23-August-2018

Morningnote

Contents

Flashnotes

Overseas Market Report

Foreign Equities	Latest Price	Time/Date (AEST)	Change	% Change
▼ Dow Jones (US)	25734	7:09am 23/08/2018	-89	-0.34
▼ S&P 500	2862	7:09am 23/08/2018	-1	-0.04
▲ NASDAQ	7889	7:31am 23/08/2018	30	0.38
▲ FTSE 100 Index	7574	1:50am 23/08/2018	9	0.11
▲ DAX 30	12386	2:00am 23/08/2018	1	0.01
▲ CAC 40	5421	2:15am 23/08/2018	12	0.22
▲ Nikkei 225 (Japan)	22363	4:20pm 22/08/2018	143	0.64
▲ HKSE	27928	6:23pm 22/08/2018	175	0.63
▼ SSE Composite Index	2715	5:16pm 22/08/2018	-19	-0.70
▲ NZ 50	9163	3:20pm 22/08/2018	47	0.51

International Markets Roundup

NEW YORK [Morningstar with AAP]: US stocks have closed mixed, with the Nasdaq gaining on the strength of tech stocks while the S&P 500 was little changed as it marked its longest bull market run.

The legal woes of two former advisers to US President Donald Trump contributed to investors' caution, while the release on Wednesday of the Federal Open Market Committee's minutes from its last policy meeting had only a fleeting impact on Wall Street's major indexes.

US central bankers discussed raising interest rates soon to counter excessive economic strength but also examined how global trade disputes could batter businesses and households.

Energy stocks rose 1.2 per cent as oil prices jumped, while retailers gained after Target and Lowe's announced quarterly results. The biggest boost to the S&P 500 came from technology stocks, which advanced 0.5 per cent.

Former Trump campaign manager Paul Manafort was found guilty of tax and bank fraud charges on Tuesday evening, while Trump's former personal lawyer Michael Cohen pleaded guilty to a range of charges and said he acted at the direction of Trump.

Investors are considering whether the twin setback will hurt the Republican Party's election prospects and widen a criminal probe that has overshadowed Trump's presidency.

"There was quite a lot of news that was negative for Trump yesterday that introduced uncertainty into the market," said Robert Phipps, director at Per Stirling Capital Management in Austin, Texas.

The Dow Jones Industrial Average on Wednesday fell 88.69 points, or 0.34 per cent, to 25,733.6, the S&P 500 lost 1.14 points, or 0.04 per cent, to 2,861.82 and the Nasdaq Composite added 29.92 points, or 0.38 per cent, to 7,889.10.

The a2 Milk Company Limited (A2M) -The a2 Milk Company Releases Results Commentary FY18

AMP Limited (AMP) -AMP Appoints Mr. Francesco De Ferrari as CEO

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Corporate Travel Management Limited (CTD) -Corporate Travel Management Provides 2018 Full Year Results Presentation

LendLease Group (LLC) -LendLease Group Provides Results to the Market

"We're at a point of technical resistance," Phipps said. "We need a catalyst to break through it, but there's not currently one on the docket."

On Tuesday, the S&P 500 reached an all-time intraday high but ended the session below that level.

The S&P's bull market run has now stretched for 3,453 days, the longest streak by commonly used definitions, and comes a day after it hit a record intraday high.

Target shares touched an all-time high after the retailer beat quarterly estimates and raised its full-year profit forecast. Target shares ended the session up 3.2 per cent.

Lowe's shares also hit a record high after the home improvement chain promised to cut back slow-moving products and unsuccessful business projects. They closed up 5.8 per cent.

Shares of Hartford Financial Services Group dropped 4.2 per cent after the insurer said it will buy Navigators Group in a $US2.1 billion cash deal. Navigators' shares jumped 8.8 per cent to $US69.90, just below Hartford's offer of $US70 a share.

Advancing issues outnumbered declining ones on the NYSE by a 1.17-to-1 ratio; on Nasdaq, a 1.49-to-1 ratio favoured advancers.

The S&P 500 posted 21 new 52-week highs and no new lows; the Nasdaq Composite recorded 109 new highs and 22 new lows.

Volume on US exchanges was 5.26 billion shares, compared to the 6.42 billion average over the last 20 trading days.

	Commodities	Latest Price	Time/Date (AEST)	Change	% Change
▲	Aluminium	2041	3:21am 23/08/2018	11	0.54
▼	Copper	5980	3:21am 23/08/2018	-38	-0.63
▼	Nickel	13443	3:21am 23/08/2018	-32	-0.24
▼	Gold	1196	8:09am 23/08/2018	-2	-0.14
▼	Silver	14.7	8:08am 23/08/2018	-0.0	-0.04
▲	Oil - West Texas crude	67.9	8:10am 23/08/2018	2.0	3.07
▲	Lead	1992	3:21am 23/08/2018	7	0.35
▲	Zinc	2470	3:21am 23/08/2018	44	1.82
▲	Ore	68	7:10am 23/08/2018	0	0.06

	Currency	Latest Price	Time/Date (AEST)	Change	% Change
▼	$A vs $US	0.7348	8:09am 23/08/2018	-0.0010	-0.14
▼	$A vs GBP	0.5692	8:09am 23/08/2018	-0.0011	-0.19
▲	$A vs YEN	81.24	8:09am 23/08/2018	0.19	0.24
▼	$A vs EUR	0.6338	8:09am 23/08/2018	-0.0020	-0.32
▼	$A vs $NZ	1.0971	8:09am 23/08/2018	-0.0005	-0.04
▼	$US vs Euro	0.8620	8:09am 23/08/2018	-0.0017	-0.19
▼	$US vs UK	0.7742	8:09am 23/08/2018	-0.0005	-0.07
▼	$US vs CHF	0.9825	8:09am 23/08/2018	-0.0016	-0.16
▼	$A vs $CA	0.9552	8:09am 23/08/2018	-0.0040	-0.42

Australian Market Report

Australian Equities		Latest Price	Time/Date (AEST)	Change	% Change
▼	All Ordinaries	6374	4:31pm 22/08/2018	-9	-0.14
▼	S&P/ASX 200	6266	4:31pm 22/08/2018	-18	-0.29
▲	10-year Bond Rate	2.55	7:10am 23/08/2018	0.01	0.39
	90 Day Bank Accepted Bills SFE-Day	2.01	1:58am 23/08/2018	--	--
▼	3-yr Bond Rate	2.03	7:09am 23/08/2018	--	-0.25

Local Markets Are Expected to Open Higher

Ahead of the local open SPI futures were 17 points higher at 6,253.

Wednesday 22 November - close [Morningstar with AAP]: A solid run of upbeat profit results has failed to keep Australian shares aloft on Wednesday as political uncertainty and the abandonment of big business tax cuts dominated news of the day.

The benchmark S&P/ASX200 index ended the day down 18.4 points, or 0.29 per cent, at 6,266.0 points while the All Ordinaries index was down 9.2 points, or 0.14 per cent, at 6,373.8 points.

Attention was focused on Canberra as the government's final tax cuts package for big businesses was rejected in the Senate and Prime Minister Malcolm Turnbull said the policy would not be taken to the next election.

The tax cuts failed as leadership speculation continues around Mr Turnbull, who may soon face another challenge from former minister Peter Dutton after narrowly winning a party room face-off on Tuesday.

Away from Canberra, falls in the mining and banking sector pushed the market lower.

BHP Billiton shed 1.4 per cent to $32.08, adding to falls incurred on Tuesday after it missed analyst expectations on full-year underlying profit.

Rio Tinto dropped 1.8 per cent to $71.69 and Fortescue fell 3.1 per cent to $4.06 as iron ore futures fell.

Doubts on the outcome of US-China trade talks swayed sentiment, while US futures fell during Wednesday as markets assessed the possible impact of a guilty plea from US President Donald Trump's former personal lawyer and the conviction of former Trump campaign chairman Paul Manafort.

"Next to these headlines, trade news fell completely under the radar," Citi analysts said.

Locally the banking sector fell to its lowest level since early August with the big four banks all down by one per cent or more.

A busy day of company profit reports was overshadowed by news internet challenger TPG is in talks with third-ranking Vodafone on a possible merger.

The confirmation hiked the telco sector, boosting TPG by 21.6 per cent to $7.65 and Telstra by 7.2 per cent to $3.27.

In profit reports, Carsales.com leapt 10.9 per cent higher to $16.25 after reporting a 69 per cent jump in full-year profit to $185 million.

Coca-Cola Amatil jumped 3.6 per cent to a 16-month high of $9.86 as it posted half-year profit up 13 per cent to $158.1 million and flagged a review of its SPC canning business that could result in a sale.

The Australian dollar was at 73.42 US cents at 1700 AEST, down from 73.51 US cents on Tuesday.

The NZX 50 gained 46.83 points (0.51%) to 9,162.61 while the Nikkei rose 142.82 points (0.64%) to be closed at 22,362.55.

ON THE ASX:

* The benchmark S&P/ASX200 closed down 18.4 points, or 0.29 per cent, at 6,266.0 points

* The All Ordinaries was down 9.2 points, or 0.14 per cent, at 6,373.8 points.

Companies Commencing Ex-Dividend Trading Today (ASX 300):

- AGL Energy Limited
- AMP Limited
- Link Administration Holdings Limited
- Mount Gibson Iron Limited
- Pact Group Holdings Ltd
- Companies commencing Ex-Dividend Trading Today (ASX 300):
- JB Hi-Fi Limited
- Mystate Limited
- Oohmedia Limited
- QBE Insurance Group Limited
- Woodside Petroleum Limited

Companies Reporting Today (ASX 300):

ASX Code	Company Name	Report
ANN*	Ansell Limited	Annual
APT*	Afterpay Touch Group Limited	Annual
FLT*	Flight Centre Travel Group Limited	Annual
IMF*	IMF Bentham Limited	Annual
MOC*	Mortgage Choice Limited	Annual
NAN*	Nanosonics Limited	Annual
PTM*	Platinum Asset Management Limited	Annual
RCR*	RCR Tomlinson Limited	Annual
TME*	Trade Me Group Limited	Annual
AHY*	Asaleo Care Limited	Interim
AWC*	Alumina Limited	Interim
MYO*	MYOB Group Limited	Interim
STO*	Santos Limited	Interim
CGC*	Costa Group Holdings Limited	Prelim
EPW*	ERM Power Limited	Prelim
FLT*	Flight Centre Travel Group Limited	Prelim
HPI*	Hotel Property Investments	Prelim
IFN*	Infigen Energy	Prelim
IMF*	IMF Bentham Limited	Prelim
MOC*	Mortgage Choice Limited	Prelim
MYO*	MYOB Group Limited	Prelim
NEC*	Nine Entertainment Co. Holdings Limited	Prelim
PPT*	Perpetual Limited	Prelim
PTM*	Platinum Asset Management Limited	Prelim
RCR*	RCR Tomlinson Limited	Prelim
RSG*	Resolute Mining Limited	Prelim
S32*	South32 Limited	Prelim
SXL*	Southern Cross Media Group Limited	Prelim
VRL*	Village Roadshow Limited	Prelim
IRE	IRESS Limited	Interim
STO	Santos Limited	Interim
AIA	Auckland International Airport Limited	Prelim
CMW	Cromwell Property Group	Prelim
FLT	Flight Centre Travel Group Limited	Prelim
HPI	Hotel Property Investments	Prelim
NEC	Nine Entertainment Co. Holdings Limited	Prelim
QUB	Qube Holdings Limited	Prelim
S32	South32 Limited	Prelim
SGP	Stockland	Prelim

SXL	Southern Cross Media Group Limited	Prelim
VRL	Village Roadshow Limited	Prelim

* Estimated based on release date of previous report

Market Sensitive Announcements

07:35 AM

Seven Group Holdings Limited (SVW) -Seven Group Holdings Provides Year End Results

Seven Group Holdings provided year end results. The Net debt increased by $728.0m to $2,036.1m at the end of the financial year. The increase was primarily due to the acquisition of the remaining 53.3% of Coates Hire of $487.8m, the increased investment in Beach Energy of $117.5m and the $1,033.6m of Coates Hire net debt recognised at acquisition. These cash outflows were offset by the net proceeds received from the sale of WesTrac China of $535.3m; and the share placement totalling $385.5m. A final ordinary dividend of 21 cps fully-franked has been declared, unchanged from the prior comparative period, taking the total dividend on ordinary shares for the financial year to 42 cps fully-franked.

07:36 AM

Seven Group Holdings Limited (SVW) -Seven Group Holdings Provides Year End Results

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07:39 AM

Seven Group Holdings Limited (SVW) -Seven Group Holdings Provides Presentation of Year End Results

Seven Group Holdings provided presentation of year end results. Increase in intangible assets includes $1,182m in goodwill on acquisition of Coates Hire and recognition of brand name. Beach Energy is recorded at its equity accounted value of $493m, below market value of $1,019m as at 30 June 2018. As at 30 June 2018, the Group had $411m of available undrawn borrowing facilities.

07:42 AM

Seven Group Holdings Limited (SVW) -Seven Group Holdings Announces Proposal to Convert TELYS4

Seven Group Holdings announced proposal to convert TELYS4. The Conversion Proposal gives TELYS4 holders the opportunity to receive 4.60645 ordinary shares for each TELYS4. If the vote is passed, it will also give them the option of selling up to 50% of the TELYS4 for cash, at a price of at least $88.00 per TELYS4. This conversion ratio represents a 15% premium to the current trading price and the proposal also enables them to receive cash for up to 50% of their TELYS4 at a minimum price which is an 8.5% premium to the current trading price of the TELYS4.

07:47 AM

Seven Group Holdings Limited (SVW) -Seven Group Holdings Provides Notice of Meeting and Explanatory Memorandum

Seven Group Holdings provided notice of meeting and explanatory memorandum. The conversion ratio of 4.60645 Ordinary Shares per TELYS4 has been calculated as the ratio required to deliver $92.50 value for each TELYS4 hold, based on the 30-day volume average weight price (VWAP) of Ordinary Shares. This ratio represents a premium of 14% to the 30-day VWAP of the TELYS4 and a 15% premium based on the closing prices of the TELYS4 and the Ordinary Shares as at 21 August 2018. Note that, at the time of conversion, the market price of the Ordinary Shares into which each TELYS4 will convert could be more or less than $92.50 depending on trading prices at that time.

07:55 AM

Trade Me Group Limited (TME) -Trade Me Group Provides Investor Presentation

Trade Me Group provided its investor presentation stating that its revenue growth was derived by the continued strong performance of its classified business. Its total expenses grew 7.1% to $86m due to headcount. EBIT was $138m up by 3.8% in FY2017. The company will be paying a fully imputed dividend of 10.5cps and a fully imputed special dividend of 22.0cps in September 2018. Other revenues have declined partly due to the divestment of TravelBug and BookIt in December 2016 and a reduction in its 3rd party hosting activities.

07:56 AM

Spark New Zealand Limited (SPK) -Spark New Zealand Provides FY 2018 Results

Spark New Zealand provided FY 2018 results. It continues to make good progress in delivering diversity and inclusion initiatives, with a focus on growing more balanced gender representation at senior levels and improving its cultural identity/awareness. It recognise that a safe and healthy workplace is one in which its people and suppliers are accountable and empowered to work together to protect and promote the health, safety and wellbeing of all workers.

07:59 AM

Spark New Zealand Limited (SPK) -Spark New Zealand Provides FY18 Results

Spark New Zealand released its financial results for the year to 30 June 2018 showing that the business continued to deliver against key financial and operational targets, while undertaking biggest change programmes in the company's history as it transitioned to an Agile way of working. The company reported year-on-year revenue growth of $35m, or 1.0%, taking revenue to $3,649m; driven by substantial revenue growth totalling $132m across mobile up 6.9% and cloud, security and service management up 15.1%. This growth was partially offset by continuing declines in legacy voice, managed data and networks revenues; down, in total, $100m.

08:03 AM

Fletcher Building Limited (FBU) -Fletcher Building Provides 2018 Annual Results

Fletcher Building provided 2018 annual results. The Company announced a net earnings loss of $190m for the 12 months ended 30 June 2018. This compares to a profit of $94m in FY 2017. The revenue for the year was $9,471m, up 1% year-on-year, and driven by a solid sales performance across core businesses in NZ and Australia, offset by a reduction in Construction revenues. A cash inflow from operations is $396m compared with an inflow of $243m in the prior year 2017. The improvement was driven primarily by higher cash conversion in the Residential business and improvements in working capital management across the Group.

08:05 AM

The a2 Milk Company Limited (A2M) -The a2 Milk Company Releases Results Commentary FY18

The a2 Milk Company provided its FY18 results stating that it delivered another very strong financial performance, with substantial improvements in revenue, earnings and cash generation. The company advanced its growth strategy through multiple initiatives - launching three new products (a2 Platinum Stage 4 milk powder, a2 Platinum pregnancy formula and a2 Milk powder blended with Manuka honey); entering new markets in South East Asia; and establishing a strategic relationship with Fonterra Cooperative Group and an exclusive distribution agreement with Yuhan for the South Korea market.

08:07 AM

AMP Limited (AMP) -AMP Appoints Mr. Francesco De Ferrari as CEO

AMP announced the appointment of Francesco De Ferrari as CEO of the Company, effective 1 December 2018. Mr. De Ferrari will join the Company after 17 years with Credit Suisse where he was CEO South East Asia and Frontier Markets and Head of Private Banking Asia Pacific. Mr. De Ferrari will succeed Mike Wilkins, who has served as interim CEO since April 2018. Mr. Wilkins will work with Mr. De Ferrari to ensure a smooth handover before returning to his position as a Non-Executive Director on the Company Board. Mr. De Ferrari will join the Company's Board as an Executive Director at the first Board meeting in January 2019.

08:09 AM

Corporate Travel Management Limited (CTD) -Corporate Travel Management Announces 2018 Full Year Results

Corporate Travel Management announced its full year profit for 2018. The company has won significant global clients which has been due to its global network and its award winning SMART technology suite. Its network provides localised service solutions in more than 70 countries, employing over 2,350FTE. The group remains committed to delivering superior results for clients through a consistent value proposition, including innovative customer facing technology solutions underpinned by a highly personalised service offering, and delivering a return on investment to its clients. The company's technology hubs are well established across all regions, employing 100 FTE staff with a large flow of future developments scheduled for FY19.

08:10 AM

Corporate Travel Management Limited (CTD) -Corporate Travel Management Provides 2018 Full Year Results Presentation

Corporate Travel Management provided 2018 full year results presentation. The borrowings at June 2018 are slightly lower at $44.0m (June 2017 $45.4m), despite funding earn-outs, dividends and capex from cash flow. EBITDA margin has increased to 33.7% (2017 30.3%) due to automation initiatives, scale and integration synergies. The FY 2019 effective rate expected to be 22-24%.

08:17 AM

LendLease Group (LLC) -LendLease Group Provides Results to the Market

LendLease Group provided results to the market. The final dividend/distribution is comprised of an unfranked dividend of 30.3271 cps payable by the Company and a trust distribution of 4.6729 cpu payable by LLT. 60% of the unfranked dividend payable by the Company is sourced from the Conduit Foreign Income (CFI) account. The record date for determining entitlement to the final distribution is 29 August 2018 (Record Date) and the distribution is payable on 21 September 2018.

Research Report Summaries

Morningstar Rating

★★

Share Price

6.250

Adelaide Brighton Limited (ABC) - Volumes Strong for Narrow-Moat Adelaide Brighton; Energy Prices and Sales Mix Affect Margins

Analyst Note-While narrow-moat Adelaide Brighton's top line remained strong in first-half fiscal 2018, energy prices and unfavourable mix shift constrained margins. Revenue increased 12% to AUD 807.2 million and came in 4% ahead of our expectations. Organic volume growth in cement and concrete of 7% outstripped our expectations for 3% growth, and led to the top-line beat. In spite of this, operating income underwhelmed at AUD 123.5 million, and while EBIT margins of 15.3% were a mild improvement from a year earlier, they remained short of our forecast of 18.8%. While we reduce fiscal 2018 earnings accordingly, our fair value estimate is intact at AUD 5.50 per share.

Construction activity in Australia remains buoyant, driving strong year-to-date cement and concrete volume growth of 7%, ahead of our prior expectations for 3%. With cement and concrete representing circa 80% of total business volumes, we upgrade our full-year forecast to reflect 5.0% growth in cement and concrete volumes in fiscal 2018, consisting of flat residential volumes and infrastructure and industrial/commercial volume growth of 10% and 6%, respectively.

Concrete and cement pricing strengthened, with average selling price growth ahead of CPI. While pricing for aggregates is also increasing in the majority of Adelaide Brighton's regional markets, sales mix shift toward lower-value and lower-margin "fill" sales reduced average selling prices and dragged on quarry margins. This was the consequence of sales to a number of large, infrastructure projects requiring fill materials at their early project development stages. We expect the impact on margins to reverse out in fiscal 2019, however, as projects progress and require higher-value aggregates during later development stages. As such, we reduce our full-year fiscal 2018 EBIT forecast by 16% to AUD 267 million, with corresponding operating margins of 15.4%. We expect margins to then improve to 19.1% in fiscal 2019 as mix and energy headwinds abate.

FYE Dec	2016A	2017A	2018E	2019E
Reported Npat $m	186.00	197.90	198.13	242.27
EPS c	28.67	30.31	30.35	37.11
P/E x	18.30	18.98	20.59	16.84
EPS Growth %	-10.49	5.72	0.12	22.28
DPS c	20.00	20.50	21.00	21.50
Yield %	3.81	3.56	3.36	3.44
Franking %	100.0	100.0	100.0	100.0

Morningstar Rating

★★★

Share Price

10.140

APA Group (APA) - Steady FY18 Performance for APA Group; Lifting FVE 2%

Analyst Note-APA Group's fiscal 2018 EBITDA increased 3% to AUD 1,518 million, slightly above expectations and guidance. Fiscal 2019 guidance is for EBITDA of AUD 1,550 to 1,575 million, representing growth of 3% at the midpoint. This modest growth comes despite ongoing substantial investment in new projects, highlighting headwinds in existing assets, including lower demand on some pipelines and lower returns for regulated assets. We expect earnings headwinds to continue as gas market rule changes designed to reduce gas transportation costs ramp up. Nonetheless, APA Group remains one of Australia's better-quality infrastructure companies, warranting a narrow economic moat rating.

We marginally upgrade near-term earnings forecasts to line up with guidance, and lift our underlying DCF-based valuation 4% to AUD 8.30. Our fair value estimate increases 2% to AUD 9.65, being the midpoint between our underlying valuation and the takeover offer price of AUD 11, reflecting our estimated 50% chance of success. Currently, APA screens as fairly valued. Distribution guidance, if the takeover doesn't succeed, is for AUD 46.5 cents per security, or cps. This represents a modest 4.6% mostly unfranked yield based on the current security price.

There was no new information on Cheung Kong Infrastructure's takeover offer. Both parties are committed to the deal. The Australian Competition and Consumer Commission will provide its view around competition concerns in mid-September, which might require CKI to sell a few small assets and make other minor concessions. The main risk to the deal falling over is whether the Foreign Investment Review Board, or FIRB, approves of the Hong Kong-based CKI taking ownership and control of APA's strategically important gas transmission grid. The FIRB's decision will come after the ACCC's decision. Should the FIRB block the deal, there is potential for Australian bidders to emerge.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	236.85	264.84	283.86	361.81
EPS c	21.26	23.30	24.06	30.66
P/E x	41.48	36.43	42.14	33.07
EPS Growth %	31.97	9.60	3.27	27.46
DPS c	43.50	45.50	46.50	49.00
Yield %	4.93	5.36	4.59	4.83
Franking %	9.0	14.0	24.0	29.0

Morningstar Rating

★

Share Price

21.400

ARB Corporation Limited (ARB) - Strong Exports Drive ARB's Solid Fiscal 2018 Performance; FVE Increased to AUD 15

Analyst Note-Fiscal 2018 was another solid year for ARB, which reported underlying net profit of AUD 54 million (excluding an underprovision for tax in prior years), a 10% increase on the prior year. While this was in line with our expectations, we have increased our fair value estimate by AUD 0.50 to AUD 15 per share to reflect slightly stronger offshore growth. Despite raising our fair value estimate, the stock is expensive at the current price. We project 10% annual EPS growth on average during the next five years, compared with 3% generated on average during the past three years. The board declared a fully franked final dividend of AUD 19.5 cents per share, bringing total dividends for the year to AUD 37 cents per share, fully franked, equivalent to around 55% of underlying earnings.

Revenue was strong during the year, growing 12%, with solid performance in each region. The main driver of sales growth was the core Australian market, which distributes to ARB stores, auto dealers, and fleet operators. Locally, sales grew 11% and exceeded our expectations, underpinned by new store openings, new product releases, and market share gains. The Australian aftermarket accounts for around two thirds of group sales, marginally higher than in fiscal 2017. This level of growth is unsustainable in the mature local market, especially given our weakening outlook for the mining sector and Western Australia economy. We estimate the market grows at around 3%-4% per year, reflecting annual growth in in four-wheel drive sales, and we expect ARB can increase local revenue around 6% on average in the near term, with continued new product releases and further share gains. We expect domestic EBIT margins to remain flat at around 20%. During the past decade, domestic revenue and EBIT have grown at the same pace; we attribute this to relatively low operating leverage and large exposure to inputs costs including steel, which the firm generally passes through to customers.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	49.15	54.01	60.79	66.81
EPS c	62.07	68.17	76.62	84.20
P/E x	26.72	27.39	27.93	25.42
EPS Growth %	6.29	9.83	12.39	9.89
DPS c	34.00	37.00	45.00	50.00
Yield %	2.05	1.98	2.10	2.34
Franking %	100.0	100.0	100.0	100.0

Morningstar Rating

★★★

Share Price

6.850

Bapcor Limited (BAP) - Bapcor Firing on all Cylinders During Fiscal 2018, and Growth Outlook Remains Strong

Analyst Note-Bapcor reported a solid fiscal 2018 result, with underlying net profit after tax increasing by over 30% to AUD 87 million, albeit in line with our expectations. The performance was buoyed by the first full-year contribution from the recently acquired New Zealand business, which if excluded would've seen group earnings grow by around 15%, impressive nonetheless.

We maintain our AUD 7.00 per share fair value estimate, and our narrow economic moat rating. We believe shares in Bapcor are fully valued at the current market price. The board declared a final dividend of AUD 8.5 cents per share, taking fiscal 2018 full-year dividends to AUD 15.5 cents per share (fully franked), up almost 20% on the prior year and equivalent to 50% of underlying EPS in line with our expectations.

Management guided to underlying net profit growth of between 9% and 14%, and we are projecting the higher end of the range. We forecast the company to continue delivering low-double-digit earnings growth for the next five years. The key drivers of our projections are ongoing expansion of both the retail and trade network, collectively generating around three fourths of group revenue, steady growth in same-store sales, growing contribution from the specialist wholesale business also helping in growing private label penetration and consequently margins.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	64.52	86.55	96.81	108.79
EPS c	23.82	30.84	34.55	38.82
P/E x	23.34	18.69	19.83	17.65
EPS Growth %	33.90	29.49	12.03	12.37
DPS c	13.00	15.50	17.36	19.51
Yield %	2.34	2.69	2.53	2.85
Franking %	100.0	100.0	100.0	100.0

Morningstar Rating

★★★

Share Price

9.860

Coca-Cola Amatil Limited (CCL) - Coca-Cola Amatil Putting the Fizz Back into Australia, but Shares Now Slightly Overheated

Analyst Note-There was a lot to like in narrow-moat Coca-Cola Amatil's first-half result. The firm enjoyed substantially reduced volume declines in its core Australian beverages business, continued solid gains in alcohol and coffee, and had strong results in New Zealand and Fiji. However, Amatil's Indonesian challenges continued, and despite solid segment profitability, we're less confident the business can quickly rebound to growth. Along with a return to losses in the SPC food business, the company reported underlying NPAT of AUD 178.8 million, declining 5.9% versus the previous corresponding period, or pcp, putting the firm behind our full-year forecast for AUD 386 million. We've reduced earnings forecasts over the next five years by about 4%, which offsets the time value of money since our last update. We maintain our AUD 9.40 fair value estimate, with shares now screening as slightly overvalued.

Amatil finally seems to be seeing the fruits of its labour its Australia. Management has pulled forward a considerable AUD 40 million of future planned investments in areas like marketing, sales, and price, with AUD 20 million of this spent in the first half. As a result, volumes declined 0.3% versus the pcp, which was the best performance in three years, and tracks our forecast for a 0.2% fall in the full year. Average revenue per case ticked up 1.1%, trailing our full-year 3.5% expectation, as the company cut prices and saw negative mix shift toward water and grocery sales, but this should improve given further container deposit pass-throughs and continued success in product innovation. Backing up this point, Amatil noted that Brand Coca-Cola is now seeing year-over-year growth as of July, driven by Coke No Sugar and new flavour launches, alongside gains in water and sports drinks. We think the company's ability to leverage its relationships with both the Coca-Cola Company and local retailers to drive available shelf space supports our narrow-moat rating.

FYE Dec	2016A	2017A	2018E	2019E
Reported Npat $m	418.10	416.30	370.79	404.02
EPS c	54.70	55.92	51.17	55.75
P/E x	16.61	16.16	18.60	17.08
EPS Growth %	6.22	2.22	-8.50	8.96
DPS c	46.00	47.00	43.00	45.00
Yield %	5.06	5.20	4.52	4.73
Franking %	75.0	75.0	70.0	70.0

Morningstar Rating

★★★

Share Price

3.800

Inghams Group Limited (ING) - Ingham's Cost-Cutting Initiatives Offset Higher Feed and Energy Prices During Fiscal 2018

Analyst Note-Ingham's reported a relatively strong fiscal 2018 result, with underlying net profit after tax, or NPAT, up 10% to AUD 113 million, albeit in line with our expectations. The main driver of the earnings improvement was cost savings through Project Accelerate, which offset rising feed and utility costs, modestly higher Australian poultry volume (up 1.6%), an estimated 3% decline in the average selling price, and oversupply in the New Zealand market. On a more positive note, the balance sheet strengthened considerably, reflecting divestment of noncore assets and strong cash conversion. The board declared a final dividend of AUD 11.6 cents per share, taking the total for fiscal 2018 to AUD 21.1 cents per share (fully franked), equivalent to around 70% of underlying EPS. We maintain our AUD 3.50 per share fair value estimate and our no-moat rating.

The higher feed prices, owing to the drought in Australia, and rising energy prices are likely to remain headwinds in the near term. During fiscal 2018, the company offset this through operational improvements, and more recently with price increases. While Australian revenue was fairly flat, EBITDA grew by 10%, mainly reflecting the cost-cutting initiatives. While the higher feed prices are also likely to affect the production cost for other proteins, we don't expect a rapid shift in consumer preference towards chicken. During the past 25 years, poultry consumption per capita has increased by 2% per year on average, despite the chicken feed conversion ratio falling by an estimated 30-40% (cumulatively) to approximately one fifth of the cost to produce the more expensive proteins beef and lamb. As poultry currently costs only a fraction of the other proteins, this cyclical spike in feed costs is unlikely to stimulate a acceleration of the shift to poultry. In any case, we expect feed prices will fall as rainfall eventually reverts to more normalised levels.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	102.00	112.50	118.37	128.14
EPS c	28.60	29.88	31.13	33.70
P/E x	11.23	12.05	12.21	11.28
EPS Growth %	9.84	4.49	4.19	8.25
DPS c	12.10	21.10	22.00	23.60
Yield %	3.77	5.86	5.79	6.21
Franking %	0.0	0.0	100.0	100.0

Morningstar Rating

★★★

Share Price

3.000

Meridian Energy Limited (MEZ) - Meridian Lifts Earnings Despite Hydrology Struggles, Increasing FVE to NZD 3.20

Analyst Note-Narrow-moat Meridian Energy reported fiscal 2018 EBITDA of NZD 666 million, up 1.4% on the previous corresponding period, or pcp, and slightly ahead of our forecast of flat earnings. Better hydrology volumes towards the end of the fiscal year have partially offset the first half's dry spell. Lake storage levels are once again above long-term averages, boding well for near-term earnings. We expect hydroelectric generation, the vast majority of Meridian's energy production, to continue to improve as weather conditions normalise. This, and likely lower transmission charges, are key drivers of medium-term earnings growth. We raise our fair value estimate 3% to NZD 3.20 per share, and at current prices, Meridian screens as fairly valued.

Wholesale division EBITDA was broadly flat at NZD 579 million, which is a good result considering the seemingly inexorable dry spell that hurt first-half fiscal 2018 generation volumes. Meridian's first-half generation volumes in New Zealand were 16% lower than the pcp but generation picked up in the last few months and finished the fiscal year just 6% down at 12,524 gigawatt hours, or GWh. Higher wholesale prices saw Meridian call on its swaption to acquire generation from Genesis to plug its hydro generation shortfall. Rainfall is improving, and lake storage in Meridian's key catchments sits above historical averages for this time of year. Waitaki is 19% (equivalent to 255 GWh) above average and Manapouri and Te Anau together are 57% (or 146 GWh) above average. We expect earnings to improve over the medium term as rainfall normalises and the firm derives the full benefit from its huge, low-cost hydroelectric assets.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	208.49	194.34	214.75	230.55
EPS c	8.13	7.58	8.38	8.99
P/E x	32.01	35.62	35.80	33.37
EPS Growth %	-1.59	-6.73	10.48	7.29
DPS c	17.84	18.11	18.13	17.82
Yield %	6.85	6.70	6.04	5.94
Franking %	0.0	0.0	0.0	0.0

Morningstar Rating

★★★

Share Price

15.150

McMillan Shakespeare Limited (MMS) - McMillan Produced In-Line Fiscal 2018 Results and Foreshadowed Higher Near-Term Investments

Analyst Note-No-moat McMillan Shakespeare's fair value estimate increases moderately to AUD 14.60 per share from AUD 14.20, owing primarily to the time value of money following in-line fiscal 2018 results. Its underlying net profit after tax, or NPAT, of AUD 93.5 million in fiscal 2018 was slightly above our forecast of AUD 92.9 million. In addition, the firm took the opportunity to confirm beginning major investments in fiscal 2019, primarily in its core group remuneration services, or GRS, division, with a project referred to as "Beyond 2020". While these initiatives heighten the uncertainty over its near-term earnings, we agree with the company's increased focus in improving the customer experience and generating productivity gains in an increasingly competitive market. It also declared a final dividend of AUD 0.40 per share, taking the full-year dividend to AUD 0.73 fully franked. McMillan currently screens as fairly valued.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	87.50	93.21	96.15	103.28
EPS c	105.09	111.85	115.73	124.32
P/E x	11.73	14.48	13.09	12.19
EPS Growth %	0.47	6.44	3.47	7.42
DPS c	66.00	73.00	74.01	76.03
Yield %	5.35	4.51	4.89	5.02
Franking %	100.0	100.0	100.0	100.0

Morningstar Rating

★★★

Share Price

3.630

Spark New Zealand Limited (SPK) - No Spark or Drama in Fiscal 2018 Result

Analyst Note-Adjusted for the NZD 20 million gain from asset sales last year, the 4% lift in Spark New Zealand's normalised EBITDA to NZD 1,038 million was in line with our expectations, as was the 6% rise in underling net profit after tax to NZD 420 million. The board declared a final DPS of NZD 0.125, 75% imputed--an amount that has been well-flagged for some time.

The 7% rise in mobile revenue was the key highlight, fuelled by another 70,000 new post-paid subscribers (52,000 net gain in fiscal 2017), albeit with average revenue per user, or ARPU, falling 2% reflecting competitive intensity. This was augmented by a 15% increase in cloud-related revenue, more than offsetting the impact of continuing structural decline in legacy voice and IT revenue which fell another AUD 100 million combined in fiscal 2018.

It is this decline in legacy units that is driving Spark's current Quantum program. It is a companywide transformation project that is on track to deliver annualised net labour cost savings of NZD 110 million in the current half, after delivering NZD 37 million cost reduction in fiscal 2018. Execution of this program is key to hitting management's fiscal 2019 EBITDA guidance of NZD 1,025 to 1,055 million, as is continuing inroads into new revenue streams such as cloud-related services--a growth market where Spark is the clear leader, albeit with competition intensifying.

With the guidance in line with our NZD 1,047 million estimate and no material changes to our outer-year forecasts, we maintain our NZD 3.70 (AUD 3.40) fair value estimate per share on Spark. Shares in the narrow moat-rated group are trading at 6% above our intrinsic assessment, perhaps buoyed by management's flawless execution on the Quantum program to-date. A more benign competitive telecom environment compared with Australia may also be furnishing Spark with more defensive appeal, especially given its strong balance sheet (net debt/EBITDA of 1.2) and secure yield (6.4%).

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	375.93	386.95	380.66	377.98
EPS c	20.50	21.10	20.74	20.59
P/E x	16.68	15.89	17.45	17.58
EPS Growth %	10.85	2.93	-1.68	-0.72
DPS c	20.78	23.03	22.69	22.67
Yield %	6.08	6.87	6.27	6.26
Franking %	0.0	0.0	0.0	0.0

Morningstar Rating

★★★

Share Price

7.480

Sydney Airport (SYD) - Sydney Airport's Retail Revenue and Profitability Expansion Set to Take Off; Raising FVE Slightly

Analyst Note-Narrow-moat Sydney Airport's first-half results reflect continued solid international passenger growth, retail sales gains, and slight operating leverage, largely in line with our expectations. While we expect passenger growth to slow as the year progresses, we remain confident that the airport will continue to enjoy gains well above population growth, alongside further retail spending benefits and expanding EBITDA margins over the long run. To this end, we've lifted our near-term profit outlook to account for slightly higher retail spending gains and a lower tax impact, incorporating management's reiterated outlook for full-year distributions of AUD 37.5 cents per security, slightly ahead of our prior AUD 36.5 cent forecast. But we've maintained our long-term assumptions, and our fair value estimate increases slightly to AUD 7.30 per security from AUD 7.20.

First-half passenger traffic at Sydney Airport tracked our expectations, as discussed in our note dated July 23, 2018. Year-to-date, domestic movements increased 2.1% versus the prior comparable period, or PCP, tracking our full-year forecast, while international traffic has risen 5.2%, ahead of our 4% projection.

Sydney's revenue climbed about 8%, similarly outpacing our full-year 6.5% expectations. Retail revenue was a standout, growing 9% over the PCP, as spending per international passenger grew 3.6%. This was ahead of our full-year 2.7% forecast, driven by better-than-expected retail lease renewals and solid duty-free spend rates. We've lifted our assumption to 3.7% gains for this year and to 4% for the next two years (from 3%), reflecting this trend continuing, and the likelihood that Sydney will be able to renew the Terminal 3 retail space--currently on lease until mid-2019--at a similarly higher rate. However, we expect this metric will slow to slightly above inflationary levels long-term, and we maintain our assumption of 3% past 2020.

FYE Dec	2016A	2017A	2018E	2019E
Reported Npat $m	297.60	348.70	397.10	430.35
EPS c	13.30	15.49	17.64	19.11
P/E x	50.59	44.64	42.40	39.14
EPS Growth %	16.92	16.49	13.83	8.37
DPS c	31.00	35.00	37.50	38.67
Yield %	4.61	5.06	5.01	5.17
Franking %	0.0	0.0	0.0	0.0

Morningstar Rating

★★★

Share Price

4.560

Trade Me Group Limited (TME) - Trade Me’s Fiscal 2018 Result Exceeds Expectations; FVE Increased to NZD 5.00

Analyst Note-We have increased our fair value estimate for narrow-moat-rated Trade Me by 9% to NZD 5.00 per share following a slightly stronger fiscal 2018 financial result than we expected, which prompted us to increase our EBIT forecasts. Group revenue growth of 7.8% exceeded our 6.1% forecast, mainly due to stronger-than-expected second-half performances from the general items and other division, which includes advertising, insurance, and payments, which reversed weak first-half performances. The EBIT margin of 55.2% also exceeded our 54.0% forecast, as relatively strong second-half revenue growth helped stabilise EBIT margins after years of steady margin compression. We have maintained our forecast revenue but increased our profit margins, with EBIT margins increased to an average of 56.0% over the next five years from 54.5% previously. This has increased our EBIT forecasts by an average of 3% over the next five years. However, we have also effectively increased our long-term earnings growth assumptions, which accounts for the balance of the fair value increase.

At the current market price of NZD 5.00, shares are fairly valued. The market price implies a fiscal 2019 price/earnings ratio of 19 and dividend yield of 4.2%, which we consider to be sustainable. Over the past five years, Trade Me has generated average annual underlying EPS growth of 4%, and we forecast an average of 8% over the next five years. Trade Me also declared a special dividend worth NZD 0.22, or 4.4% of the share price, which is fully imputed for New Zealand taxpayers. Management provided guidance that group revenue would grow by between 5% and 8% in fiscal 2019, versus our forecast of 8%, and that operating profit after tax would grow at a similar rate in percentage terms, versus our EBIT growth forecast of 9%.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	74.36	77.29	96.55	104.67
EPS c	18.72	19.47	24.32	26.36
P/E x	25.91	22.23	18.75	17.30
EPS Growth %	11.96	4.02	24.89	8.41
DPS c	14.80	33.28	19.09	20.91
Yield %	3.05	7.69	4.19	4.59
Franking %	0.0	0.0	0.0	0.0

Morningstar Rating

★★★

Share Price

2.750

Vocus Group Limited (VOC) - Vocus Resets Focus

Analyst Note-After a torrid year of challenges and guidance downgrades, Vocus ended fiscal 2018 with flat adjusted EBITDA of AUD 366 million, while suffering a 17% fall in normalised net profit after tax to AUD 127 million. These were largely in line with our expectations, albeit at the lower end of management projections back in February.

Critically, the result was not generated under the watch of the recently-appointed CEO Kevin Russell who has promptly reset the fiscal 2019 EBITDA base at AUD 350 to 370 million. While this dreaded "year of reinvestment" initiative has led to an average 5% cut to our medium-term earnings estimates, our outer forecasts are largely unchanged. As such, our AUD 2.90 per share fair value estimate for narrow-moat-rated Vocus is intact.

The new CEO's view that Vocus' single-digit market shares in various telecom market segments are low is hardly a revelation, especially relative to its enviable infrastructure footprint. The issue to-date has been execution, something that Kevin Russell is fully cognisant of. We are encouraged by his plans to aggressively chase revenue opportunities, and maintain our 6% five-year earnings CAGR forecast for the group, with EBITDA approaching the AUD 500 million mark in five years' time.

We are equally encouraged by Vocus' improving cash flow performance (88% EBITDA/cash conversion in fiscal 2018, up from 52%), providing breathing space to its leverage covenant limit of 3.75 times versus the 2.73 times the group ended fiscal 2018 with.

The gap between Vocus' stock price and our AUD 2.90 intrinsic assessment has now closed to just 5%. Optimism regarding the new CEO's turnaround plans may have partly driven today's 7% stock price rally. However, sentiment may have also been aided by potential consolidation activities in the telecom space, with merger talks between TPG Telecom and Vodafone Hutchison fuelling speculation that Vocus may also become involved.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	152.33	127.14	103.55	113.61
EPS c	24.65	20.39	16.64	18.26
P/E x	21.05	13.50	16.53	15.06
EPS Growth %	-16.53	-17.28	-18.37	9.72
DPS c	6.00	0.00	0.00	0.00
Yield %	1.16	0.00	0.00	0.00
Franking %	100.0	0.0	100.0	100.0

Morningstar Rating

★★

Share Price

32.080

BHP Billiton Limited (BHP) - BHP Remains Optimistic on Productivity Initiatives, AUD 24.50 FVE Maintained

Analyst Note-No-moat-rated BHP's fiscal 2018 unadjusted net profit after tax declined 37% to USD 3.7 million. The unadjusted result was impacted by several once-off items totaling USD 5.2 billion aftertax. These included USD 650 million of expenses associated with rectifying the Samarco disaster, USD 1.8 billion of noncash charges relating to the balance sheet impact of the change to U.S. tax rates, and a USD 2.75 billion after tax impairment of the U.S. onshore shale assets, which are to be sold later this year.

Adjusted net profit attributable to BHP, including the discontinued U.S. shale operations which were held for the full period, was USD 8.9 billion, up 30% on the prior year. Shale contributed an adjusted net loss of USD 0.7 billion. Copper was the key driver of the improved adjusted profit in fiscal 2018. Divisional EBIT more than doubled to USD 4.4 billion. This was mainly due to the copper price with the 24% rise in volumes also helping. For the whole group, price added USD 4.1 billion to EBITDA higher costs offsetting about half of that benefit.

The result was slightly weaker than we expected, due to higher operating costs and slightly lower revenue. BHP says it will also take an additional year to achieve its planned USD 2.0 billion of cost savings, now aiming for fiscal 2020. Temporarily higher waste mining requirements at Queensland coal in fiscal 2019 and divestment of the shale means the target was extended. However, the company remains committed to the USD 2.0 billion target, and more broadly, ongoing productivity initiatives across the group. The headwinds from lower earnings and a slower rate of cost savings are not sufficiently material to warrant a change in our fair value estimate, and it remains AUD 24.50 per share. Higher medium- and longer-term thermal coal price assumptions, though of low importance to BHP, are an offset.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	9,224.03	11,918.61	12,216.23	10,212.49
EPS c	172.87	223.32	228.85	191.31
P/E x	13.53	12.89	14.22	17.01
EPS Growth %	450.26	29.19	2.48	-16.41
DPS c	111.81	157.44	147.97	134.52
Yield %	4.78	5.47	4.55	4.13
Franking %	100.0	100.0	100.0	100.0

Morningstar Rating

★★★

Share Price

1.830

Ardent Leisure Group (AAD) - Ardent Leisure's Fiscal 2018 Result a Nonevent as Main Event Remains the Focus

Analyst Note-Ardent Leisure's fiscal 2018 result was a nonevent. Most of the key financial figures were released less than a month ago, with a reported net loss of AUD 91 million within the AUD 84 million-94 million guidance range, while divisional earnings were also broadly in line with prior projections. Critically, management provided no fresh disclosure to justify a change to our AUD 2.00 fair value estimate for the group.

The slowdown in Main Event's constant-centre revenue growth to 0.4% in the first six weeks of fiscal 2019, from 1.3% in the first half of fiscal 2018 and 1.9% in the second half, may be a source of disappointment. However, week-to-week volatility on this metric is not something we lose sleep over. What we are focused on is the growth opportunity for Main Event in the U.S. "eat-a-tainment" category, underpinned by an expanding venue footprint and improving sales density within existing venues. As such, we retain our five-year EBITDA CAGR forecast of 16% for the division.

As for theme parks, the slower-than-expected recovery has been well documented, with year-on-year growth in the June half for visitations (up low-double-digit percentage points) and per capita spending (up low single digits) relatively tepid. Still, we retain our expectation for the division reaching EBITDA of AUD 32 million in five years' time, as sentiment and attendance gradually recover to normalised levels, driving a lift in margin to 30% (near the historical six-year average of 32% before the Dreamworld tragedy).

Securities in no-moat-rated Ardent are trading at a 9% discount to our intrinsic assessment, with uncertainties over the Dreamworld recovery and execution of Main Event's growth strategy in the U.S. providing ammunition for the sceptics. However, management is now well resourced to tackle these challenges, backed by a solid balance sheet that ended fiscal 2018 with net debt of just AUD 11 million, equating to net debt/normalised EBITDA of just 0.2 times.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	11.29	-2.32	25.87	43.23
EPS c	2.41	-0.49	5.49	9.17
P/E x	89.92	-391.51	33.33	19.96
EPS Growth %	-82.51	-120.49	-1,212.78	67.12
DPS c	3.00	8.50	8.50	9.50
Yield %	1.38	4.43	4.64	5.19
Franking %	50.0	0.0	40.0	40.0

Morningstar Rating

★★

Share Price

20.240

LendLease Group (LLC) - Lendlease's Fund Management Business to Fuel Earnings Growth. FVE Increased to AUD 18.50

Analyst Note-Lendlease Group reported fiscal 2018 earnings of AUD 792 million, or AUD 137 cents per security, or cps, up 1.3% and marginally above our forecast of AUD 135 cps. The result was messy, with construction EBITDA falling AUD 260 million due to engineering related impairments, but largely offset by significant uplift in noncash revaluations of investments by AUD 228 million to AUD 305 million. We forecast fiscal 2019 earnings grow 2% to AUD 140 cps, with a strong recovery in construction earnings, but a higher tax rate of 27% and lower revaluation gains.

Our fair value estimate increases 6% to AUD 18.50 per security from AUD 17.50 on a more upbeat outlook for assets under management, or AUM, growth and higher recurring fee income. Historically build-to-sell apartments made up a large proportion of completions, generating high margins due to strong price growth in residential. Going forward, this will decline, shifting towards build-to-rent apartments, telecom towers, retirement living villages, and office towers. Margins on these will be lower, but most of the completed product will be lapped up by associated entities on Lendlease's investment management platform. We've raised growth expectations for AUM, and associated fee income. This is a positive in two ways: first, it enables Lendlease to grow earnings with less of its own capital; and second, earnings volatility and business risk reduce as income from fund management activities is more annuity-style.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat $m	758.70	792.80	797.99	832.09
EPS c	135.24	137.00	139.88	145.85
P/E x	10.73	12.53	14.47	13.88
EPS Growth %	7.04	1.30	2.10	4.27
DPS c	66.00	69.00	73.00	77.00
Yield %	4.55	4.02	3.61	3.80
Franking %	4.0	4.0	4.0	4.0

Recommendation Updates Over the Last Week

	ASX Code	Company Name	Morningstar Rating	Date Changed	Latest Report
▼	CAR	Carsales.com	★★	22/08/2018	Downgrade due to price change
▲	FXL	FlexiGroup	★★★★	22/08/2018	Upgrade due to price change
▲	REA	REA Group	★★	22/08/2018	Upgrade due to price change
▼	TLS	Telstra	★★★★	22/08/2018	Downgrade due to price change
▼	TNE	Technology One	★★★	22/08/2018	Downgrade due to price change
▼	TPM	TPG Telecom	★★	22/08/2018	Downgrade due to price change
▲	FXL	FlexiGroup	★★★	21/08/2018	Flexigroup's FVE Increases on Its Turnaround Starting to Gain Traction
▲	GXL	Greencross	★★★★★	21/08/2018	Upgrade due to price change
▼	NWL	Netwealth Group	★	21/08/2018	Downgrade due to price change
▼	VOC	Vocus Group	★★★	21/08/2018	Downgrade due to price change
▲	WES	Wesfarmers	★★	21/08/2018	Upgrade due to price change
▲	BPT	Beach Energy	★★★	20/08/2018	Fiscal 2018 Costs Impress for No-Moat Beach and We Increase our FVE to AUD 1.60.
▲	GMG	Goodman Gp	★★★	20/08/2018	Putting Customer First Provides Goodman With Long Growth Runway. FVE Increases 14% to AUD 10.20
▼	REA	REA Group	★	20/08/2018	Downgrade due to price change
▲	AWC	Alumina	★★	17/08/2018	Upgrade due to price change
▼	MTS	Metcash	★★	17/08/2018	Downgrade due to price change
▲	ORG	Origin Energy	★★★	17/08/2018	Upgrade due to price change
▼	QBE	QBE	★★★	17/08/2018	Downgrade due to price change
▼	SWM	Seven West Media	★	17/08/2018	Downgrade due to price change
▲	RIO	Rio Tinto	★★	16/08/2018	Upgrade due to price change
▼	VRL	Village Roadshow	★★★	16/08/2018	Downgrade due to price change
▼	API	Australian Pharmaceutical Industries	★★★	15/08/2018	Downgrade due to price change
▲	DXS	Dexus	★★★	15/08/2018	Sturdy East Coast Office Demand Prompts Dexus Upgrade; FVE Increases to AUD 9.80
▼	GMG	Goodman Gp	★★	15/08/2018	Downgrade due to price change
▲	PGH	Pact Group Holdings	★★★★	15/08/2018	Upgrade due to price change
▼	SEK	SEEK	★★	15/08/2018	Downgrade due to price change

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