

Quick Comment

Finbar Group Ltd (FRI \$1.27) Buy

Analyst: Gavin Allen

Date: 5th May 2015

Development Approval Civic Heart

Price Target: \$1.79/sh

Key Points:

- FRI has received developer approval for the development of the Civic Heart project in South Perth, comprising 294 apartments with an estimated end value of \$380m.
- Marketing is planned for August 2015 and successful outcome (driving presales sufficient to expediently bank the project), would be a significant catalyst.
- The FRI share of revenue in the finished project is not dissimilar to the entirety of revenue we are looking for in fiscal 2015.
- It is worth noting the Aurelia project, located opposite the Civic Heart project, sold 75% of available apartments in the first 6 weeks of marketing.
- Construction is planned for late 2015/ early 2016 with settlement no later than mid 2018.

Investment Thesis:

Earnings outcomes for 2015 and 2016 remain a little fluid with delivery timing a key factor. Overall however we see sufficient sales in place to maintain the current 10c per annum dividend and on this basis FRI yields 8% per annum, fully franked. Longer term, in 2017 and 2018, FRI will deliver its three largest projects to date, Concerto 50% sold, Aurelia 75% sold and Civic Heart (approval achieved as discussed above), driving a step change in earnings. While economic conditions in WA are slowing, FRI has a long history of delivering through many cycles and we are confident Civic Heart will see strong demand, a significant catalyst.

Finbar Ltd (FRI)					
Share Price	1.27	A\$/sh	Enterprise Value	315.6	A\$m
Price Target	1.79	A\$/sh	Debt	103	A\$m
Valuation	1.79	A\$/sh	Cash	48.4	A\$m
Shares on issue	228.4	m(dil)			
Market Capitalisation	290.1	A\$m			

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