

30 August 2018

Australia

## EQUITIES

ASB AU Outperform  
Price (at 06:10, 29 Aug 2018 GMT) A\$1.75

Valuation	A\$	2.08-2.30
- EV/EBITA		
12-month target	A\$	2.30
12-month TSR	%	+35.0
Volatility Index		Medium
GICS sector		Capital Goods
Market cap	A\$m	613
30-day avg turnover	A\$m	0.4
Number shares on issue	m	351.2

## Investment fundamentals

Year end 30 Jun		2018A	2019E	2020E	2021E
Revenue	m	1,392.0	1,486.9	1,520.5	1,520.5
EBITDA	m	102.3	115.8	126.1	126.8
EBIT	m	65.0	76.5	87.7	89.9
EBIT growth	%	10.7	17.7	14.7	2.5
Reported profit	m	39.0	48.0	56.0	57.6
Adjusted profit	m	39.0	48.0	56.0	57.6
Gross cashflow	m	76.3	87.3	94.4	94.5
CFPS	¢	21.8	24.9	26.9	26.9
CFPS growth	%	18.4	14.2	8.0	0.2
PGCFPS	x	8.0	7.0	6.5	6.5
PGCFPS rel	x	0.60	0.63	0.63	0.67
EPS adj	¢	11.1	13.7	16.0	16.4
EPS adj growth	%	18.9	22.9	16.5	2.9
PER adj	x	15.7	12.7	10.9	10.6
PER rel	x	0.74	0.76	0.74	0.82
Total DPS	¢	5.0	5.5	4.0	4.0
Total div yield	%	2.9	3.2	2.3	2.3
Franking	%	0	70	100	100
ROA	%	6.2	6.5	7.2	7.1
ROE	%	7.8	8.5	9.3	9.0
EV/EBITDA	x	6.2	5.5	5.0	5.0
Net debt/equity	%	4.2	0.3	-9.4	-18.4
P/BV	x	1.1	1.1	1.0	0.9

## ASB AU vs Small Ordinaries, &amp; rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, August 2018

(all figures in AUD unless noted)

## Analysts

Macquarie Securities (Australia) Limited



Mitchell Sonogan +61 2 8232 0675  
mitchell.sonogan@macquarie.com

## Austal (ASB AU)

### Full steam ahead

## Key points

- FY18 EBIT +43% to \$65m (+5%/+6% vs MRE/Cons.)
- US shipbuilding standout, strong outlook and profitability across all shipyards.
- Val. attractive 13x FY19e PER given EBIT growth FY19/20 +17%/+15%.

## Event

- Revenue +6% to \$1.39b (in line with MRE), NPAT +154% to \$39m (-15%/-8% vs MRE/Cons), driven by difference in tax expense (\$18m vs MRE \$9m).

## Impact

- **US steaming ahead with shipbuilding margin +170bps YoY to 8.5% and ahead of 6-8% guidance range.** FY19 setup well; we forecast USA segment EBIT +5% to \$87m, driven by support margin +150bps to 8%, while our forecast flat shipbuilding margin allows upside if recent momentum continues.
- **A leader in the Commercial vessel market with order book now >\$440m.** The global high-speed ferry replacement cycle (vessel age ~25 years) is underway and will continue to gather pace, while the large ferry construction market is running at record levels of activity. No quantitative value was given to ASB's active tenders in these markets, but mgmt. noted the Henderson design team has increased 3-4x over last 12m to >150 staff. We expect the strong market will drive improving margins on future vessels.
- **Philippines revenue +200% in FY19, shipbuilding capacity 3x when shipyard expansion completed end FY19.** FY18 revenue +70% to \$58m, EBIT ~breakeven excluding -\$1.2m Vietnam start-up investment. ASB expects FY19 will be profitable with revenue to double (MRE rev/EBIT \$116m/\$6m).
- Australia EBIT -\$7m impacted by costs associated with the Australia OPV tender, onerous CCPB contract, and no profit recognition on 1<sup>st</sup> PPB vessel (1 of 21 announced to date). **Segment expected to hit profitability in FY19** with increased throughput across the PPB and commercial programs, while recently announced [CCPB](#) and [OPV](#) contracts expected to be finalised shortly could drive a material boost to throughput in 2H19 and beyond.
- **LCS transition to Guided Missile Frigate (FFG(X)) update positive:** The latest US [Congressional update](#) supports a view that the US Navy will continue to support ASB's large manufacturing & employment base, with or without the FFG(X) contract. We expect this will reduce uncertainty about the future US workload beyond ~FY22 with an update expected at the 1H19 result.

## Earnings and target price revision

- EBIT: FY19E/20E +2%/+6%. EPS: FY19E/20E -4%/+1%. TP -6% to \$2.30ps.

## Price catalyst

- 12-month price target: A\$2.30 based on an EV/EBITA methodology.
- Catalyst: New vessel awards, closure of Trinidad and Philippines contracts.

## Action and recommendation

- **Outperform. Valuation attractive given strong growth outlook that is being de-risked with momentum building across all key shipyards.** FY19e 13x PER, 8x EV/EBITA, 3% yield. MRE FY19/20 EBIT growth +17% & +15%.

## Analysis

Fig 1 ASB FY18 result: EBIT +5% vs MRE/Cons. NPAT below due to higher than forecast tax expense.

Profit and Loss	FY16(a)	1H17(a)	2H17(a)	FY17(a)	1H18(a)	2H18(a)	FY18(a)	Change	MRE	Diff
<b>Revenue</b>	<b>1338.9</b>	<b>648.5</b>	<b>661.6</b>	<b>1310.1</b>	<b>647.7</b>	<b>744.3</b>	<b>1392.0</b>	<b>6%</b>	<b>1382.1</b>	<b>1%</b>
EBITDA	65.0	46.5	43.7	90.2	46.5	55.8	102.3	13%	92.3	11%
Depreciation	29.9	15.2	16.3	31.5	17.3	20.0	37.3	18%	30.1	24%
<b>EBIT</b>	<b>35.1</b>	<b>31.2</b>	<b>27.5</b>	<b>58.7</b>	<b>29.2</b>	<b>35.8</b>	<b>65.0</b>	<b>11%</b>	<b>62.2</b>	<b>5%</b>
Net Interest	5.5	3.0	2.6	5.7	3.9	4.3	8.2	45%	7.1	15%
Pre-Tax Profit	29.6	28.2	24.8	53.0	25.3	31.4	56.8	7%	55.0	3%
Tax Expense	4.6	9.6	10.7	20.3	-0.2	18.0	17.8	(13%)	9.4	90%
Net Profit	25.0	18.6	14.1	32.7	25.6	13.4	39.0	19%	45.7	(15%)
Rep Earnings	-84.3	9.3	6.0	15.3	25.6	13.4	39.0	154%	45.7	(15%)
<b>Adj Earnings</b>	<b>24.9</b>	<b>18.6</b>	<b>14.1</b>	<b>32.7</b>	<b>25.6</b>	<b>13.4</b>	<b>39.0</b>	<b>19%</b>	<b>45.7</b>	<b>(15%)</b>
Gross Cflow	54.8	33.8	30.4	64.2	42.8	33.5	76.3	19%	75.8	1%
EPS (Adj/dil)	7.2	5.3	4.0	9.4	7.3	3.8	11.1	19%	13.0	(15%)
EPS growth	-44.8%	10.6%	71.5%	30.6%	37.3%	-5.2%	18.9%		39.3%	
EBITDA/Sales	4.9%	7.2%	6.6%	6.9%	7.2%	7.5%	7.3%		6.7%	
EBIT/Sales	2.6%	4.8%	4.2%	4.5%	4.5%	4.8%	4.7%		4.5%	
Earnings Split		57%	43%		66%	34%				

Source: Company data, Macquarie Research, August 2018

Fig 2 ASB revisions to forecasts post FY18 result.

	New forecasts		Old forecasts		Change	
	FY19	FY20	FY19(e)	FY20(e)	FY19	FY20
<b>Revenue</b>	<b>1486.9</b>	<b>1520.5</b>	<b>1462.7</b>	<b>1506.0</b>	<b>2%</b>	<b>1%</b>
EBITDA	115.8	126.1	105.2	111.9	10%	13%
Depreciation	39.3	38.4	29.9	29.3	32%	31%
<b>EBIT</b>	<b>76.5</b>	<b>87.7</b>	<b>75.3</b>	<b>82.6</b>	<b>2%</b>	<b>6%</b>
Net Interest expense	7.9	7.8	6.8	6.6	15%	18%
Pre-Tax Profit	68.6	79.9	68.5	76.0	0%	5%
Tax Expense	20.6	24.0	18.5	20.5	11%	17%
Net Profit	48.0	56.0	50.0	55.5	(4%)	1%
Reported Earnings	48.0	56.0	50.0	55.5	(4%)	1%
<b>Adjusted Earnings</b>	<b>48.0</b>	<b>56.0</b>	<b>50.0</b>	<b>55.5</b>	<b>(4%)</b>	<b>1%</b>
Gross Cashflow	87.3	94.4	79.9	84.8	9%	11%
EPS (Adj/dil)	13.7	16.0	14.3	15.8	(4%)	1%
EPS growth	22.9%	16.5%	9.3%	11.0%		
EBITDA/Sales	7.8%	8.3%	7.2%	7.4%		
EBIT/Sales	5.1%	5.8%	5.1%	5.5%		

Source: Macquarie Research, August 2018

Fig 3 ASB financials

Austal Limited (ASB:\$1.75)					30-Aug-18						
Interim results	2H17(a)	1H18(a)	2H18(a)	1H19(e)	Profit & Loss	2018A	2019E	2020E	2021E		
Revenue	661.6	647.7	744.3	708.6	Revenue	\$m	1392.0	1486.9	1520.5	1520.5	
<b>EBITDA</b>	<b>\$m</b>	<b>43.7</b>	<b>46.5</b>	<b>55.8</b>	<b>53.4</b>	<b>EBITDA</b>	<b>\$m</b>	<b>102.3</b>	<b>115.8</b>	<b>126.1</b>	<b>126.8</b>
Depreciation	\$m	16.3	17.3	20.0	19.7	Depreciation	\$m	37.3	39.3	38.4	36.9
Amortisation of goodwill	\$m	0.0	0.0	0.0	0.0	Amortisation of goodwill	\$m	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>\$m</b>	<b>27.5</b>	<b>29.2</b>	<b>35.8</b>	<b>33.8</b>	<b>EBIT</b>	<b>\$m</b>	<b>65.0</b>	<b>76.5</b>	<b>87.7</b>	<b>89.9</b>
Net interest expense	\$m	2.6	3.9	4.3	3.9	Net interest expense	\$m	8.2	7.9	7.8	7.6
<b>Pre-Tax Profit</b>	<b>\$m</b>	<b>24.8</b>	<b>25.3</b>	<b>31.4</b>	<b>29.8</b>	<b>Pre-Tax Profit</b>	<b>\$m</b>	<b>56.8</b>	<b>68.6</b>	<b>79.9</b>	<b>82.3</b>
Tax Expense	\$m	10.7	-0.2	18.0	8.9	Tax Expense	\$m	17.8	20.6	24.0	24.7
<b>Net Profit</b>	<b>\$m</b>	<b>14.1</b>	<b>25.6</b>	<b>13.4</b>	<b>20.9</b>	<b>Net Profit</b>	<b>\$m</b>	<b>39.0</b>	<b>48.0</b>	<b>56.0</b>	<b>57.6</b>
Outside equity interests	\$m	0.0	0.0	0.0	0.0	Outside equity interests	\$m	0.0	0.0	0.0	0.0
Net Abn/Extra	\$m	-8.1	0.0	0.0	0.0	Net Abnormals/Extra.	\$m	0.0	0.0	0.0	0.0
<b>Reported Earnings</b>	<b>\$m</b>	<b>6.0</b>	<b>25.6</b>	<b>13.4</b>	<b>20.9</b>	<b>Reported Earnings</b>	<b>\$m</b>	<b>39.0</b>	<b>48.0</b>	<b>56.0</b>	<b>57.6</b>
<b>Adjusted Earnings</b>	<b>\$m</b>	<b>14.1</b>	<b>25.6</b>	<b>13.4</b>	<b>20.9</b>	<b>Adjusted Earnings</b>	<b>\$m</b>	<b>39.0</b>	<b>48.0</b>	<b>56.0</b>	<b>57.6</b>
<b>Gross Cashflow</b>	<b>\$m</b>	<b>51.2</b>	<b>39.2</b>	<b>47.8</b>	<b>40.5</b>	<b>Gross Cashflow</b>	<b>\$m</b>	<b>87.0</b>	<b>90.2</b>	<b>97.8</b>	<b>95.2</b>
EPS (Adj/dil)	c	4.0	7.3	3.8	6.0	EPS (adj/diluted)	c	11.1	13.7	16.0	16.4
EPS growth	%	71.5	37.3	-5.2	-18.5	EPS growth	%	19%	23%	17%	3%
CFPS	c	1.7	-4.8	23.5	10.7	PE (adj)	x	15.7	12.8	11.0	10.7
CFPS Growth	%	-88.2	-61.6	1281.5	nmf	CFPS	c	18.7	21.7	25.8	26.9
EBITDA/Sales	%	6.6	7.2	7.5	7.5	CFPS Growth	%	nmf	15.7	18.9	4.6
EBIT/Sales	%	4.2	4.5	4.8	4.8	PGCFPS	x	9.3	8.1	6.8	6.5
Earnings Split	%	43.2	65.6	34.4	43.5	DPS	c	5.0	5.5	4.0	4.0
Revenue Growth	%	11.8	-0.1	12.5	9.4	Yield	%	2.9	3.1	2.3	2.3
EBIT Growth	%	350.6	-6.4	31.0	15.5	Franking	%	-	70.0	100.0	100.0
<b>Profit and Loss ratios</b>		<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>	<b>Cashflow Analysis</b>		<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Revenue Growth	%	6.2	6.8	2.3	0.0	<b>Pre-tax Profit</b>	<b>\$m</b>	<b>56.8</b>	<b>68.6</b>	<b>79.9</b>	<b>82.3</b>
EBIT Growth	%	11.1	17.3	14.7	2.5	Depreciation & Amortisation	\$m	37.3	39.3	38.4	36.9
EBITDA/Sales	%	7.3	7.8	8.3	8.3	Tax Paid	\$m	-7.1	-17.8	-20.6	-24.0
EBIT/Sales	%	4.7	5.1	5.8	5.9	<b>Gross cashflow</b>	<b>\$m</b>	<b>87.0</b>	<b>90.2</b>	<b>97.8</b>	<b>95.2</b>
Effective tax rate	%	31.3	30.0	30.0	30.0	Changes in working capital	\$m	-50.1	-11.3	-4.0	0.0
Payout ratio	%	44.9	40.2	25.1	24.4	Other	\$m	28.7	-2.8	-3.4	-0.7
EV/EBITA	x	9.8	8.1	6.3	5.5	<b>Operating Cashflow</b>	<b>\$m</b>	<b>65.6</b>	<b>76.0</b>	<b>90.4</b>	<b>94.5</b>
EV/EBITDA	x	6.2	5.3	4.4	3.9	Acquisitions	\$m	-9.8	0.0	0.0	0.0
EV/Sales	x	0.5	0.4	0.4	0.3	Capex - Plant & Equip.	\$m	-23.2	-35.4	-16.2	-16.2
<b>Balance sheet ratios</b>						Asset Sales	\$m	0.3	0.0	0.0	0.0
ROE	%	7.8	8.5	9.3	9.0	Other	\$m	-1.1	0.0	0.0	0.0
ROA	%	6.2	6.5	7.2	7.1	<b>Investing cashflow</b>	<b>\$m</b>	<b>-33.9</b>	<b>-35.4</b>	<b>-16.2</b>	<b>-16.2</b>
ROFE	%	12.1	13.3	15.4	16.3	Dividend (ordinary)	\$m	-12.8	-19.3	-14.0	-14.0
Net Debt	\$m	23.3	2.0	-58.1	-122.3	Equity raised	\$m	0.0	0.0	0.0	0.0
Net Debt/Equity	%	4.2	0.3	< 0	< 0	Other	\$m	0.0	0.0	0.0	0.0
Interest Cover	x	7.9	9.7	11.3	11.8	<b>Financing cashflow</b>	<b>\$m</b>	<b>-12.8</b>	<b>-19.3</b>	<b>-14.0</b>	<b>-14.0</b>
Price/NTA	x	1.2	1.1	1.0	1.0	<b>Net Change in cash/debt</b>	<b>\$m</b>	<b>19.0</b>	<b>21.3</b>	<b>60.1</b>	<b>64.2</b>
NTA per share	\$	1.51	1.59	1.71	1.83	<b>Balance Sheet</b>		<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
EFPOWA	m	350.3	350.9	350.9	350.9	Cash	\$m	162.0	183.3	243.4	307.6
<b>Historical performance</b>		<b>2015A</b>	<b>2016A</b>	<b>2017A</b>	<b>2018A</b>	Receivables	\$m	97.3	118.9	121.5	121.5
<b>Revenue</b>	<b>\$m</b>	<b>1414.0</b>	<b>1338.9</b>	<b>1310.1</b>	<b>1392.0</b>	Inventories	\$m	246.5	248.4	254.1	254.1
<b>EBITDA</b>	<b>\$m</b>	<b>97.5</b>	<b>65.0</b>	<b>90.2</b>	<b>102.3</b>	Investments	\$m	10.2	10.2	10.2	10.2
Depreciation/Amortisation	\$m	24.3	29.9	31.5	37.3	Property, plant & equipment	\$m	565.8	561.9	539.8	519.1
<b>EBIT</b>	<b>\$m</b>	<b>73.2</b>	<b>35.1</b>	<b>58.7</b>	<b>65.0</b>	Intangibles	\$m	20.8	20.8	20.8	20.8
Net interest expense	\$m	4.1	5.5	5.7	8.2	Other Assets	\$m	46.2	46.2	46.2	46.2
<b>Pre-Tax Profit</b>	<b>\$m</b>	<b>69.1</b>	<b>29.6</b>	<b>53.0</b>	<b>56.8</b>	<b>Total Assets</b>	<b>\$m</b>	<b>1148.8</b>	<b>1189.7</b>	<b>1235.9</b>	<b>1279.4</b>
Tax Expense	\$m	24.1	4.6	20.3	17.8	Payables	\$m	177.8	190.0	194.3	194.3
<b>Net Profit</b>	<b>\$m</b>	<b>45.0</b>	<b>25.0</b>	<b>32.7</b>	<b>39.0</b>	Short Term Debt	\$m	72.8	72.8	72.8	72.8
Net Abn/Extra	\$m	8.2	-109.2	-17.3	0.0	Long Term Debt	\$m	112.5	112.5	112.5	112.5
EPS (adj/dil)	c	13.0	7.2	9.4	11.1	Other Liabilities	\$m	236.7	236.7	236.7	236.7
EPS growth	%	0.2	-0.4	0.3	0.2	<b>Total Liabilities</b>	<b>\$m</b>	<b>599.8</b>	<b>612.0</b>	<b>616.3</b>	<b>616.3</b>
Ordinary DPS	c	4.0	4.0	4.0	5.0	Shareholders Funds	\$m	549.0	577.7	619.6	663.2
EBITDA/Sales	%	6.9	4.9	6.9	7.3	Minority Interests	\$m	0.0	0.0	0.0	0.0
EBIT/Sales	%	5.2	2.6	4.5	4.7	Total Shareholders Equity	\$m	549.0	577.7	619.6	663.2
ROE	%	9.5	5.1	7.1	7.8	<b>Total Funds employed</b>	<b>\$m</b>	<b>1,148.8</b>	<b>1,189.7</b>	<b>1,235.9</b>	<b>1,279.4</b>
ROFE	%	14.4	7.6	12.9	12.1						
EFPOWA	m	346.8	347.7	349.0	350.3						

Source: Company data, Macquarie Research, August 2018

## Macquarie Quant View

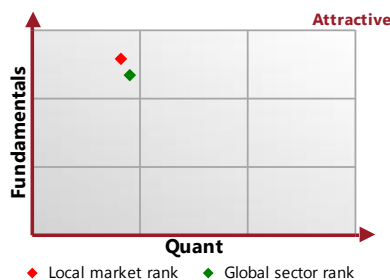
The Quant View page below has been derived from models that are developed and maintained by Sales and Trading personnel at Macquarie. The models are not a product of the Macquarie Research Department.

The quant model currently holds a marginally negative view on Austal. The strongest style exposure is Earnings Momentum, indicating this stock has received earnings upgrades and is well liked by sell side analysts. The weakest style exposure is Profitability, indicating this stock is not efficiently converting investments to earnings; proxied by ratios like ROE or ROA.

**1380/1971**

Global rank in Capital Goods

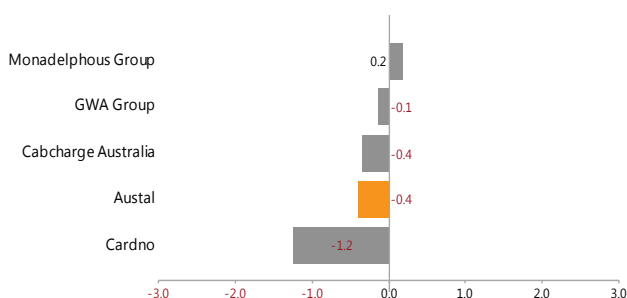
% of BUY recommendations 50% (1/2)  
 Number of Price Target downgrades 0  
 Number of Price Target upgrades 0



Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model.  
 Two rankings: Local market (Australia & NZ) and Global sector (Capital Goods)

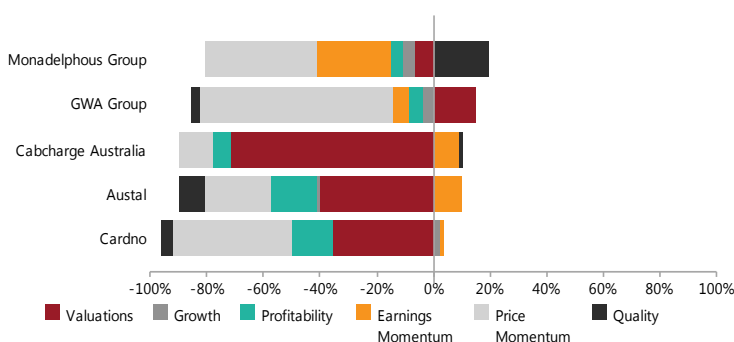
## Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



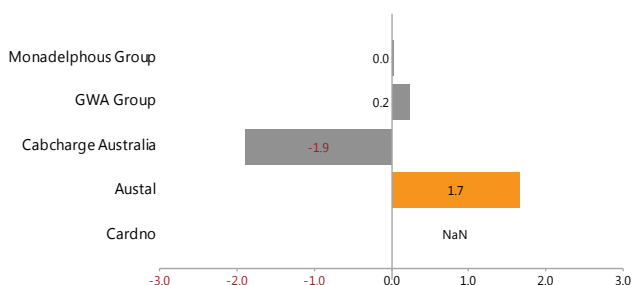
## Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



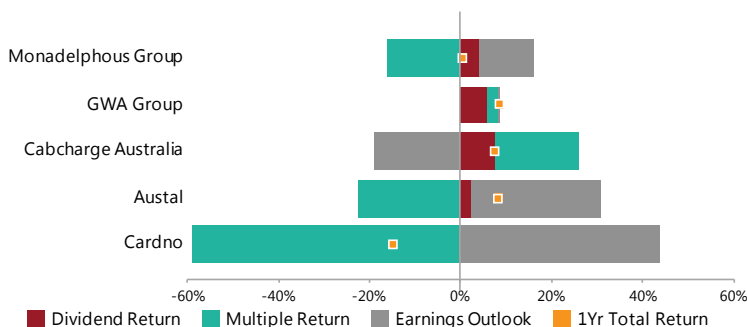
## Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



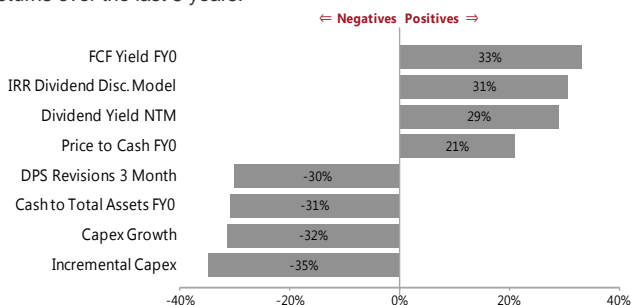
## Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



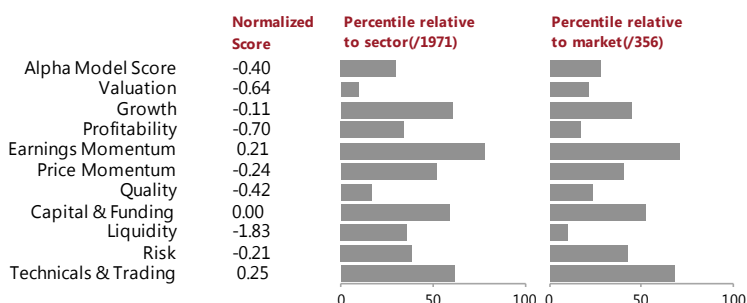
## What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



## How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Quant. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group ([cpq@macquarie.com](mailto:cpq@macquarie.com))

## Important disclosures:

## Recommendation definitions

## Macquarie - Australia/New Zealand

Outperform – return >3% in excess of benchmark return  
 Neutral – return within 3% of benchmark return  
 Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield, which is currently around 9%.

## Macquarie – Asia/Europe

Outperform – expected return >+10%  
 Neutral – expected return from -10% to +10%  
 Underperform – expected return <-10%

## Mazi Macquarie – South Africa

Outperform – expected return >+10%  
 Neutral – expected return from -10% to +10%  
 Underperform – expected return <-10%

## Macquarie - Canada

Outperform – return >5% in excess of benchmark return  
 Neutral – return within 5% of benchmark return  
 Underperform – return >5% below benchmark return

## Macquarie - USA

Outperform (Buy) – return >5% in excess of Russell 3000 index return  
 Neutral (Hold) – return within 5% of Russell 3000 index return  
 Underperform (Sell) – return >5% below Russell 3000 index return

## Volatility index definition\*

This is calculated from the volatility of historical price movements.

**Very high–highest risk** – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

**High** – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

**Medium** – stock should be expected to move up or down at least 30–40% in a year.

**Low–medium** – stock should be expected to move up or down at least 25–30% in a year.

**Low** – stock should be expected to move up or down at least 15–25% in a year.

\* Applicable to Asia/Australian/NZ/Canada stocks only

**Recommendations** – 12 months

**Note:** Quant recommendations may differ from Fundamental Analyst recommendations

## Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense  
 Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

**EPS** = adjusted net profit / epowa\*

**ROA** = adjusted ebit / average total assets

**ROA Banks/Insurance** = adjusted net profit / average total assets

**ROE** = adjusted net profit / average shareholders funds

**Gross cashflow** = adjusted net profit + depreciation

\*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

## Recommendation proportions – For quarter ending 30 June 2018

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	52.87%	61.26%	48.86%	47.54%	69.86%	46.61%	(for global coverage by Macquarie, 3.51% of stocks followed are investment banking clients)
Neutral	34.10%	27.25%	36.36%	46.72%	21.92%	43.22%	(for global coverage by Macquarie, 2.10% of stocks followed are investment banking clients)
Underperform	13.03%	11.49%	14.77%	5.74%	8.22%	10.17%	(for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients)

## ASB AU vs Small Ordinaries, &amp; rec history



(all figures in AUD currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.  
 Source: FactSet, Macquarie Research, August 2018

## 12-month target price methodology

ASB AU: A\$2.30 based on a EV/EBITA methodology

## Company-specific disclosures:

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Date	Stock Code (BBG code)	Recommendation	Target Price
28-Feb-2018	ASB AU	Outperform	A\$2.29
28-Aug-2017	ASB AU	Outperform	A\$1.89
27-Feb-2017	ASB AU	Outperform	A\$2.09
29-Aug-2016	ASB AU	Outperform	A\$1.56
04-Jul-2016	ASB AU	Outperform	A\$1.37
10-May-2016	ASB AU	Outperform	A\$1.76
23-Feb-2016	ASB AU	Outperform	A\$2.08
10-Dec-2015	ASB AU	Outperform	A\$2.26
28-Oct-2015	ASB AU	Outperform	A\$2.47

## Target price risk disclosures:

**ASB AU:** Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

## Analyst certification:

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## Equities

## Research

**Head of Equity Research**

Paul Checchin (Australia &amp; NZ) (612) 8232 4197

**Retail / Consumer / Food & Bev**

Rob Freeman (612) 8237 1152

Quinn Pierson (612) 8232 6391

**Energy**

Andrew Hodge (612) 8237 0321

**ESG**

Anita Stanley (612) 8232 9869

**Financials****Banks**

Victor German (612) 8232 6089

John Buonaccorsi (612) 8232 0523

**Diversified Financials**

Brendan Carrig (612) 8237 6043

**Insurance**

Andrew Buncombe (612) 8232 0629

**Healthcare**

David Bailey (612) 8237 2427

**Industrials****Capital Goods**

John Purtell (612) 8232 8633

**Infrastructure**

Ian Myles (612) 8232 4157

**Transport & Gaming**

David Fabris (612) 8232 5705

**Chemicals, D&C, Packaging, Builders, Steel**

John Purtell (612) 8232 8633

Peter Steyn (612) 8232 5144

**Resources**

Hayden Bairstow (618) 9224 0838

Ben Crowley (618) 9224 0839

Andrew Hodge (612) 8237 0321

**Real Estate**

Rob Freeman (612) 8237 1152

Stuart McLean (612) 8232 2859

Darren Leung (612) 8232 8544

**Telcos / Media**

Andrew Levy (612) 8232 5165

**Utilities**

Ian Myles (612) 8232 4157

**New Zealand**

Stephen Hudson (649) 363 1414

Warren Doak (649) 363 1416

Nick Mar (649) 363 1476

Andrew Levy (Telecommunications) (612) 8232 5165

**Emerging Leaders – Industrials**

Tim Lawson (612) 8237 7332

Mitchell Sonogan (612) 8232 0675

Shaun Weick (612) 8232 8248

Matt Johnston (612) 8232 7007

Avinash Srinivasan (612) 8232 0533

**Equity Strategy**

David Pobucky (612) 8232 2746

**Data Services**

Sheridan Maher (maternity) (612) 8232 9786

Caroline Andri (612) 8237 7180

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## Sales

**Equities**

Dan Ritchie (Australia) (612) 8232 3124

Dave Robertson (New Zealand) (649) 363 1498

**Sales**

Dan Pittorino (612) 8237 0905

(Desk Head - Sydney)

Mike Johnson (612) 8232 4717

(Desk Head - International Sales)

Andrew Haigh (Desk Head - London) (44 20) 3037 4843

Leighton Patrick (612) 8232 4717

(Desk Head - New York)

Dominic Smith (Desk Head - Asia) (65) 6601 0212

Richard Weekes (Sydney) (612) 8232 7586

Alex Williams (Sydney) (612) 8232 3110

David Harris (Melbourne) (613) 9635 8595

Daniel Raats (Melbourne) (613) 9635 8271

Julia Thomas (Melbourne) (613) 9635 9323

Tim Russell (London) (44 20) 3037 4865

Michael McNair (New York) (1 212) 231 2571

Jay Shyam (New York) (1 212) 231 2491

Anura Logan (Asia) (613) 9635 8177

Kristen Edmond (Leave) (612) 8232 3111

**Sales Trading**

Tim Shaw (Head of Sales Trading) (612) 8232 4386

Andrew Donald (613) 9635 8270

(Desk Head - Melbourne)

Sam Molina (Sydney) (612) 8232 5935

Francis Sarks (Sydney) (612) 8232 4458

Ben McIntyre (Sydney) (612) 8237 2833

Mike Keen (London) (44 20) 3037 4905

**Electronic Execution**

Valerie Kingsmill (612) 8237 2230

Darren Miller (612) 8232 8261

Tarinnee De Silva (612) 8232 3151

**Portfolio Trading**

Garth Leslie (612) 8232 9982

Michael Khalife (612) 8232 8893

**Block Trading**

Tim Shaw (Desk Head - Sydney) (612) 8232 4386

**Specialist Sales**

Phil Zammit (Emerging Leaders) (612) 8232 3122

Harry Boghossian (Emerging Leaders) (612) 8237 5456

Kurt Dalton (Property) (612) 8232 5943

Stuart Murray (Derivatives) (612) 8232 5090

Gavin Maher (Resources) (612) 8232 4151

**Alternative Strategies**

Greg Mann (Equity Finance) (612) 8232 1820

Shannon Donohoe (612) 8232 6997

(Stock Borrow &amp; Loan)

**Syndication**

Paul Staines (612) 8232 7781

Angus Firth (612) 8232 4039

Tiffany Ward (612) 8232 5151

Eric Roles (612) 8232 4565

**Corporate Access**

Julie Loring (612) 8232 7543

Eliza Davidson (612) 8237 5064

**Transition Management & Portfolio Solutions**

Mick Larkin (612) 8232 0639

Scott Macaulay (612) 8232 4782

Elliot Graham (612) 8237 4704

Mark Levinson (612) 8232 5245

David Goodman (London) (612) 8232 5245