

# Quick Comment

## Finbar Group Ltd (FRI \$0.92) Hold

Analyst	Date	Price Target
Gavin Allen	23 <sup>rd</sup> February 2016	\$1.22/sh

### Half year results

#### Key points

- FRI has delivered first half 2016 operating income of \$10.7m and statutory NPAT (after impairment of commercial property) of \$6.3m.
- We were looking for \$7m in operating income and, with this result, FRI is well on track for our full year \$23.5m forecast.
- A fully franked dividend of 3c was declared and we continue to look for a further 5c with the full year for a current yield of 8.7%.
- While market conditions have clearly softened, the business continues to sell an average of 8 apartments or \$7.3m in sales per week.
- Consequently, while timing of financing, construction and ultimately settlement of projects is difficult to forecast, the business has a very solid \$465m in pre-sale contracts from a \$2.2b pipeline, which compares favourably with the \$174m in revenues we are looking for in 2016 (on a settlement basis - reported revenues will be lower due to equity accounted positions).
- The stock is supported by NTA per share of \$1.00, consisting primarily of underlying land positions, inventory at cost and investments in property.

#### Investment Thesis

FRI has reported reasonable first half numbers at an operating level in a weak market. The stock at these levels is supported by a solid 8.7% dividend yield for 2016 and has an impressive pipeline of projects with solid presales. Over the next week or so we will further analyse the likely timing of construction and ultimately settlements on the projects likely to impact 2017 and 2018 to determine if sufficient certainty can be derived from presales, despite the soft market, to return to a Buy. Regardless, we continue to like the long term, though the cycle story.

#### Finbar Group Ltd (FRI)

Share Price	0.92	A\$/sh	Enterprise Value	62.5	A\$/m
Price Target	1.22	A\$/sh	Debt	107	A\$/m
Valuation	1.22	A\$/sh	Cash	44.3	A\$/m
Shares on issue	231.6	m(dil)			
Market Capitalisation	213	A\$m			

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