

# Quick Comment

## Finbar Group Ltd (FRI \$0.835) Hold

Analyst	Date	Price Target
Gavin Allen	13 <sup>th</sup> July 2016	\$0.93/sh

### FY16 Profit Guidance

#### Key points

- Finbar has forecast an underlying operating profit of -\$21m for FY16 (FY15: \$27.4m) compared to our underlying NPAT forecast of \$24m.
- Finbar expects reported NPAT of \$8m after \$13m of impairments v EZL forecast of -\$20m NPAT after -\$5m of impairments.
- While marginally below our forecasts, the result is a good outcome in a tough market.
- A 4c final dividend has been declared which is in line with our expectations and places FRI on a defendable 8% yield.
- Importantly Finbar has ended the period with the largest level of pre-sale contracts in its history totalling \$451m within a larger project pipeline of \$1.84b.

#### Investment Thesis

Finbar is a well-run business that leads the way in apartment development in WA and has done so for many years. The macro environment is weak in WA and it is difficult to articulate a case for earnings growth in the current market however we see enough incentive for current FRI holders to wait out the cycle, which will turn at some point. In the meantime the stock lacks catalysts. We continue to like the stock long term, however maintain our Hold recommendation for the time being as it is difficult to identify short term share price catalysts beyond the yield. Longer term though, for a patient investor, the opportunity is significant.

#### Finbar Group Ltd (FRI)

Share Price	0.835	A\$/sh	Enterprise Value	257	A\$/m
Price Target	0.93	A\$/sh	Debt	107	A\$/m
Valuation	1.22	A\$/sh	Cash	44	A\$/m
Shares on issue	232.0	m(dil)			
Market Capitalisation	194	A\$m			

#### Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

# Disclaimer

## Copyright & Distribution

The material contained in this communication (and all attachments) is prepared for the exclusive use of clients of Euroz Securities Ltd (ACN 089 314 983) ("Euroz") only. Euroz is the holder of an Australian Financial Services Licence (AFSL 243302) issued by the Australian Securities and Investments Commission ("ASIC") and is a participant of the Australian Securities Exchange Group ("ASX Group").

The information contained herein is confidential and may be legally privileged. If you are not the intended recipient no confidentiality is lost nor privilege waived by your receipt of it. Please delete and destroy all copies, and contact Euroz on (+618) 9488 1400. You should not use, copy, disclose or distribute this information without the express written authority of Euroz.

## Disclaimer & Disclosure

Euroz and its associates declare that they deal in securities as part of their securities business and consequently may have a relevant interest in the securities recommended herein (if any). This may include providing equity capital market services to their issuing company, hold a position in the securities, acting as principal or agent, or make a market therein and as such may effect transactions not consistent with the recommendation (if any) in this report.

Euroz declares that it may have acted as an underwriter, arranger, co-arranger or advisor in equity capital raisings, and will have received a fee for its services, for any company mentioned within this report during the last 12 months.

You should not act on any recommendation issued by Euroz without first consulting your investment advisor in order to ascertain whether the recommendation (if any) is appropriate, having regard to your investment objectives, financial situation and particular needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

Euroz believes that the information and advice contained herein is correct at the time of compilation, however we make no representation or warranty that it is accurate, complete, reliable or up to date, nor do we accept any obligation to correct or update the opinions in it. The opinions expressed are subject to change without notice. No member of Euroz accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this material.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, virus interception or interference.

## Contact Details

**Euroz Securities Limited** +61 8 9488 1400

### International Toll Free

(If calling to Euroz from the following Countries)

Germany	0800 1800 554
Switzerland	0800 835 385
Hong Kong	800 900 936
Malaysia	1800 805 002
Singapore	800 6161 759
New Zealand	0800 441 271
USA	18 772 804 390
United Kingdom	08 000 929 851

### Research Analysts

Greg Chessell - Head of Research	+61 8 9488 1409
Andrew Clayton - Resources Analyst	+61 8 9488 1427
Ben Laird - Industrials Director	+61 8 9488 1429
Gavin Allen - Industrials Analyst	+61 8 9488 1413
Jon Bishop - Resources Analyst	+61 8 9488 1481
Julian Lake - Associate Analyst	+61 8 9488 1470
Matthew Gavshon - Associate Analyst	+61 8 9488 1414

### Institutional Sales

Andrew McKenzie - Executive Chairman	+61 8 9488 1407
Rob Black - Managing Director	+61 8 9488 1423
Jay Hughes - Executive Director	+61 8 9488 1406
Russell Kane - Executive Director	+61 8 9488 1426
Simon Yeo - Executive Director	+61 8 9488 1404
Peter Schwarzbach - Executive Director	+61 8 9488 1492
Paul Cooper - Investment Adviser	+61 8 9346 0316
Timothy Bunney - Institutional Adviser	+61 8 9488 1461

### Private Client Advisers

Brian Bates - Head of Private Clients	+61 8 9346 0314
James Mackie - Executive Director	+61 8 9488 1416
Tony Kenny - Executive Director	+61 8 9346 0302
Tim Lyons - Executive Director	+61 8 9346 0324
Lucas Robinson - Executive Director	+61 8 9488 1424
Tim Weir - Executive Director	+61 8 9346 0303
Paul Berson - Associate Director	+61 8 9346 0314
Phil Grant - Associate Director	+61 8 9346 0306
Steve Grove - Associate Director	+61 8 9488 1410
Jamie Mann - Associate Director	+61 8 9346 0301
Giles McCaw - Associate Director	+61 8 9488 1462
Cameron Murray - Associate Director	+61 8 9488 1440
Ben Statham - Associate Director	+61 8 9488 1417
Ryan Stewart - Associate Director	+61 8 9488 1441
Michael Bartley - Investment Adviser	+61 8 9346 0352
Michael Bowden - Investment Adviser	+61 8 9346 0307
Richard Gardner - Investment Adviser	+61 8 9488 1444
Duncan Relf - Investment Adviser	+61 8 9346 0322
Brett Stapleton - Investment Adviser	+61 8 9488 1435
Steve Wood - Investment Adviser	+61 8 9346 0305

## Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.