	2020	2021e	2022e	20236
Sales revenue	647.7	760.0	952.2	1,086.3	1,256.1	1,448.2
	6.9%	17.3%		14.1%	,	,
Change			25.3%		15.6%	15.3%
EBITDA	100.2	114.0	138.8	156.7	178.3	207.4
Change	11.6%	13.7%	21.8%	12.9%	13.8%	16.3%
Deprec. & amort.	(13.3)	(16.6)	(19.2)	(21.9)	(24.4)	(26.9)
EBIT	86.9	97.3	113.1	128.2	147.1	173.5
Net Interest	(2.5)	(3.0)	(8.2)	(2.8)	(2.0)	(2.2)
Pre-tax profit	84.4	94.3	105.0	125.4	145.0	171.3
Tax expense	(25.9)	(26.9)	(30.0)	(35.9)	(41.5)	(49.0
tax rate	31%	29%	29%	29%	29%	29%
Associates			-	-	-	-
Minorities/Prefs	-	_	_		_	_
Underlying Net Profit	58.5	67.4	75.0	89.5	103.6	122.3
Change	8.7%	15.2%	11.2%	19.5%	15.7%	18.1%
•	0.7 /0	13.2 /0		13.370	13.770	10.17
Abs. & extras.	-	67.4	(8.8)	89.5	402.0	122.3
Reported Profit	58.5	67.4	66.2	89.5	103.6	122.3
			(0.0)	(0.0)	(0.0)	(0.4)
Assumed AASB16 adjustment to	Underlying EE	ЗIT	(2.0)	(2.0)	(2.0)	(2.1
Underlying EBIT (Pre-AASB16)			111.2	126.3	145.1	171.4
Cashflow (A\$m)						
Cashflow (A\$m) EBITDA	100.2	114.0	138.8	156.7	178.3	207.4
	8.7	(64.7)	22.3	(45.7)	(32.1)	
Working capital changes		, ,			. ,	(37.7
Net Interest Expense	(1.9)	(2.5)	(6.8)	(2.8)	(2.0)	(2.2
Tax	(22.3)	(25.4)	(28.9)	(30.3)	(39.6)	(46.0
Other operating items	3.9	9.1	7.0	3.4	4.2	5.0
Operating Cash Flow	88.7	30.3	132.3	81.2	108.8	126.5
Capex	(4.3)	(5.5)	(7.0)	(5.4)	(6.3)	(7.2
Free Cash Flow	84.4	24.9	125.3	75.8	102.5	119.2
Acquisition/Growth capex	(24.2)	(23.0)	(45.7)	(45.7)	(45.7)	(45.7
Disposals	-	0.1	0.1	-	-	
Payment of leases	-		(7.3)	(7.7)	(7.9)	(8.1
Dividends paid	(41.0)	(45.5)	(50.8)	(59.4)	(68.9)	(79.9
	, ,	(40.0)	(30.0)	(55.4)	(00.3)	(13.3
Other investing items	(1.0)		400.7	-	•	-
Equity		(3.8)	100.7	-	-	
Debt increase/(reduction)	8.1	(0.0)	(51.1)	37.0	20.0	14.4
Balance Sheet (A\$m)						
Cash	103.3	57.1	128.5	139.5	119.5	105.1
Receivables	104.4	154.6	156.1	182.6	210.8	243.9
Inventories & WIP	99.7	152.3	153.7	194.0	224.0	259.2
	8.3	3.9	5.0	5.0	5.0	5.0
Other current assets						
Current Assets	315.7	368.0	443.3	521.1	559.3	613.2
Receivables	•	•	-			
Assoc & investments						-
Fixed Assets (PP&E)	-	-	-	-	-	-
Dight of upo Assets	11.4	- 12.0	13.5	12.7	12.8	
right-of-use Assets						13.6
•			13.5	12.7	12.8	13.6 18.5
Intangibles	11.4 -	12.0	13.5 17.2	12.7 17.6	12.8 18.1	13.6 18.5 242.8
Intangibles Other mom-curr assets	11.4 - 112.6 2.3	12.0 - 123.4 6.3	13.5 17.2 160.2 9.9	12.7 17.6 190.2 9.9	12.8 18.1 217.7 9.9	13.6 18.5 242.8 9.9
Intangibles Other mom-curr assets Non Current Assets	11.4 - 112.6 2.3 <b>126.2</b>	12.0 - 123.4 6.3 <b>141.8</b>	13.5 17.2 160.2 9.9 <b>200.8</b>	12.7 17.6 190.2 9.9 <b>230.5</b>	12.8 18.1 217.7 9.9 <b>258.5</b>	13.6 18.5 242.8 9.9 <b>284.9</b>
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Intangibles Other mom-curr assets Non Current Assets Total Assets Short term debt Creditors Provisions Other curr liabilities LT debt (incl. leases) Creditors Provisions Other non curr liabilities Non Current Liabilities	11.4 -12.6 2.3 126.2 441.9 -84.6 23.9 0.3 108.8 45.3 3.7 0.9	12.0 - 123.4 6.3 141.8 509.8 - 122.7 20.2 0.5 143.4 47.3 3.4 5.4	13.5 17.2 160.2 9.9 200.8 644.2 - 147.9 25.2 84.1 181.5 17.0 15.5 3.8 -	12.7 17.6 190.2 9.9 230.5 751.6 65.0 168.9 27.8 8 8 270.3 - 15.5 4.6 -	12.8 18.1 217.7 9.9 258.5 817.8 65.0 31.4 8.8 300.1 - 15.5 5.3 -	13.6 18.5 242.8 9.9 <b>284.9</b> <b>898.1</b> 65.0 225.6 35.5 9.0 <b>335.1</b>
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Intangibles Other morn-curr assets Non Current Assets Total Assets Short term debt Creditors Provisions Other curr liabilities Current Liabilities LT debt (incl. leases) Creditors Provisions Other non curr liabilities Non Current Liabilities Non Current Liabilities Non Current Liabilities Non Current Liabilities Not Assets Share Capital	11.4 -12.6 2.3 126.2 441.9 -84.6 23.9 0.3 108.8 45.3 3.7 0.9 -158.7 283.2 140.1	12.0 -123.4 6.3 141.8 509.8 -122.7 20.2 0.5 143.4 47.3 3.4 5.4 	13.5 17.2 160.2 9.9 200.8 644.2 - 147.9 25.2 84.1 181.5 17.0 15.5 3.8 217.8 426.4 246.4	12.7 17.6 190.2 9.9 230.5 751.6 65.0 168.9 27.8 8.6 270.3 - 15.5 4.6 - 20.1 290.3 461.2 246.4	12.8 18.1 217.7 9.9 258.5 817.8 65.0 195.0 31.4 8.3 300.1 	13.6 18.5 242.8 9.9 284.9 898.1 65.0 225.6 35.5 9.0 335.1 - 15.5 6.1 - 21.6 356.7 541.4
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Intangibles Other mom-curr assets Non Current Assets Total Assets Short term debt Creditors Provisions Other curr liabilities LT debt (incl. leases) Creditors Provisions Other non curr liabilities Non Current Liabilities Non Current Liabilities Non Current Liabilities Non Current Liabilities Reserves Retained Capital Reserves Retained Earnings	11.4 -112.6 2.3 126.2 441.9 -2.3 -3 -3 -3 -3 -3 -3 -3 -3 -3 -	12.0 -123.4 6.3 141.8 509.8 -122.7 20.2 0.5 143.4 47.3 3.4 5.4 - 56.0 199.4 310.3 140.1 4.6 165.7	13.5 17.2 160.2 9.9 200.8 644.2 - 147.9 25.2 8.4 181.5 17.0 15.5 3.8 - 217.8 426.4 246.4 2.1 177.9	12.7 17.6 190.2 9.9 230.5 751.6 66.0 168.9 27.8 8.6 270.3 - 15.5 4.6 - 20.1 290.3 461.2 246.4 2.1 212.7	12.8 18.1 217.7 9.9 258.5 817.8 65.0 195.0 31.4 8.8 300.1 - 15.5 5.3 - 20.8 320.9 496.9 246.4 2.1 248.4	13.6 18.5 242.8 9.9 284.9 898.1 65.0 225.6 35.5 9.0 335.1 - 15.5 6.1 - 21.6 356.7 541.4 246.4 2.1 292.9
Intangibles Other mom-curr assets Non Current Assets Total Assets Short term debt Creditors Provisions Other curr liabilities LT debt (incl. leases) Creditors Provisions Other non curr liabilities Non Current Liabilities Non Current Liabilities Non Current Liabilities Non Current Liabilities Notal Liabilities Net Assets Share Capital Reserves Retained Earnings Shareholders Equity	11.4 -112.6 2.3 126.2 441.9 -84.6 23.9 0.3 108.8 45.3 3.7 0.9 - - 49.9 138.7 283.2 140.1 (0.7)	12.0 - 123.4 6.3 141.8 509.8 - 122.7 20.2 0.5 143.4 47.3 3.4 5.4 - 56.0 199.4 140.1 4.6	13.5 17.2 160.2 9.9 200.8 644.2 - 147.9 25.2 8.4 181.5 17.0 15.5 3.8 - 227.8 426.4 246.4 2.1	12.7 17.6 190.2 9.9 230.5 751.6 65.0 168.9 27.8 8.6 270.3 	12.8 18.1 217.7 9.9 258.5 817.8 65.0 195.0 31.4 8.8 300.1 15.5 5.3 - 20.8 320.9 246.4 2.1	13.6 18.5 242.8 9.9 284.9 898.1 65.0 225.6 35.5 9.0 335.1 - 15.5 6.1 - 21.6 356.7 541.4 246.4 2.1 292.9
Intangibles Other morn-curr assets Non Current Assets Total Assets Short term debt Creditors Provisions Other curr liabilities LT debt (incl. leases) Creditors Provisions Other non curr liabilities Total Liabilities Non Current Liabilities Non Current Liabilities Non Current Liabilities Ret Assets Share Capital Reserves Retained Earnings Shareholders Equity Outside Equity Interests	11.4 -12.6 2.3 126.2 -441.9 -84.6 23.9 0.3 108.8 45.3 3.7 0.9 - - 283.2 140.1 (0.7) 143.9 283.2	12.0 -123.4 6.3 141.8 509.8 -122.7 20.2 0.5 143.4 47.3 3.4 5.4 - 56.0 199.4 310.3 140.1 4.6 165.7 310.3	13.5 17.2 160.2 9 200.8 644.2 - 147.9 25.2 8.4 181.5 17.0 15.5 3.8 217.8 426.4 246.4 2.1 177.9	12.7 17.6 190.2 9.9 230.5 751.6 65.0 168.9 27.8 8.6 270.3 - 15.5 4.6 - 20.1 290.3 461.2 246.4 2.1 212.7	12.8 18.1 217.7 9.9 258.5 817.8 65.0 195.0 31.4 8.8 300.1 15.5 5.3 - 20.8 320.9 496.9 246.4 2.1 248.4 496.9	13.6 18.5 242.8 9.9 883.1 65.0 225.6 65.0 33.5 61.1 21.6 356.7 541.4 246.4 24.9 24.9 541.4
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Right-of-use Assets Intangibles Other mom-curr assets Non Current Assets Total Assets Short term debt Creditors Provisions Other curr liabilities Current Liabilities L'I debt (Incl. leases) Creditors Provisions Other non curr liabilities Non Current Liabilities Non Current Liabilities Non Current Liabilities Total Liabilities Net Assets Share Capital Reserves Retained Earnings Shareholders Equity Outside Equity Interests Total Equity Core Net debt/(cash) Sm	11.4 -12.6 2.3 126.2 441.9 -84.6 23.9 0.3 108.8 45.3 3.7 0.9 - - 158.7 283.2 140.1 (0.7) 143.9 283.2	12.0 -123.4 6.3 141.8 509.8 -122.7 20.2 0.2 0.3 143.4 47.3 3.4 5.4 -199.4 310.3 140.1 4.6 165.7 310.3	13.5 17.2 160.2 9.9 200.8 644.2 - 147.9 25.2 8.4 181.5 17.0 15.5 3.8 - 217.8 426.4 246.4 2.1 177.9 426.4	12.7 17.6 190.2 9.9 230.5 751.6 65.0 168.9 27.8 65.0 15.5 4.6 20.1 290.3 461.2 246.4 2.1 212.7 461.2	12.8 18.1 217.7 9.9 258.5 817.8 65.0 195.0 31.4 8.8 300.1 	13.6 18.5 242.8 9.9 284.9 65.0 225.6 33.5 51.5 6.1 21.6 246.4 2.1 292.9 541.4
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Price						\$25.00
Recommendation						Hold
Diluted issued capital (m)						137.4
Market cap (\$m)						3,435.5
Target Price (A\$ps)						\$ 26.00
Jun Year end	2018	2019	2020	2021e	2022e	2023e
Valuation Ratios	2010	2019	2020	20216	20226	20236
Underlying EPS (¢ps)	44.6	51.4	56.7	65.2	75.4	89.0
% change	8.6%	15.1%	10.4%	14.9%	15.7%	18.1%
PE (on underlying EPS) (x)	56.0	48.7	44.1	38.4	33.2	28.1
EV/EBITDA (x)	33.24	29.23	24.01	21.26	18.68	16.06
EV/EBIT (x)	38.33	34.22	29.44	25.98	22.65	19.20
NTA (0)	4.00	4.40	4.04	4.07	0.00	0.47
NTA (\$ps)	1.30	1.43	1.94	1.97	2.03	2.17
P/NTA (x)	19.21	17.52	12.90	12.68	12.31	11.51
Book Value (\$ps)	2.16	2.37	3.10	3.36	3.62	3.94
Price/Book (x)	11.58	10.55	8.06	7.45	6.91	6.35
DPS (¢ps)	33.0	37.0	41.0	46.5	53.6	63.6
% pay-out	73.4%	71.4%	73.0%	71.3%	71.2%	71.5%
Yield (%)	1.3%	1.5%	1.6%	1.9%	2.1%	2.5%
Franking (%)	60%	60%	60%	60%	60%	60%
Performance Ratios	6.00/	17 00/	25 20/	1.4.40/	4F C0/	1F 20'
Revenue growth (%)	6.9% 11.6%	17.3% 13.7%	25.3% 21.8%	14.1% 12.9%	15.6% 13.8%	15.3% 16.3%
EBITDA growth (%)			14.6%	14.4%	14.2%	
EBITDA/sales margin (%) EBIT/sales margin (%)	15.5% 13.4%	15.0% 12.8%	11.9%	11.8%	11.7%	14.3% 12.0%
EDIT/SaleS Margin (70)	13.470	12.070	11.370	11.070	11.770	12.070
Gross cash conversion (%)	112.6%	51.2%	121.1%	73.0%	84.4%	84.2%
Free cash-flow yield (%)	2.6%	0.8%	3.8%	2.2%	3.0%	3.5%
ROE (%)	21.5%	22.4%	21.0%	19.8%	21.2%	23.1%
ROIC (%)	25.4%	24.5%	22.9%	23.3%	22.9%	23.8%
Capex/Depn (x)	1.3	1.2	1.3	0.9	1.0	1.1
N	010	00.4	40.0	45.4	70.4	70.4
Net interest cover (x)	34.3	32.1	13.8	45.4	72.4	78.1
Core Net Debt/EBITDA (Pre-AASB16) (	n/a	n/a	n/a	n/a	n/a	n/a
Net debt/equity (%)	-20.5% -25.7%	-3.2% -3.3%	-24.4% -32.3%	-14.5% -17.0%	-9.4% -10.4%	-5.9% -6.3%
Net debt/net debt + equity (%)	-23.1 /0	-3.3/0	-32.3 /0	-17.070	-10.470	-0.5/0
Segmental Information						
Global Product segment	522.2	612.0	764.4	879.7	1,028.8	1,198.2
Distribution segment	125.5	148.0	187.8	206.6	227.3	250.0
Corp/Elimin/Adj.	-	-	-	-	-	-
Total Revenue (A\$m)	647.7	760.0	952.2	1,086.3	1,256.1	1,448.2
Oleh el Bredont en mand	00.4	04.0	4440	400.0	440.7	475.0
Global Product segment	86.1	94.8	114.6	130.2	149.7	175.6
Distribution segment	14.2	19.2	24.1	26.5	28.6	31.8
Other/Corp/Elimin/Adj. Total EBITDA (A\$m)	100.2	114.0	0.1 138.8	156.7	178.3	207.4
Total EDITOA (A\$III)	100.2	114.0	100.0	130.7	170.5	201.4
Half yearly (A\$m)	2H18	1H19	2H19	1H20	2H20	1H21e
Sales revenue	265.4	440.4	319.6	552.1	400.1	629.9
EBITDA	38.7	70.5	43.5	85.2	53.6	95.3
Deprec. & amort.	(7.0)	(8.2)	(8.5)	(9.0)	(10.2)	(10.4)
EBIT	31.7	62.3	35.0	73.0	40.2	81.6
Interest expense	(0.9)	(1.5)	(1.5)	(4.2)	(4.0)	(1.7)
Pre-tax profit	30.8	60.8	33.5	68.8	36.2	79.9
Tax expense	(8.6)	(17.3)	(9.6)	(19.1)	(10.9)	(22.9)
tax rate	28%	28%	29%	28%	30%	29%
Associates Minorities	-	•	-	•	-	•
Underlying Net Profit	- 22.2	- 43.5	23.9	- 49.7	- 25.3	- 57.1
Abs. & extras.	-	-		43. <i>1</i> -	(8.8)	- 37.1
Reported Profit	22.2	43.5	23.9	49.7	16.5	57.1

SOURCE: BELL POTTER SECURITIES ESTIMATES

## **Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

### Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
TS Lim	Head of Research/Banks	612 8224 2810	tslim
Analysts			
Lafitani Sotiriou	Diversified Financials/Fintech	613 9235 1668	Isotiriou
John Hester	Healthcare	612 8224 2871	jhester
Tanushree Jain	Healthcare	612 8224 2849	tnjain
Elyse Shapiro	Healthcare	613 9235 1877	eshapiro
Steven Anastasiou	Industrials	613 9235 1952	sanastasiou
James Filius	Industrials	613 9235 1612	jfilius
Sam Haddad	Industrials	612 8224 2819	shaddad
Alex McLean	Industrials	612 8224 2886	amclean
Hamish Murray	Industrials	613 9235 1813	hmurray
Chris Savage	Industrials	612 8224 2835	csavage
Jonathan Snape	Industrials	613 9235 1601	jsnape
Damien Williamson	Industrials	613 9235 1958	dwilliamson
Peter Arden	Resources	613 9235 1833	parden
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9235 1856	showe
Associate			
Joseph House	Associate Analyst	+61 3 9235 1624	jhouse

Bell Potter Securities Limited ACN 25 006 390 7721 Level 29, 101 Collins Street Melbourne, Victoria, 3000 Telephone +61 3 9256 8700 www.bellpotter.com.au Bell Potter Securities (HK) Limited Room 1701, 17/F Posperity Tower, 39 Queens Road Central, Hong Kong, 0000 Telephone +852 3750 8400 Bell Potter Securities (US) LLC Floor 39 444 Madison Avenue, New York NY 10022, U.S.A Telephone +1 917 819 1410 Bell Potter Securities (UK) Limited 16 Berkeley Street London, England W1J 8DZ, United Kingdom Telephone +44 7734 2929

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