

Analyst

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Authorisation

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The a2 Milk Co (A2M)

Afterlife

Recommendation
Hold (unchanged)

Price
A\$7.11
Target (12 months)
A\$7.25 (previously A\$6.00)

Sector
Food Beverage and Tobacco
Expected Return

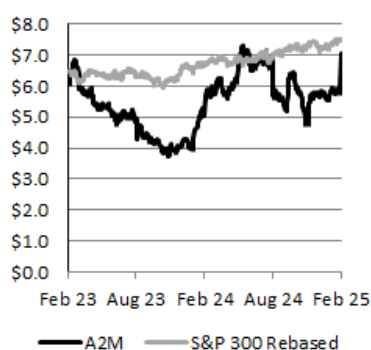
Capital growth	2.0%
Dividend yield	2.5%
Total expected return	4.5%

Company Data & Ratios

Enterprise value	A\$4,318m
Market cap	A\$5,148m
Issued capital	724.0m
Free float	100%
Avg. daily val. (52wk)	A\$18.7m
12 month price range	A\$4.73-7.37

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	5.62	4.82	5.26
Absolute (%)	25.80	46.68	34.41
Rel market (%)	22.40	43.66	22.62

Absolute Price


SOURCE: IRESS

1H25 Results at a glance

A2M reported 1H25 underlying NPAT broadly line with our expectations at NZ\$91.7m. Key operating statistics of the result included:

Operating results: Revenue of NZ\$893.8m was up +10% YOY (vs. BPe NZ\$873.4m). EBITDA of NZ\$118.9m was up +5% YOY (vs BPe of NZ\$119.1m). EBITDA ex-MVM was NZ\$130.8m (vs. BPe of NZ\$127.2m). Underlying NPAT of NZ\$91.7m was up +8% YOY (vs. BPe of NZ\$90.9m).

Infant formula drivers: R12M market shares in China offline was flat at 3.5% (FY24 at 3.5%), down in CBEC at 19.1% (FY24 20.5% & 1H24 21.4%) and down in O2O/Daigou at 17.9% (FY24 19.7% & 1H24 20.5%). China direct IMF revenues were up +11.0% YOY to NZ\$563.4m (vs. BPe NZ\$545m) and represented 93% of total 1H25 IMF sales (91% in 1H24). Marketing expenditure of NZ\$145.9m (vs. BPe of NZ\$136.6m and 1H24 of \$136.7m).

Cashflow and balance sheet: A lease adjusted operating cashflow of NZ\$75.9m compares to NZ\$60.1m in 1H24. Net cash exited the period at NZ\$947.4m and compares to FY24 at NZ\$902.7m.

FY25e outlook: Key outlook comments include: (1) FY25e revenue guidance of low-to-mid double-digit YOY growth (vs mid-to-high-single digit revenue growth previously); (2) FY25e EBITDA margins are expected to be slightly up vs. FY24 levels; (3) FY25e operating cash conversion to be 90% reflecting SM1 settlement payments.

NPAT changes are +10% in FY25e, +9% in FY26e and +8% in FY27e. Our target price is A\$7.25ps (prev. A\$6.00ps) following these changes and a lower WACC hurdle.

Investment view: Hold rating unchanged

Our Hold rating is unchanged. 1H25 was a good result and the upgrade to guidance a little stronger than we would have expected when FX movements were allowed for (we had been expecting a +200-300bp tailwind from FX and GDT moves post Nov'24). The forward growth is reasonable, but at 17.6x FY25e EBITDA, it's a big premium to the sector (Dairy peers at 12.2x & IMF peers at 8.2x) and A2M's T3Yaverage (of 14.5x).

Earnings Forecast

Year end June	2024	2025e	2026e	2027e
Sales (NZ\$m)	1675.5	1885.3	2001.6	2032.2
EBITDA (NZ\$m)	234.3	272.5	296.7	301.2
NPAT (adjusted) (NZ\$m)	167.6	200.1	218.1	223.4
NPAT (reported) (NZ\$m)	109.7	200.1	218.1	223.4
EPS (adjusted) (NZ cps)	23.1	27.5	30.0	30.7
EPS growth (%)	9.2	19.2	8.9	2.4
PER (x)	34.2	28.6	26.3	25.7
FCF Yield (%)	5.0	2.8	1.8	1.7
EV/EBITDA (x)	20.4	17.6	16.1	15.9
Dividend (NZ Cps)	0.0	17.5	19.5	21.5
Franking (%)	0.0	100.0	100.0	100.0
Yield (%)	0.0	2.5	2.7	3.0
ROE (%)	13.3	15.2	15.7	15.4

SOURCE: BELL POTTER SECURITIES ESTIMATES

1H25 result at a glance

Result: A2M reported a 2% stronger than expected revenue outcome largely driven by the performance of the fresh dairy and CBEC IMF channels. EBITDA was broadly in line with our expectations at NZ\$118.9m (vs. BPe of NZ\$119.1m) with higher net interest driving a 1% better outcome at NPAT. A lease adjusted operating cashflow of NZ\$75.9m compares to NZ\$60.1m in 1H24 and net cash exited the period at NZ\$947.4m (vs FY24 at NZ\$902.7m). A 1H25 DPS of NZ8.5¢ (vs. BPe 7.5¢), reflected a payout ratio of 67%.

Figure 1 – 1H25 Result overview (NZ\$m unless stated otherwise)

Profit & Loss	2019	1H20	2H20	2020	1H21	2H21	2021	1H22	2H22	2022	1H23	2H23	2023	1H24	2H24	2024	1H25	1H25e	YOY
Australia/NZ	842.7	460.2	505.5	965.7	317.2	242.5	559.7	283.3	249.5	532.7	213.7	158.0	371.7	162.2	155.1	317.3	157.7	160.0	-3%
China	405.7	317.2	382.2	699.4	326.0	257.4	583.4	306.3	420.2	726.5	471.6	530.6	1,002.2	549.5	593.6	1,143.1	614.2	587.7	12%
US & UK	56.1	28.0	38.1	66.1	34.2	29.4	63.6	32.4	50.2	82.7	52.4	52.6	105.1	56.9	56.7	113.7	64.5	58.3	13%
Processing								38.6	70.3	108.9	62.9	83.3	146.2	51.5	84.9	136.4	73.1	75.4	42%
Corporate and other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(4.5)	(17.2)	(15.0)	(32.3)	(8.0)	(27.0)	(35.0)	(15.7)	(8.0)	96%
Revenue	1,304.5	805.3	925.8	1,731.1	677.4	529.4	1,206.7	660.5	790.2	1,446.2	783.3	809.5	1,592.9	812.1	863.3	1,675.5	893.8	873.4	10%
Australia/NZ	388.2	227.9	237.7	465.6	117.5	31.4	148.8	96.2	77.0	173.2	62.0	31.5	93.5	34.8	28.2	63.0	29.5	28.1	-15%
China	123.9	117.5	107.4	224.9	94.4	(18.8)	75.6	59.4	85.7	145.1	111.5	142.6	254.1	135.9	154.2	290.1	148.0	148.8	9%
US & UK	(39.5)	(30.0)	(20.5)	(50.5)	(11.6)	(21.9)	(33.5)	(16.4)	(20.2)	(36.7)	(12.2)	(11.1)	(23.3)	(8.3)	(7.1)	(15.5)	(4.9)	(5.6)	-42%
Processing								(10.0)	(8.8)	(18.8)	(13.4)	(13.1)	(26.5)	(15.3)	(5.2)	(20.5)	(11.9)	(8.1)	-22%
Corporate & Other	(58.9)	(48.9)	(39.0)	(87.9)	(21.7)	(45.8)	(67.5)	(31.6)	(35.0)	(66.6)	(40.1)	(38.4)	(78.5)	(33.8)	(49.0)	(82.8)	(41.9)	(44.1)	24%
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
EBITDA	413.7	266.5	285.6	552.0	178.5	(55.1)	123.4	97.6	98.6	196.2	107.8	111.5	219.3	113.2	121.1	234.3	118.9	119.1	5%
...EBITDA Margin (%)	31.7%	33.1%	30.8%	31.9%	26.4%	-10.4%	10.2%	14.8%	12.5%	13.6%	13.8%	13.8%	13.8%	13.9%	14.0%	14.0%	13.3%	13.6%	-5%
Depreciation & Amortisation	(2.2)	(1.8)	(2.6)	(4.4)	(3.2)	(4.3)	(7.5)	(8.2)	(10.7)	(18.9)	(9.0)	(9.2)	(18.2)	(8.9)	(23.3)	(32.2)	(15.0)	(13.8)	69%
EBIT	411.6	264.7	282.9	547.6	175.3	(59.3)	116.0	89.3	87.9	177.3	98.8	102.3	201.1	104.4	97.8	202.1	103.9	105.2	0%
...EBIT Margin (%)	31.5%	0.0%	0.0%	31.6%	25.9%	-11.2%	9.6%	13.5%	11.1%	12.3%	12.6%	12.6%	12.6%	12.8%	11.3%	12.1%	11.6%	12.1%	-10%
Net Interest Income	4.2	2.9	2.9	5.7	1.7	1.5	3.3	1.1	3.0	4.1	9.9	11.9	21.8	16.6	19.4	36.0	23.4	20.0	41%
Pre-tax profit	415.7	267.6	285.8	553.4	177.1	(57.8)	119.3	90.5	90.9	181.4	108.7	114.2	222.9	120.9	117.2	238.1	127.3	125.2	5%
Tax	(128.0)	(79.4)	(85.8)	(165.2)	(57.0)	18.4	(38.6)	(34.4)	(32.3)	(66.6)	(40.2)	(37.8)	(78.0)	(42.3)	(41.9)	(84.3)	(43.3)	(40.3)	2%
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5	4.3	7.9	5.3	5.5	10.8	6.7	7.0	13.7	7.7	6.0	16%
Underlying NPAT	288.0	188.2	200.0	388.1	120.0	(39.4)	80.7	59.6	63.0	122.6	73.8	81.9	155.6	85.3	82.3	167.6	91.7	90.9	8%
Non-recurring items (post-tax)	(66.7)	(13.9)	(41.6)	(55.5)	(67.4)	(66.1)	(133.5)	(7.0)	0.0	(24.5)	22.4	(80.7)	(58.3)	(33.8)	(24.1)	(57.9)	0.0	0.0	n.a.
Reported NPAT	221.3	174.3	158.4	332.6	52.6	(105.5)	(52.9)	52.7	63.0	98.2	96.2	1.2	97.4	51.5	58.2	109.7	91.7	90.9	78%
Balance Sheet and cashflow	2019	1H20	2H20	2020	1H21	2H21	2021	1H22	2H22	2022	1H23	2H23	2023	1H24	2H24	2024	1H25	1H25e	YOY
Working Capital (\$m)	50.6	56.7	(7.6)	(7.6)	116.5	(61.0)	(61.0)	(53.4)	(98.0)	(98.0)	7.5	5.1	5.1	36.2	(37.3)	(37.3)	(40.5)		
Working Capital/Sales - T12M (%)	3.9%	7.0%	-0.8%	-0.4%	17.2%	-11.5%	-5.1%	-8.1%	-6.8%	-6.8%	1.0%	0.3%	0.3%	4.5%	-4.3%	-2.2%	-4.5%		
Net Debt (Cash) (\$m)	(464.8)	(618.4)	(854.2)	(854.2)	(774.6)	(875.2)	(875.2)	(667.2)	(763.0)	(763.0)	(655.4)	(700.7)	(700.7)	(735.1)	(902.7)	(902.7)	(947.4)		
Operating cashflow (\$m)	289.1	159.9	255.8	425.6	(10.8)	77.0	66.2	96.4	103.3	199.7	(5.1)	112.8	107.7	60.1	190.9	250.9	75.9		
Operating cash realisation (%)	100%	84%	131%	108%	-9%	-219%	75%	109%	152%	141%	-7%	80%	62%	73%	210%	126%	44%		
IMF Performance stats	2019	1H20	2H20	2020	1H21	2H21	2021	1H22	2H22	2022	1H23	2H23	2023	1H24	2H24	2024	1H25	1H25e	YOY
PRC Revenue (NZ\$m)	167.8	146.7	191.0	337.7	213.1	176.8	389.9	188.7	248.9	437.6	270.7	288.6	559.3	299.0	313.3	612.3	305.0	320.0	2%
CBEC Revenue (NZ\$m)	237.8	160.5	180.6	341.1	103.5	65.4	168.9	102.4	153.4	255.8	175.6	210.6	386.2	210.5	237.3	447.8	258.4	225.0	23%
China Direct Revenue (NZ\$m)	405.7	307.2	371.6	678.8	316.6	242.2	558.8	291.1	402.3	693.4	446.3	499.2	945.6	509.5	550.7	1,060.2	563.4	545.0	11%
ANZ EL	658.1	352.0	393.0	745.1	209.5	147.5	357.0	179.9	148.9	328.8	109.4	53.1	162.5	54.6	43.9	98.5	40.5	49.2	-26%
US EL														0.2	0.2	0.4	0.8	1.2	367%
Total IMF revenue	1,063.8	659.2	764.7	1,423.9	526.1	389.7	915.8	471.0	551.2	1,022.2	555.7	552.4	1,108.1	564.3	605.4	1,159.1	604.7	595.3	7%
Marketing to sales (%)	10%	10%	12%	11%	10%	19%	14%	14%	17%	16%	17%	15%	16%	17%	17%	17%	16%	16%	
Infant Formula share of sales (%)	82%	82%	83%	82%	78%	74%	76%	71%	70%	71%	71%	68%	70%	69%	70%	70%	68%	68%	
Gross Margin (%)	55%	57%	55%	56%	50%	32%	42%	46%	45%	46%	48%	45%	46%	47%	45%	46%	45%		
Total Share													5.9%	6.4%	7.3%	7.3%	7.7%		
CL share													3.9%	4.1%	4.9%	4.9%	5.3%		
EL share																			

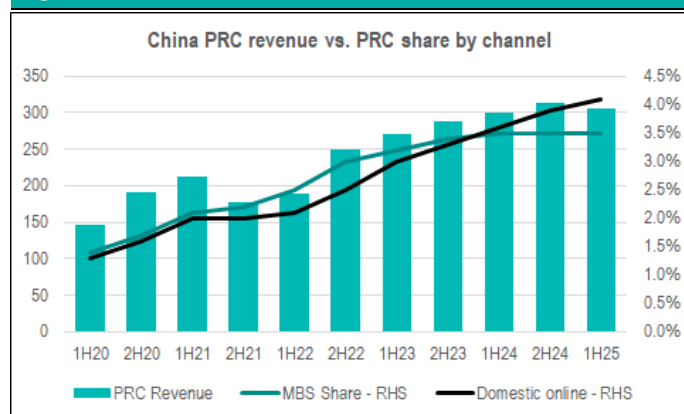
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Key outlook comments include: (1) FY25e revenue guidance of low double digit-to-mid double digit growth (vs mid-to-high-single digit revenue growth previously); (2) FY25e EBITDA margins are expected to be slightly up vs. FY24 levels; (3) FY25e operating cash conversion to be 90% reflecting SM1 settlement payments. Element of the guidance upgrade are stronger demand for English label IMF, increased US liquid milk sales, movements in the NZD and high GDT ingredient pricing. We had estimated the latter two would add 200-300bp to the top line.

There have been Three major changes in our forecasts, being: (1) a shift in growth from PRC to English label which carries a net margin gain; (2) a material reduction in NZD assumptions against the USD, CNY and AUD. The latter has a favourable impact on FY25-27e revenues and an unfavourable impact on COGS in FY26-27e; and (3) a reduction in births in CY25-26e following a softer than expected marriage rate in CY24 (movements in births have a >90% correlation to movements in marriages in the preceding year).

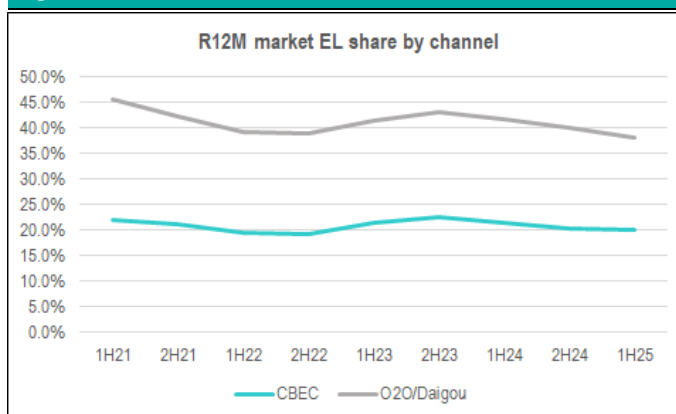
Market share: Overall China market share (R12M) was up +40bp relative to 2H24, largely reflecting a shift in purchase channels towards online. Offline market share was static at 3.5%, domestic online up +20bp to 4.1% and online English label down 90bp to 19.1%.

Figure 2 - China PRC revenue measures



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 3 – EL IMF share measures



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 4 - A2M IMF market share data

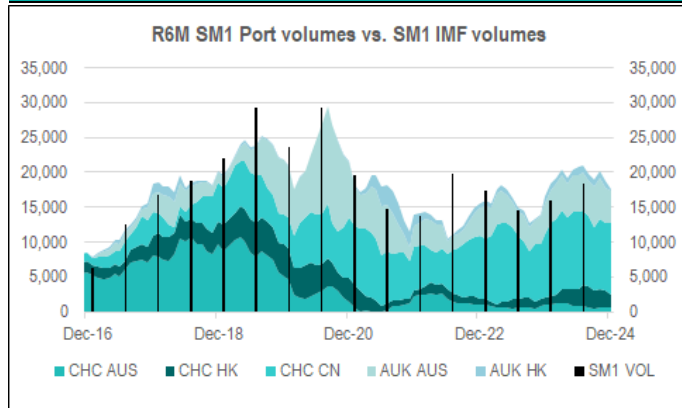
Market share statistics	2019	1H20	2H20	2020	1H21	2H21	2021	1H22	2H22	2022	1H23	2H23	2023	1H24	2H24	2024	1H25
Offline stockists	16,400	18,300	19,100	19,100	22,000	22,800	22,800	24,600	26,500	26,500	26,800	25,900	25,900	25,900	29,000	29,000	29,800
Numeric distribution (%)							21%	23%	25%	25%	26%	27%	27%	28%	26%	26%	
Weighted distribution (%)							40%	44%	44%	44%	47%	47%	47%	48%	44%	44%	
Total PRC Market share (%)															4.9%	4.9%	5.3%
R12M MBS market share (%)		1.4%	1.7%	1.7%	2.1%	2.2%	2.2%	2.5%	3.0%	3.0%	3.2%	3.4%	3.4%	3.5%	3.5%	3.5%	3.5%
Key & A cities						5.7%	5.7%	6.3%	7.1%	7.1%	7.4%	7.5%	7.5%	7.4%	6.8%	6.8%	6.7%
BCD cities						1.6%	1.6%	1.9%	2.3%	2.3%	2.5%	2.7%	2.7%	2.9%	3.0%	3.0%	3.0%
R12M Domestic online share (%)		1.3%	1.6%	1.9%	2.0%	2.0%	2.0%	2.1%	2.5%	2.5%	3.0%	3.3%	3.3%	3.6%	3.9%	3.9%	4.1%
R12M English label share (%)						20.2%	20.2%	20.0%	19.0%	19.0%	17.9%	19.1%	19.1%	20.6%	20.2%	20.2%	19.1%
CBEC	19.0%	20.6%	21.7%	21.7%	22.2%	21.1%	21.1%	19.5%	19.4%	19.4%	21.6%	22.6%	22.6%	21.4%	20.5%	20.5%	20.2%
O2O/Daigou					23.5%	21.2%	21.2%	19.7%	19.5%	19.5%	19.8%	20.7%	20.5%	20.5%	19.7%	19.7%	17.9%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

A2M variable earnings drivers

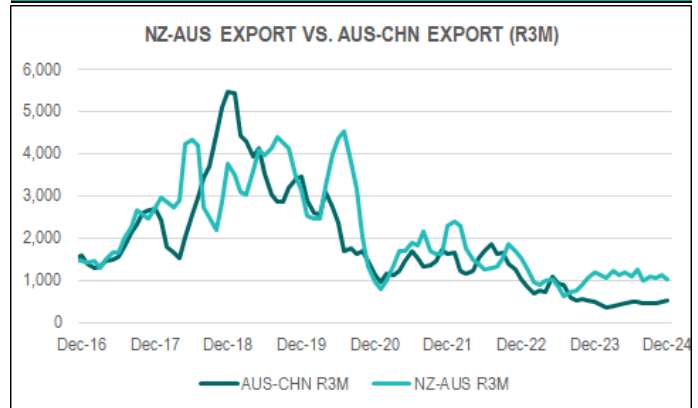
Australian Shipments: Export activity ex-Australia into China looks to have bottomed, demonstrating modest growth from the lows. Since A2M inventory issues this dataset has a 94% correlation to A2M Australian IMF sales.

Figure 5 – IMF exports traditional SM1 ports R6M basis



SOURCE: BASED ON STATS NZ AND COMPANY DATA

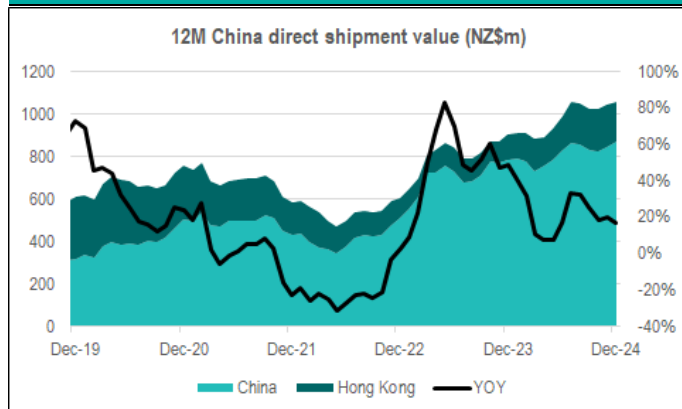
Figure 6 - R3M AUS-CHN exports vs. imports from NZ (t)



SOURCE: BASED ON STATS NZ AND ABS DATA

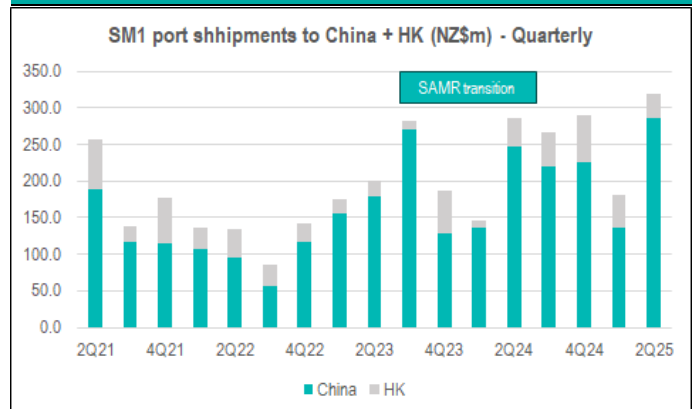
China activity levels: PRC label sales correlates closely to Direct China shipment values ex-CHC (at 92%) and CBEC correlates to HK + China direct shipment values (at 89%).

Figure 7 – R6M China shipments value ex-SM1 ports (NZ\$m)



SOURCE: STATS NZ

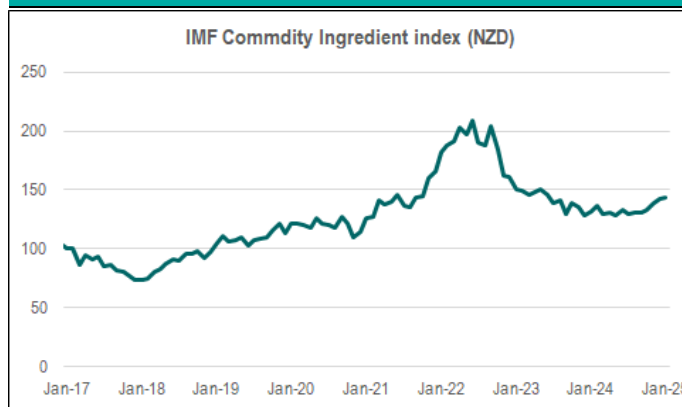
Figure 8 – Quarterly China direct shipment trends (NZ\$m)



SOURCE: CIQ DATA

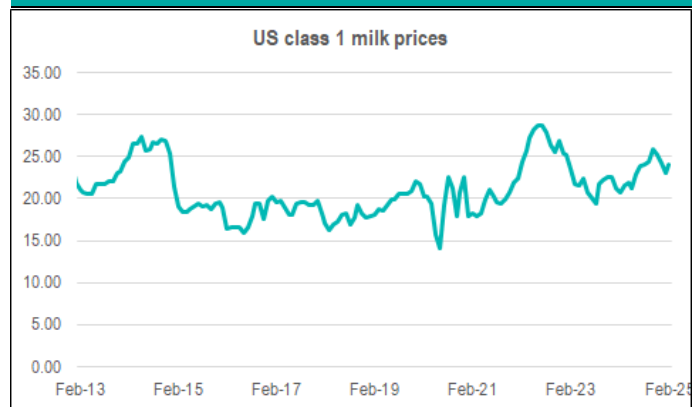
Ingredient input costs: IMF commodity constituents have lifted in recent months. US Class 1 milk prices YTD are up +14% YOY.

Figure 9 – IMF ingredient index



SOURCE: BASED ON GDT AND STATSCAN DATA

Figure 10 – US Class 1 milk pricing (US\$/cwt)



SOURCE: USDA

A2M Overview

COMPANY DESCRIPTION

The a2 Milk Company (A2M) is in the business of producing, marketing and selling branded dairy and infant milk formula (IMF) products in Australia, New Zealand, China, US and UK. A2M branded milk contains only A2 Protein rather than both A1 and A2 proteins which are found in Regular Cows' Milk. The business model of A2M is to focus on consumer facing products with a target on the functional food markets where a premium can be generated.

TARGET PRICE

Our target price for A2M is A\$7.25ps and derived utilising our ROIC based methodology. In deriving our target price we have utilised: (1) FY25e ROIC of 75% lifting to 88% in FY26e; (2) a pre-tax WACC of 10.2%; and (3) AUDNZD cross rate consistent with the spot. To this we incorporate a value for A2M's holding in SM1 at market.

RISKS

A2M is a high growth FMCG business with exposures to an agricultural supply chain. Risks associated in an investment in A2M include but are not isolated to:

COVID-19: The substantial impact of COVID-19 on the global and domestic economies is creating enormous volatility and uncertainty in global share markets. The forecasts in the report may be subjected to significant changes if this situation continues for an extended period of time.

Scientific risk: The A2M brand proposition is built primarily on the potential digestive well-being benefits of A1 Protein Free milk products compared to Regular Cows' Milk products which contain both A1 Protein and A2 Protein. There is the risk of research or information being published that diminishes or rejects the scientific arguments or consumers' experiences as to the benefits of the consumption of A1 Protein Free dairy products. As a result, the A2M brand may lose its differentiated position and it may become difficult for A2M to continue to position its products as premium products sold at a premium price.

Intellectual Property: A2M's business relies in part on its intellectual property portfolio, including brands and trademarks, patents, proprietary processes and know-how. Some forms of registered intellectual property, including patents, are of fixed duration and will expire over time. As any of A2M's registered intellectual property expires, or if it is invalidated or removed from intellectual property registers, this will adversely impact on A2M's ability to claim and enforce exclusive rights in such intellectual property. Because of the importance of its intellectual property, A2M may also need to defend its intellectual property or take action against third parties that infringe or claim rights in its intellectual property. Such action may include litigation, which may be protracted and expensive, and which may result in negative publicity.

Emergence of new competition: A2M's business model relies on A2M branded products being differentiated from other dairy products in each market in which it operates because they consist of, or are made using, A1 Protein Free milk. There is a risk that a competitor or competitors may launch A1 Protein Free milk products, and this risk may increase over time as A2M patents expire. There is also a risk that competitors may develop branding that creates confusion between a2MC branded products and Regular Cows' Milk products or otherwise reduces the perception of A2M branded products as differentiated A1 Protein Free milk products

Supply chain disruption: A2M's business model and supply chain are dependent on contractual arrangements with third parties which provide essential processing, production

or distribution functions for A2M branded products globally. There is the risk that the operations of one or more third parties change in a material and adverse way or that one or more third parties could reduce their support for the A2M brand. This could reduce A2M's ability to maintain supply to its customers in the short to medium term and reduce its ability to maintain its position in existing markets or enter new markets. This may also necessitate the need for A2M to invest in manufacturing capacity that would likely be returns dilutionary.

Brand risk: In common with many other food companies, there is a risk that raw materials may deteriorate or that products may become contaminated, tampered with, adulterated or otherwise unsafe or unfit for sale or consumption within the supply chain due to various factors, including human error and equipment failure. Potential adverse consequences for A2M include regulatory penalties, termination of distribution arrangements, liability associated with adverse health effects on consumers, product recall and disposal costs, loss of stock, delay in supply and financial costs.

Regulatory risk: A2M and its strategic suppliers and contractors require certain licences, approvals and consents in order to conduct their businesses. There is a risk that any such licences, approvals or consents that are material to a2MC in operating its business will not be renewed or will be renewed on more restrictive or onerous terms, or in limited circumstances, revoked.

China regulatory risk: At this stage we are projecting no material change in China C2C law changes which would likely have a detrimental impact on the level of sales in the Australian IMF business, but following a transition would be more than mitigated by faster growth in the China business where gross margins are higher than those achieved in Australia. As such while we are cognisant that a change in Chinese C2C trading regulations can impact near term earnings, we don't necessarily view this as detrimental to the company's longer-term growth trajectory.

Key personnel risk: A2M's performance is dependent on the ability of its senior executives and key personnel to manage and grow its business. Continuity and retention of senior executives and key personnel are important for the ongoing implementation of A2M's strategy.

Execution risk: Part of our optimism centres around management's ability to generate a profitable return in the US and UK fresh dairy markets. Failure to execute this strategy may impact stock performance and its ability to realise our target price.

The a2 Milk Co

as at 17 February 2025

Recommendation
Price
Target (12 months)

Hold
A\$7.11
A\$7.25

Table 1 - Financial summary

Year end June	2020	2021	2022	2023	2024	2025e	2026e	2027e	Rating	Hold
Profit & Loss (NZ\$m)									Share price (A\$ps)	\$7.11
Sales revenue	1,731.1	1,206.7	1,446.2	1,592.9	1,675.5	1,885.3	2,001.6	2,032.2	Target price (A\$ps)	\$7.25
... Change	32.7%	-30.3%	19.8%	10.1%	5.2%	12.5%	6.2%	1.5%	Shares on issue (m)	724.0
EBITDA	552.0	123.4	196.2	219.3	234.3	272.5	296.7	301.2	Market cap (A\$m)	5147.8
Deprec. & amort	(4.4)	(7.5)	(18.9)	(18.2)	(32.2)	(30.2)	(27.2)	(29.2)	Enterprise Value (A\$m)	4317.6
EBIT	547.6	116.0	177.3	201.1	202.1	242.3	269.5	272.0	Converted at AUDNZD 1.11 EV: MKt cap less cash and SM1 holding	
Interest expense	5.7	3.3	4.1	21.8	36.0	43.0	38.7	41.6		
Pre-tax profit	553.4	119.3	181.4	222.9	238.1	285.4	308.2	313.5		
Tax expense	(165.2)	(38.6)	(66.6)	(78.0)	(84.3)	(95.1)	(97.8)	(97.9)		
... tax rate	30%	32%	37%	35%	35%	33%	32%	31%		
Minorities	0.0	0.0	7.9	10.8	13.7	9.8	7.6	7.8		
Net Profit	388.1	80.7	122.6	155.6	167.6	200.1	218.1	223.4		
Abs. & extras.	(55.5)	(133.5)	(24.5)	(58.3)	(57.9)	0.0	0.0	0.0		
Reported Profit	332.6	(52.9)	98.2	97.4	109.7	200.1	218.1	223.4		
Cashflow (NZ\$m)										
EBITDA	552.0	123.4	196.2	219.3	234.3	272.5	296.7	301.2		
Net Interest Expense	5.7	3.3	3.0	18.8	36.9	43.0	38.7	41.6		
Tax Paid	(197.9)	(97.8)	(23.0)	(34.9)	(75.6)	(89.7)	(96.4)	(97.8)		
Change in Wkg Capital	58.2	53.4	37.0	(103.1)	42.4	(11.6)	1.6	0.4		
Other	7.6	(16.2)	(13.4)	7.7	12.9	0.0	0.0	0.0		
Operating Cash Flow	425.6	66.2	199.7	107.7	250.9	214.3	240.6	245.3		
Capex	(7.2)	(7.3)	(5.2)	(10.4)	(13.5)	(20.3)	(20.3)	(15.3)		
Dividend paid	0.0	0.0	0.0	0.0	0.0	(61.5)	(133.9)	(148.4)		
Free Cash Flow	418.4	58.9	194.5	97.3	237.4	132.4	86.3	81.6		
Acquisitions	(21.9)	(57.1)	(214.8)	(3.5)	(16.6)	(37.5)	0.0	0.0		
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Share issues	0.0	2.2	(13.3)	(149.1)	0.0	0.0	0.0	0.0		
Other	(7.2)	17.0	(78.6)	(7.0)	(18.8)	0.0	0.0	0.0		
(Inc.) /dec. in net debt	389.4	21.0	(112.2)	(62.3)	202.0	94.9	86.3	81.6		
Balance Sheet (NZ\$m)										
Cash & near cash	854.2	875.2	887.3	802.2	968.9	1,063.9	1,150.2	1,231.7		
Receivables	70.7	65.3	83.5	79.2	78.1	94.3	100.1	101.6		
Inventories	147.3	112.2	140.0	193.4	179.6	188.5	200.2	203.2		
Other	56.3	44.3	60.4	47.2	61.3	67.9	71.5	72.5		
Current assets	1,128.5	1,096.9	1,171.2	1,122.1	1,287.9	1,414.5	1,521.9	1,609.0		
Fixed assets	30.4	17.2	240.5	245.2	231.4	219.4	209.4	196.8		
Intangibles	13.6	15.1	109.3	108.4	111.1	108.0	107.5	107.0		
Other	280.8	242.8	194.7	136.0	104.4	114.4	124.4	134.4		
Non current assets	324.8	275.1	544.6	489.6	446.9	441.8	441.4	438.2		
Total assets	1,453.3	1,372.0	1,715.9	1,611.7	1,734.9	1,856.3	1,963.3	2,047.2		
Creditors	281.9	266.3	376.1	313.2	347.6	367.6	390.3	396.3		
Borrowings	0.0	0.0	43.9	19.2	5.6	5.6	5.6	5.6		
Other	23.5	8.4	20.2	46.8	63.6	101.4	116.5	134.5		
Current liabilities	305.4	274.7	440.2	379.2	416.8	474.7	512.4	536.4		
Borrowings	0.0	0.0	80.4	82.3	60.6	60.6	60.6	60.6		
Other	13.8	13.4	1.3	0.7	0.7	0.7	0.7	0.7		
Non current liabilities	13.8	13.4	81.7	83.0	61.3	61.3	61.3	61.3		
Total liabilities	319.3	288.1	521.9	462.2	478.1	536.0	573.7	597.7		
Net assets	1,134.1	1,084.0	1,194.0	1,149.5	1,256.8	1,320.3	1,389.6	1,449.5		
Share capital	146.9	149.1	149.2	0.1	0.1	0.1	0.1	0.1		
Reserves	22.9	(110.1)	(136.3)	(177.5)	(224.4)	(224.4)	(224.4)	(224.4)		
Retained earnings	964.3	1,044.9	1,167.6	1,323.2	1,490.8	1,564.1	1,641.0	1,708.8		
Outside equity interests	0.0	0.0	13.6	3.7	(9.7)	(19.5)	(27.1)	(34.9)		
S/holders' funds	1,134.1	1,084.0	1,194.0	1,149.5	1,256.8	1,320.3	1,389.6	1,449.5		
Net Debt (Cash)	(854.2)	(875.2)	(763.0)	(700.7)	(902.7)	(997.7)	(1,083.9)	(1,165.5)		

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.

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