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# Bega Cheese Ltd (BGA)

Supply at the trough, is leverage at the top

**Recommendation**

**Buy** (unchanged)

**Price**

**\$4.02**

**Target (12 months)**

**\$5.50** (unchanged)

**GICS Sector**

Food Beverage and Tobacco

**Expected Return**

Capital growth	<b>36.8%</b>
Dividend yield	<b>2.7%</b>
Total expected return	<b>39.5%</b>

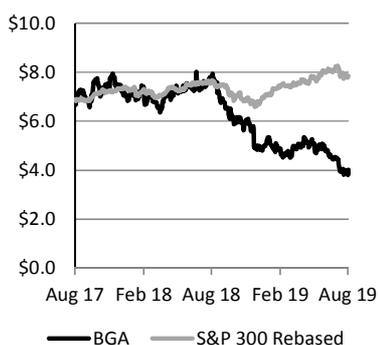
**Company Data & Ratios**

Enterprise value	<b>\$1,147m</b>
Market cap	<b>\$859m</b>
Issued capital	<b>213.7m</b>
Free float	<b>100%</b>
Avg. daily val. (52wk)	<b>\$4.7m</b>
12 month price range	<b>\$3.79-8.03</b>

**Price Performance**

	(1m)	(3m)	(12m)
Price (A\$)	4.50	5.26	7.74
Absolute (%)	-10.78	-23.67	-48.13
Rel market (%)	-6.23	-23.95	-52.35

**Absolute Price**



SOURCE: IRESS

**FY19 result at a glance**

BGA reported FY19 underlying NPAT in line with expectations at \$38.3m. Key operating statistics of the result included:

**Operating results:** Revenue of \$1,420m was up +21%% YOY (vs. BPe \$1,732m). Underlying EBITDA of \$115.4m was up 5%% YOY (vs. BPe of \$114.7m and guidance of \$113-117m). Underlying NPAT of \$38.3m was down 12% YOY (vs. BPe of \$38.0m).

**Cashflow and balance sheet:** Operating cashflow of \$100.3m compared to \$6.0m in FY18. Net debt of \$287.3m compares to net debt of \$245.4m at FY18 and guidance of ~\$300m. BGA commenced utilising a recently opened receivable securitisation in 2H19 and this contributed \$188m to operating cashflows.

**2020 Guidance:** There is no formal FY20e earnings guidance. However, management did note that margin pressure was likely to remain in place through FY20e due to ongoing drought induced competition for milk.

**Milk collections:** Milk collections rose +41% YOY to 1.06BnL. Koroit contributed 308mL in FY19, with the organic milk pool held static at 750mL in a market that contracted 8-9% across BGA's key catchments. In our view, winning milk supply at the bottom is critical to gaining operating leverage when seasonal conditions improve.

Following the result we have downgraded our NPAT forecasts by 7% in FY20e and 5% in FY21e. The changes principally reflect movements in commodity prices relative to our previous forecasts and updated milk flows by plant. Our target price which is predicated on what we believe BGA is capable of generating in a normalised operating environment remains unchanged at \$5.50ps.

**Investment view: Buy retained**

We don't believe current operating earnings of BGA are reflective of what the business is capable of generating under more normal seasonal conditions (BPe Normalised EBITDA \$155-165m, inclusive of expanded lactoferrin capacity) upon which we base our target price of \$5.50ps. We retain our Buy rating and see BGA as a key play on a normalisation of rainfall activity in eastern Australia and in particular the MDB.

**Earnings Forecast**

Year end June	2019	2020e	2021e	2022e
Sales (A\$m)	1420.0	1539.0	1639.5	1662.1
EBITDA (A\$m)	115.4	119.6	142.1	156.3
NPAT (reported) (A\$m)	11.8	43.3	59.5	70.6
NPAT (adjusted) (A\$m)	38.3	43.3	59.5	70.6
EPS (adjusted) (cps)	18.5	20.3	27.8	33.0
EPS growth (%)	-21.1	9.3	37.3	18.7
PER (x)	21.7	19.8	14.4	12.2
FCF Yield (%)	2.2	-0.3	2.4	4.0
EV/EBITDA (x)	9.9	9.6	8.1	7.3
Dividend (cps)	11.0	11.0	14.0	16.0
Franking (%)	100.0	100.0	100.0	100.0
Yield (%)	2.7	2.7	3.5	4.0
ROE (%)	5.3	5.2	6.9	7.9

SOURCE: BELL POTTER SECURITIES ESTIMATES

# FY19 results at a glance

**Result:** BGA reported FY19 Underlying NPAT in line with recently downgraded expectations at \$38.3m (BPe \$38.0m) with a stronger result within the Bega business (driven by higher Koroit milk volumes) the main driver of the beat. Operating cashflow of \$100.3m, was materially higher than FY18 at \$6.0m and reflected the benefit of new the new receivables securitisation program which contributed \$188m in cash inflows in 2H19. Stronger than expected operating cashflows saw net debt exit the year at \$287.3m, up +17% YOY but below our \$306.6m forecast. Net Debt/EBITDA exited the year at 2.49x, well below the covenant level of 3.5x.

Figure 1 – FY19 Result overview (A\$m unless stated otherwise)

	2014	2015	2016	2017	1H18	2H18	2018	1H19	2H19	2019e	2019e	YOY chg	Act v Est
Bega Foods	685.8	725.0	759.2	808.5	497.3	363.6	860.9	473.6	572.2	1045.8	1330.8	21%	-21%
Tatura	405.5	432.1	479.0	467.4	233.3	214.8	448.1	209.1	235.0	444.2	462.2	-1%	-4%
Eliminations	-21.9	-44.5	-42.2	-49.2	-25.4	-31.6	-57.0	-33.5	-20.4	-70.0	-60.9	23%	15%
<b>Group revenue (\$m)</b>	<b>1069.4</b>	<b>1112.6</b>	<b>1196.0</b>	<b>1226.7</b>	<b>705.2</b>	<b>546.8</b>	<b>1252.0</b>	<b>649.2</b>	<b>786.8</b>	<b>1420.0</b>	<b>1732.1</b>	13%	-18%
...growth (%)	5.8%	4.0%	7.5%	2.6%	13.5%	-9.7%	2.1%	-47.1%	11.6%	13.4%	20.4%		
Bega Foods	38.8	35.7	31.2	22.3	31.8	13.3	45.1	31.5	37.9	54.6	49.0	21%	11%
Tatura	31.3	20.0	34.2	48.3	38.3	26.4	64.7	27.3	22.4	49.6	50.7	-23%	-2%
Eliminations	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.9)	(2.8)	(3.6)	(2.0)	3214%	82%
<b>EBITDA (\$m)</b>	<b>70.1</b>	<b>55.7</b>	<b>65.4</b>	<b>70.6</b>	<b>70.1</b>	<b>39.7</b>	<b>109.6</b>	<b>57.9</b>	<b>57.5</b>	<b>115.4</b>	<b>114.7</b>	5%	1%
EBITDA Margin (%)	6.6%	5.0%	5.5%	5.8%	9.9%	7.3%	8.8%	8.9%	7.3%	8.1%	6.6%		
Depreciation & Amortisation	(22.9)	(22.2)	(21.9)	(24.7)	(13.6)	(17.7)	(31.3)	(19.4)	(21.0)	(40.4)	(39.8)	29%	1%
<b>EBIT</b>	<b>47.2</b>	<b>33.5</b>	<b>43.5</b>	<b>45.9</b>	<b>56.5</b>	<b>22.0</b>	<b>78.3</b>	<b>38.5</b>	<b>36.6</b>	<b>75.0</b>	<b>76.0</b>	-4%	-1%
EBIT Margin (%)	4.4%	3.0%	3.6%	3.7%	8.0%	4.0%	6.3%	5.9%	4.6%	5.3%	4.4%		
Net Interest Income	(5.1)	(3.3)	(3.6)	(2.8)	(3.9)	(5.9)	(9.8)	(11.3)	(8.2)	(19.6)	(21.7)	100%	-10%
Pre-tax profit	42.1	30.2	39.9	43.2	52.6	16.1	68.5	27.1	28.3	55.4	54.3	-19%	2%
Tax	(12.4)	(8.1)	(11.1)	(12.8)	(16.0)	(9.1)	(25.0)	(8.2)	(8.9)	(17.1)	(16.3)	-32%	5%
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Underlying NPAT (\$m)</b>	<b>29.8</b>	<b>22.0</b>	<b>28.8</b>	<b>30.3</b>	<b>36.6</b>	<b>7.0</b>	<b>43.5</b>	<b>18.9</b>	<b>19.4</b>	<b>38.3</b>	<b>38.0</b>	-12%	1%
NR1's post-tax	36.3	(9.6)	0.1	108.4	(16.0)	0.8	(15.2)	(14.0)	(12.5)	(26.5)	(17.5)	74%	52%
<b>Reported NPAT (\$m)</b>	<b>66.1</b>	<b>12.4</b>	<b>28.9</b>	<b>138.7</b>	<b>20.6</b>	<b>7.8</b>	<b>28.2</b>	<b>5.0</b>	<b>6.8</b>	<b>11.8</b>	<b>20.6</b>	-58%	-43%
DPS (\$ps)	8.5	8.5	9.5	10.0	5.5	5.5	11.0	5.5	5.5	11.0	11.0		
<b>Balance sheet and cashflow</b>													
Working Capital (\$m)	126.7	175.3	180.0	167.1	258.1	206.7	206.7	379.3	188.2	188.2	194.6		
Working capital / Sales (%)	12%	16%	15%	14%	11%	15%	17%	35%	8%	13%	11%		
Operating cashflow (\$m)	40.8	(17.0)	60.2	57.5	(58.9)	64.8	6.0	(128.3)	228.5	100.3	75.1		
Operating cash realisation (%)	46%	-49%	119%	35%	-36%	190%	10%	-504%	384%	192%	124%		
Free cashflow (\$m)	0.8	(48.7)	12.5	3.0	(88.6)	28.6	(60.0)	(163.3)	182.1	18.8	6.1		
Free cash realisation (%)	1%	-393%	43%	2%	-64%	139%	-213%	-2097%	645%	159%	30%		
Net Debt (Cash) (\$m)	(8.6)	58.7	53.1	(260.2)	273.4	245.4	245.4	468.1	287.3	287.3	306.6	17%	
Net debt/EBITDA (x)	(0.12)	1.05	0.81	(3.68)	1.94	1.75	2.24	5.90	1.31	2.49	2.67		
Net Debt/Equity (%)	-3%	19%	16%	-45%	43%	39%	39%	57%	35%	35%	38%		
Net Debt / WKC (%)	-7%	33%	29%	-156%	106%	119%	119%	123%	153%	153%	158%		

\*Note historical revenue restatement.

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

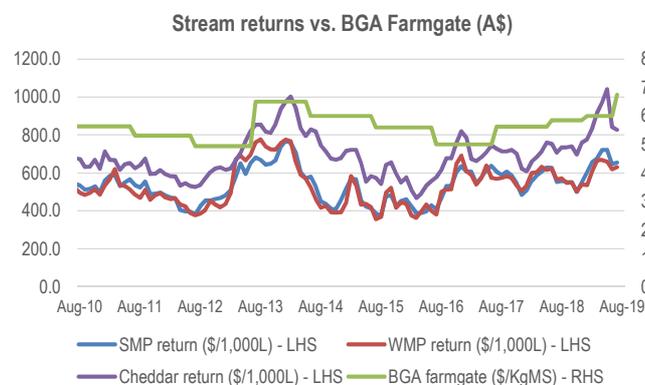
**Outlook:** There was no formal earnings guidance for FY20e. However, management did note that margin pressure was likely to remain in place through FY20e due to ongoing drought induced competition for milk volumes, higher than average water costs and the continued expensing of milk incentive payments in FY20-21e (cashflow impact in FY19). The development of 35t of lactoferrin capacity (lifting BGA to 55t total installed capacity) remains on track for completion in 2H20e and should be a source of growth in FY20-21e along with higher levels of demand of IMF from new and existing nutritional customers.

**Milk supply:** Milk collections rose +41% YOY to 1.06BnL. Koroit contributed 308mL in FY19, with the organic milk pool held static at 750mL in a market that contracted by ~8-9% YOY in FY19 in BGA's main catchments.

**Commodity returns vs. farmgate:** BGA has opened the 2019/20 VIC farmgate at \$6.75/KgMS, well above the 2018/19 closing of \$6.15/KgMS and reflects the recent strength in AUD commodity prices (particularly SMP). In addition to headline farmgate prices, BGA continues to expense incentive payments made last year to secure three year

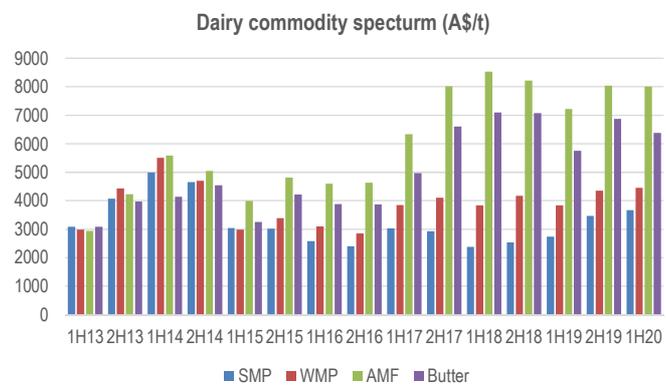
supply agreements. These cash payments totalled ~\$49m and were made in FY19e, but are expensed through the P&L at ~\$13m a year through to FY21e.

**Figure 2 - Commodity returns vs. BGA farmgate pricing**



SOURCE: COMPANY DATA, GDT, NZX AND BELL POTTER SECURITIES ESTIMATES

**Figure 3 - Commodity returns by primary product**



SOURCE: GDT, NZX AND BELL POTTER SECURITIES ESTIMATES

**Grocery business:** For the first time BGA have identified the revenue contribution from the acquired MDLZ assets, highlighting revenues of \$223.5m in FY19, down ~12% YOY. Encouragingly management continue to believe the business can generate initial EBITDA targets of ~\$40-45m (by FY21-22e based on adjusted timelines) following a period of product rationalisation and brand development, though this is not reflected in our base case.

# BGA company overview

## COMPANY DESCRIPTION

Bega Cheese Limited (BGA) is engaged in the processing, manufacturing and distribution of dairy and associated products to both Australian and international markets. BGA operates five processing facilities across NSW & VIC with the capacity to process ~250kt of product across three operating divisions while also holding a strategic 25% investment in CCFA, a fresh milk processor in Canberra.

## VALUATION

Our \$5.50ps target price for BGA is derived from a combination of: **(1) Underlying ROIC based approach:** which is based on 10.4-11.3% ROIC when earnings are reflective of normal seasonal conditions, scale at Koroit and delivery of Lactoferrin capacity. This derives an EV/EBITDA multiple of 8.0-8.4x; and **(2) Value for surplus land assets and franking credits:** We have incorporated a value for the Port Melbourne land acquired in the MLZ acquisition and a value for expected surplus franking credit.

## RISKS

Risks facing BGA include but are not limited to:

**AUD commodity prices:** With ~20-25% of revenues exposed to commodity markets and a further 15-20% exposed to export FMCG or Nutritionals based revenue streams, BGA is exposed to both movements in the AUD and global dairy commodity prices. While the impact is insulated via the groups domestic FMCG and cut & pack operations, sharp movements up or down can have a meaningful impact on profitability, particularly in the Tatura business;

**Seasonal risk factors:** BGA is exposed to the impact of weather conditions such as droughts and other factors that may reduce the level of milk produced in the catchment area;

**Milk supply and costs:** BGA purchases milk from dairy farmers on annual basis, seasonal factors or competitive response may limit supply or result in changes to farmgate milk pricing assumptions greater than we have allowed;

**Change in long-term relationships:** BGA distributes its branded and other cheese products through long term cost plus contracts with companies including Fonterra, Kraft, Woolworths and Aldi Any loss of a material cheese contract could hamper returns in the business; and

**Execution risk on the MDLZ acquisition:** a key reason for our favourable view on BGA is a belief in the success of the integration of the MDLZ assets and the potential to expand the companies branded portfolio over time. Failure to execute on this strategy may result in BGA failing to achieve our earnings estimates or target price.

**Customer and supplier relationships:** There is a risk that as a result of acquiring MDLZ grocery business and competing in the markets some of its products, contractual relationships with customers may result in decreased sales volumes and increased costs which could affect the financial performance of BGA.

**Brand, product and reputation risk:** Earnings could be impacted by failing to meet customer expectations of quality; contamination or recall; adverse media coverage or other factors outside of the control of BGA.

**Industry risk:** There are a number of industry factors outside the control of the company, including regulatory, compliance and variations in legislation and government policies.

**Failure to retain key customers:** Given BGA's reliance on several key customers, a failure to maintain these relationships could adversely impact the financial performance of BGA.

# Bega Cheese Ltd

as at 28 August 2019

Recommendation

Buy

Price

\$4.02

Target (12 months)

\$5.50

Table 1 - Financial summary

June year end	2016	2017	2018	2019	2020e	2021e	2022e
<b>Profit &amp; Loss (\$m)</b>							
Sales revenue	1196.0	1226.7	1252.0	1420.0	1539.0	1639.5	1662.1
... Change	7.5%	2.6%	2.1%	13.4%	8.4%	6.5%	1.4%
EBITDA	65.4	70.6	109.6	115.4	119.6	142.1	156.3
Deprec. & amort	(21.9)	(24.7)	(31.3)	(40.4)	(42.4)	(42.4)	(42.4)
EBIT	43.5	45.9	78.3	75.0	80.8	103.3	117.6
Interest expense	(3.6)	(2.8)	(9.8)	(19.6)	(18.9)	(18.4)	(16.7)
Pre-tax profit	39.9	43.2	68.5	55.4	61.9	85.0	100.9
Tax expense	(11.1)	(12.8)	(25.0)	(17.1)	(18.6)	(25.5)	(30.3)
... tax rate	28%	30%	37%	31%	30%	30%	30%
Minorities	-	-	-	-	-	-	-
<b>Net Profit</b>	<b>28.8</b>	<b>30.3</b>	<b>43.5</b>	<b>38.3</b>	<b>43.3</b>	<b>59.5</b>	<b>70.6</b>
Abs. & extras.	0.1	108.4	(15.2)	(26.5)	-	-	-
<b>Reported Profit</b>	<b>28.9</b>	<b>138.7</b>	<b>28.2</b>	<b>11.8</b>	<b>43.3</b>	<b>59.5</b>	<b>70.6</b>
<b>Cashflow (\$m)</b>							
EBITDA	65.4	70.6	109.6	115.4	119.6	142.1	156.3
Tax Paid	(3.3)	(10.7)	(79.2)	(13.3)	(18.2)	(23.8)	(29.1)
Net Interest Expense	(3.6)	(2.8)	(9.8)	(20.4)	(19.3)	(18.7)	(17.5)
Change in Wkg Capital	(4.7)	12.9	(39.6)	18.5	(15.8)	(13.3)	(3.0)
Other	6.5	(12.5)	25.0	(0.0)	-	-	-
<b>Operating Cash Flow</b>	<b>60.2</b>	<b>57.5</b>	<b>6.0</b>	<b>100.3</b>	<b>66.3</b>	<b>86.3</b>	<b>106.7</b>
Capex	(34.0)	(39.3)	(46.6)	(62.3)	(45.0)	(40.0)	(40.0)
Div Paid (gross of DRP)	(13.7)	(15.3)	(19.4)	(19.1)	(23.5)	(25.6)	(32.1)
<b>Free Cash Flow</b>	<b>12.5</b>	<b>3.0</b>	<b>(60.0)</b>	<b>18.8</b>	<b>(2.2)</b>	<b>20.7</b>	<b>34.6</b>
Acquisitions	(6.7)	-	(478.3)	(262.2)	-	-	-
Disposals	-	190.0	12.7	1.4	-	-	-
Share Issues (incl DRP)	-	119.5	50.0	199.9	-	-	-
Other	(0.2)	0.8	(30.0)	0.3	-	-	-
<b>(Inc./dec. in net debt)</b>	<b>5.6</b>	<b>313.3</b>	<b>(505.6)</b>	<b>(41.9)</b>	<b>(2.2)</b>	<b>20.7</b>	<b>34.6</b>
<b>Balance Sheet (\$m)</b>							
Cash & near cash	9.7	475.5	21.7	28.8	28.8	28.8	28.8
Receivables	143.7	168.5	200.6	179.9	195.0	207.7	210.6
Inventories	192.4	167.9	232.1	274.1	297.1	316.5	320.9
Other	0.5	6.5	14.7	6.8	6.8	6.8	6.8
<b>Current assets</b>	<b>346.3</b>	<b>818.5</b>	<b>469.0</b>	<b>489.6</b>	<b>527.7</b>	<b>559.8</b>	<b>567.0</b>
Fixed assets	219.9	196.8	323.6	443.3	446.0	443.6	441.2
Intangibles	7.9	22.7	411.5	535.1	535.1	535.1	535.1
Other	12.55	18.34	11.74	20.53	20.53	20.53	20.53
<b>Non current assets</b>	<b>240.4</b>	<b>237.8</b>	<b>746.8</b>	<b>999.0</b>	<b>1,001.6</b>	<b>999.3</b>	<b>996.9</b>
<b>Total assets</b>	<b>586.7</b>	<b>1,056.3</b>	<b>1,215.8</b>	<b>1,488.6</b>	<b>1,529.3</b>	<b>1,559.0</b>	<b>1,563.9</b>
Creditors	156.0	169.3	225.9	265.9	288.2	307.0	311.2
Borrowings	15.2	0.1	0.1	0.0	0.0	0.0	0.0
Other	38.0	97.2	52.2	49.2	45.6	47.6	46.5
<b>Current liabilities</b>	<b>209.3</b>	<b>266.6</b>	<b>278.2</b>	<b>315.1</b>	<b>333.7</b>	<b>354.6</b>	<b>357.7</b>
Borrowings	47.5	215.3	267.0	316.1	318.3	297.6	262.9
Other	2.1	1.7	38.7	31.5	31.5	31.5	31.5
<b>Non current liabilities</b>	<b>49.6</b>	<b>217.0</b>	<b>305.6</b>	<b>347.6</b>	<b>349.8</b>	<b>329.1</b>	<b>294.5</b>
<b>Total liabilities</b>	<b>258.8</b>	<b>483.6</b>	<b>583.8</b>	<b>662.6</b>	<b>683.5</b>	<b>683.7</b>	<b>652.2</b>
<b>Net assets</b>	<b>327.8</b>	<b>572.7</b>	<b>632.0</b>	<b>825.9</b>	<b>845.8</b>	<b>875.3</b>	<b>911.7</b>
Share capital	103.9	224.7	274.9	477.5	477.5	477.5	477.5
Reserves	21.1	21.7	21.5	22.9	22.9	22.9	22.9
Retained earnings	202.8	326.3	335.7	325.6	345.4	374.9	411.4
Outside equity interests	-	-	-	-	-	-	-
<b>S/holders' funds</b>	<b>327.8</b>	<b>572.7</b>	<b>632.0</b>	<b>825.9</b>	<b>845.8</b>	<b>875.3</b>	<b>911.7</b>
Net Debt (Cash)	53.1	(260.2)	245.4	287.3	289.5	268.8	234.2

June year end	2016	2017	2018	2019	2020e	2021e	2022e
<b>Valuation Ratios</b>							
EPS (\$ps)	18.9	19.9	23.5	18.5	20.3	27.8	33.0
Change (%)	30.6%	5.4%	18.2%	-21.1%	9.3%	37.3%	18.7%
PE (x)	21.3	20.2	17.1	21.7	19.8	14.4	12.2
EV/EBITDA (x)	17.5	16.2	10.5	9.9	9.6	8.1	7.3
EV/EBIT (x)	26.4	25.0	14.6	15.3	14.2	11.1	9.8
NTA (\$ps)	2.10	3.60	1.19	1.41	1.45	1.59	1.76
P/NTA (x)	1.92	1.12	3.37	2.86	2.77	2.53	2.28
Book Value (\$ps)	2.15	3.26	3.42	3.86	3.96	4.10	4.27
Price/Book (x)	1.87	1.23	1.18	1.04	1.02	0.98	0.94
DPS (¢)	9.5	10.0	11.0	11.0	11.0	14.0	16.0
Payout (%)	50%	50%	47%	59%	54%	50%	48%
Yield (%)	2.4%	2.5%	2.7%	2.7%	2.7%	3.5%	4.0%
Franking (%)	100%	100%	100%	100%	100%	100%	100%
<b>Performance Ratios</b>							
EBITDA/sales (%)	5.5%	5.8%	8.8%	8.1%	7.8%	8.7%	9.4%
EBITA/sales (%)	3.6%	3.7%	6.3%	5.3%	5.3%	6.3%	7.1%
OCF Realisation (%)	119%	105%	8%	127%	77%	85%	94%
FCF Realisation (%)	91%	60%	-93%	99%	49%	78%	94%
ROE (%)	9.0%	6.7%	7.2%	5.3%	5.2%	6.9%	7.9%
ROIC (%)	11.6%	13.3%	13.2%	7.5%	7.2%	9.1%	10.3%
Aseet Turn (years)	2.99	2.86	3.50	2.86	2.82	3.35	3.69
Capex/Deprn (x)	1.55	1.59	1.49	1.54	1.06	0.94	0.94
Interest cover (x)	12.10	16.47	7.97	3.83	4.27	5.62	7.03
Net Debt/EBITDA (x)	0.81	(3.68)	2.24	2.49	2.42	1.89	1.50
Net debt/equity (%)	16.2%	-45.4%	38.8%	34.8%	34.2%	30.7%	25.7%
Net debt/(Net debt + Ec)	13.9%	-83.3%	28.0%	25.8%	25.5%	23.5%	20.4%
<b>Segmentals</b>							
Bega Cheese	759.2	808.5	860.9	1,045.8	1,147.3	1,209.4	1,231.5
Tatura	479.0	467.4	448.1	444.2	450.2	490.1	492.2
Eliminations	(42.2)	(49.2)	(57.0)	(70.0)	(58.5)	(60.0)	(61.6)
<b>Group revenue (\$m)</b>	<b>1,196.0</b>	<b>1,226.7</b>	<b>1,252.0</b>	<b>1,420.0</b>	<b>1,539.0</b>	<b>1,639.5</b>	<b>1,662.1</b>
Bega Cheese	31.2	22.3	45.1	69.4	70.1	81.5	89.8
Tatura	34.2	48.3	64.7	49.6	53.1	64.2	70.2
Eliminations	-	-	(0.1)	(3.6)	(3.6)	(3.6)	(3.6)
<b>Group EBITDA (\$m)</b>	<b>65.4</b>	<b>70.6</b>	<b>109.6</b>	<b>115.4</b>	<b>119.6</b>	<b>142.1</b>	<b>156.3</b>

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

*Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.*

*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

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