

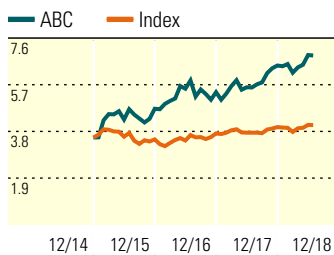
**MORNINGSTAR®**

# Adelaide Brighton Limited ABC ★★ (4:00PM 04-Jul-2018)

## Snapshot

Fair Value Uncertainty	Medium
Moat Rating	Narrow
Fair Value \$	5.50
Stewardship Rating	Standard
Market Cap \$Mil	4,509
Morningstar Style Box	
Price \$ (4:00PM 04-Jul-2018)	6.93
52 Week High/Low \$	7.05/5.47
Shares Issued Mil	651
Morningstar Sector	Basic Materials
Morningstar Industry	Building Materials
GICS Sector	Materials

## Price vs. Market



	12/16	12/17	12/18e	12/19e
NPAT (\$Mil)	186.0	197.9	233.4	242.8
EPS ¢	28.7	30.3	35.8	37.2
EPS Chg %	-10.5	5.7	17.9	4.0
DPS ¢	20.0	20.5	21.0	21.5
Franked %	100.0	100.0	100.0	100.0
Div Yld %	3.8	3.6	3.0	3.1
P/E x	18.3	19.0	19.6	18.8

Source: Morningstar estimates 01-Mar-2018.

## Profile

Adelaide Brighton Limited (ABC) is an integrated construction material and lime producing group of companies focused on the construction, engineering, infrastructure and resource sectors in Australia. ABC has three main operating divisions being: Cement, Lime, Concrete and Aggregates and Concrete Masonry Products.

## Investment Perspective by Adam Fleck 22-Feb-2017

Adelaide Brighton has delivered strong growth from exposure to strong infrastructure and residential markets. Economic conditions and consumer confidence ultimately drive private and government construction, creating volatility. Yet, a track record of controlling costs, balancing imports against local manufacturing capacity, vertical integration, selective expansions, and a prudent balance sheet help ease the burden of operating in a cyclical industry. Following the company's purchase of Central Pre-Mix Concrete, we continue to expect additional concrete or quarry acquisitions, complementing the company's vertically integrated model. Cost advantage gives Adelaide Brighton a narrow economic moat, stemming from efficient plants closely located to quarries and energy sources and access to cheap imports of clinker.

## Research Archive

Time	Date	Rating	Price \$	Event
10:55AM	04-Jul-2018	★★	7.01	
<i>Adelaide Brighton Overvalued Amid Another Monthly Fall in Housing Approvals</i>				
5:15PM	01-Mar-2018	<b>Reduce</b>	6.61	
<i>Energy Headwinds Persist, But Strong Demand Lifts FVE to AUD 5.50 for Narrow-Moat Adelaide Brighton</i>				
4:35PM	12-Jan-2018	<b>Reduce</b>	6.40	
<i>One Swallow Does Not a Summer Make for Housing, but Spring Has Arrived for Infrastructure Spending.</i>				
12:55PM	22-Dec-2017	<b>Reduce</b>	6.56	
<i>Adelaide Brighton Secures South Australian Energy Supply, but Remains Overvalued</i>				
6:15PM	17-Aug-2017	<b>Reduce</b>	5.84	
<i>Adelaide Brighton Has Tough 1H, but Outlook Positive</i>				

\$ = Price Move = Research Report

## Financials

	12/15	12/16	12/17	12/18e	12/19e
Sales Revenue (\$Mil)	1,413.1	1,396.0	1,560.0	1,654.0	1,659.6
EBITDA Margin %	25.4	22.7	20.2	24.1	24.8
EBIT (\$Mil)	280.4	238.9	232.9	317.3	330.1
EBIT Margin %	19.8	17.1	14.9	19.2	19.9
Adjusted NPAT (\$Mil)	207.8	186.0	197.9	233.4	242.8
Reported NPAT (\$Mil)	207.8	186.0	182.2	243.4	252.8
Earnings Per Share ¢	32.0	28.7	30.3	35.8	37.2
Avg no. of Shares (\$Mil)	648.7	648.7	652.8	652.8	652.8
Book Value Per Share ¢	185.7	187.7	190.8	199.1	208.3
Net Operating Cashflow (\$Mil)	193.9	193.9	193.9	279.9	304.4
Capex (\$Mil)	-74.3	-86.5	-89.1	-110.0	-89.1
Free Cash Flow (\$Mil)	158.3	192.5	78.8	198.6	243.6

## Consensus out of 3 analysts

	2017	2018e	2019e
EPS ¢	27.0	33.0	36.0
DPS ¢	25.0	23.0	25.0
Dividend Yield %	3.5	3.3	3.6

## Key Dates

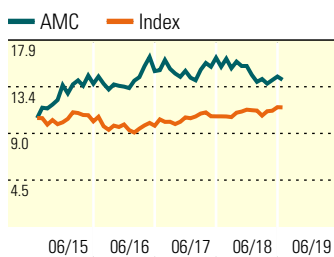
Fiscal Year End	31 Dec	AGM	17 May 2018
Listing Date	05 Jul 1960	DRIP	Suspended

# Amcor Limited AMC ★★★ (4:00PM 04-Jul-2018)

## Snapshot

Fair Value Uncertainty	Medium
Moat Rating	Narrow
Fair Value \$	14.00
Stewardship Rating	Standard
Market Cap \$Mil	16,330
Morningstar Style Box	
Price \$ (4:00PM 04-Jul-2018)	14.10
52 Week High/Low \$	16.48/13.12
Shares Issued Mil	1,158
Morningstar Sector	Consumer Cyclical
Morningstar Industry	Packaging & Containers
GICS Sector	Materials

## Price vs. Market



	06/17	06/18e	06/19e
NPAT (\$Mil)	939.9	929.3	994.9
EPS ¢	80.5	79.6	85.2
EPS Chg %	5.4	-1.1	7.1
DPS ¢	57.6	59.7	63.9
Franked %	0.0	0.0	0.0
Div Yld %	3.8	4.2	4.5
P/E x	18.8	17.9	16.7

Source: Morningstar estimates 12-Feb-2018.

## Profile

Amcor Limited (AMC) is a global packaging company with operations across Australasia, North America, Latin America, Europe and Asia. AMC offers a range of packaging related products and services, including packaging for beverages, food, healthcare, personal and homecare, tobacco, and industrial applications.

## Investment Perspective by Adam Fleck 14-Jul-2017

Amcor is a leading global packaging company, with an extensive network of packaging plants across flexible and rigid plastic packaging. The AUD 2 billion acquisition of certain Alcan packaging businesses in 2010 was well timed and significantly increased scale and diversification. The demerger in December 2013 of its Australasian paper and packaging and U.S. distribution businesses allows the company to focus on the higher-return flexibles and rigid plastics segments, as well as increasing exposure to higher-growth emerging geographic markets. The end markets supplied, such as healthcare, food, beverages, and tobacco, are defensive in nature, which lessens exposure to changes in global consumer and business activity.

## Financials

	06/17	06/18e	06/19e
Sales Revenue (\$Mil)	12,199.7	12,026.5	12,899.6
EBITDA Margin %	14.4	16.1	16.3
EBIT (\$Mil)	1,277.1	1,481.5	1,614.1
EBIT Margin %	12.0	12.3	12.5
Adjusted NPAT (\$Mil)	939.9	929.3	994.9
Reported NPAT (\$Mil)	800.3	929.3	994.9
Earnings Per Share ¢	80.5	79.6	85.2
Avg no. of Shares (\$Mil)	1,167.7	1,167.7	1,167.7
Book Value Per Share ¢	94.4	109.6	128.8
Net Operating Cashflow (\$Mil)	1,377.2	880.0	1,450.9
Capex (\$Mil)	-450.7	-548.4	-588.2
Free Cash Flow (\$Mil)	661.7	359.3	1,084.2

Consensus out of 3 analysts	2017	2018e	2019e
EPS ¢	79.0	82.0	89.0
DPS ¢	56.0	61.0	64.0
Dividend Yield %	4.0	4.3	4.5

## Research Archive

Time	Date	Rating	Price \$	Event
3:10PM	21-Jun-2018	★★★	14.11	
<i>Packaging Industry Growth Expectations Fully Packed into Share Prices</i>				
6:00PM	12-Feb-2018	Hold	14.38	
<i>Narrow-Moat Amcor Delivers EBIT Growth Despite Short-Term Revenue and Raw Material Cost Headwinds.</i>				
4:00PM	06-Feb-2018	Hold	14.24	\$
<i>Price move through trigger level</i>				
3:10PM	05-Dec-2017	Reduce	15.77	
<i>Republicans Look Close to Solving U.S. Tax Reform Puzzle</i>				
3:50PM	01-Nov-2017	Reduce	15.84	
<i>Amcor Facing Challenging Operating Environment, but Narrow Moat Should Enable Cost Pass-Through</i>				

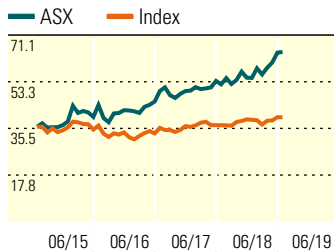
\$ = Price Move = Research Report

# ASX Limited ASX ★★ (4:00PM 04-Jul-2018)

## Snapshot

Fair Value Uncertainty	Medium
Moat Rating	Wide
Fair Value \$	48.00
Stewardship Rating	Standard
Market Cap \$Mil	12,506
Morningstar Style Box	
Price \$ (4:00PM 04-Jul-2018)	64.60
52 Week High/Low \$	65.26/51.41
Shares Issued Mil	194
Morningstar Sector	Financial Services
Morningstar Industry	Financial Exchanges
GICS Sector	Financials

## Price vs. Market



	06/16	06/17	06/18e	06/19e
NPAT (\$Mil)	424.5	431.5	454.7	474.8
EPS ¢	219.5	223.1	235.1	245.5
EPS Chg %	7.1	1.6	5.4	4.4
DPS ¢	198.1	201.8	212.0	221.0
Franked %	100.0	100.0	100.0	100.0
Div Yld %	4.8	4.1	3.3	3.4
P/E x	18.9	22.2	27.6	26.4

Source: Morningstar estimates 05-Jun-2018.

## Profile

ASX Limited (ASX) operates Australia's primary national securities exchanges. This include the provision of securities exchange services, derivatives exchange services, central counterparty clearing services, and registry, settlement, and delivery-versus-payment clearing financial products and associated ancillary services. It also provides market data services and investor education courses.

## Investment Perspective by Gareth James 02-May-2018

We expect ASX to deliver a mid-single-digit EPS CAGR over the next five years, with its wide economic moat protecting strong margins and enabling returns on invested capital to exceed the weighted average cost of capital. The capital-light business model, along with a lack of desire to undertake acquisitions, should enable strong cash conversion, a 90% dividend payout ratio, and a debt-free balance sheet. The yield nature of the stock means we expect the share price to be largely driven by bond market movements and central bank interest rates. We don't expect competition to materially undermine earnings, despite the evolving regulatory and competitive landscape. We expect long-term growth in market value to underpin EPS growth. The relatively reliable nature of earnings influences our medium fair value uncertainty rating.

## Research Archive

Time	Date	Rating	Price \$	Event
9:30AM	15-May-2018	★★	61.85	
<i>Blockchain: Disruption by Decentralization?</i>				
11:50AM	02-May-2018	★★	60.65	
<i>ASX Earnings Forecasts Maintained Despite Strong 3Q. FVE Lifted Marginally to AUD 48</i>				
8:23PM	15-Feb-2018	<b>Reduce</b>	55.93	
<i>ASX FVE Raised to AUD 47.50 Following Surprisingly Strong First-Half Result</i>				
3:00PM	07-Dec-2017	<b>Reduce</b>	56.95	
<i>ASX FVE Maintained Following Decision to Adopt Distributed Ledger Technology</i>				
10:21PM	17-Aug-2017	<b>Reduce</b>	54.43	
<i>ASX Remains Overvalued Following Fiscal 2017 Result as EPS Growth Stalls</i>				

\$ = Price Move = Research Report

## Financials

	06/15	06/16	06/17	06/18e	06/19e
Sales Revenue (\$Mil)	765.0	798.8	829.0	890.2	930.9
EBITDA Margin %	77.9	78.6	78.1	77.6	77.8
EBIT (\$Mil)	557.1	585.5	601.2	640.2	668.2
EBIT Margin %	72.8	73.3	72.5	71.9	71.8
Adjusted NPAT (\$Mil)	396.4	424.5	431.5	454.7	474.8
Reported NPAT (\$Mil)	397.8	426.2	434.1	454.7	474.8
Earnings Per Share ¢	205.0	219.5	223.1	235.1	245.5
Avg no. of Shares (\$Mil)	193.4	193.4	193.4	193.4	193.4
Book Value Per Share ¢	1,943.9	1,977.2	2,020.6	2,043.7	2,068.1
Net Operating Cashflow (\$Mil)	967.5	991.3	1,061.6	491.1	519.5
Capex (\$Mil)	-41.5	-48.4	-61.0	-33.2	-34.7
Free Cash Flow (\$Mil)	373.0	378.4	410.1	418.1	443.1

## Consensus out of 3 analysts

	2017	2018e	2019e
EPS ¢	226.0	239.0	249.0
DPS ¢	202.0	214.0	223.0
Dividend Yield %	3.1	3.3	3.5

## Key Dates

Fiscal Year End	30 Jun	AGM	26 Sep 2017
Listing Date	14 Oct 1998	DRIP	Suspended

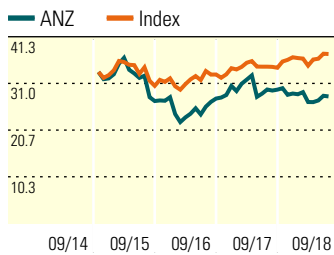
# Australia & New Zealand Banking Group Ltd ANZ

★★★ (4:00PM 04-Jul-2018)

## Snapshot

Fair Value Uncertainty	Medium
Moat Rating	Wide
Fair Value \$	30.00
Stewardship Rating	Standard
Market Cap \$Mil	81,330
Morningstar Style Box	
Price \$ (4:00PM 04-Jul-2018)	28.10
52 Week High/Low \$	30.80/26.08
Shares Issued Mil	2,894
Morningstar Sector	Financial Services
Morningstar Industry	Banks - Global
GICS Sector	Financials

## Price vs. Market



	09/16	09/17	09/18e	09/19e
NPAT (\$Mil)	6,966.0	6,938.0	6,824.9	6,788.3
EPS ¢	239.7	237.1	237.7	242.0
EPS Chg %	-7.9	-1.1	0.3	1.8
DPS ¢	160.0	160.0	160.0	162.0
Franked %	100.0	100.0	100.0	100.0
Div Yld %	6.3	5.4	5.7	5.8
P/E x	10.6	12.5	11.8	11.6

Source: Morningstar estimates 09-May-2018.

## Profile

Australia and New Zealand Banking Group Limited (ANZ) provides a range of banking and financial products and services to retail, small business, corporate and institutional clients. ANZ operates in Australia, New Zealand, Asia Pacific region, the United Kingdom and the United States. ANZ main business divisions consist of Retail, Corporate and Commercial Banking, Global Wealth and International and Institutional Banking Division.

## Investment Perspective by David Ellis 26-Jun-2018

The current ANZ Banking Group was established in 1951, but the brand and origins stretch back to 1835. The push into Asia and the well-regarded Australia and New Zealand franchise is slanted toward corporate and business banking, with increasing exposure to retail banking and wealth. ANZ Bank has failed to deliver higher returns than major bank peers as a result of the lower return Asian businesses. Designed to leverage fast-growing trade and investment flow, both within Asia, and among Asia, Australia, and New Zealand, the Asian growth strategy failed to deliver higher growth. The focus is now squarely on Australia and New Zealand, where household and business credit growth provides modest upside. We are attracted to the outlook for growth and earnings upside, but we acknowledge increasing risks and lower shareholder returns. The author's superannuation fund owns shares in all four Australian major banks.

## Research Archive

Time	Date	Rating	Price \$	Event
4:45PM	26-Jun-2018	★★★	28.45	
<i>ANZ Bank Increases On-Market Buyback as Surplus Capital Builds. No Change to AUD 30 FVE</i>				
4:40PM	30-May-2018	★★★	27.21	
<i>ANZ's Sale of OnePath Life NZ Continues Strategy of Streamlining Operations; FVE Intact at AUD 30</i>				
4:10PM	01-May-2018	★★★	27.47	
<i>ANZ's Messy 1H18 Result Broadly in Line, with Loan Quality a Highlight. FVE AUD 30 Unchanged</i>				
3:20PM	06-Mar-2018	Hold	28.39	
<i>Major Australian Bank Earnings Remain Resilient, Despite Slowing Credit Growth. FVEs Unchanged</i>				
11:55AM	20-Feb-2018	Hold	28.05	
<i>ANZ Bank's Strong Asset Quality a 1Q18 Update Highlight. FVE AUD 30 Unchanged</i>				

\$ = Price Move = Research Report

## Financials

	09/15	09/16	09/17	09/18e	09/19e
Net Interest Income (\$Mil)	14,616.0	15,064.0	14,872.0	14,329.2	14,430.6
Net Interest Margin %	2.04	1.98	1.99	1.93	1.94
Non Interest Income (\$Mil)	5,902.0	5,872.0	5,617.0	5,644.4	5,600.5
Adjusted NPAT (\$Mil)	7,216.0	6,966.0	6,938.0	6,824.9	6,788.3
Reported NPAT (\$Mil)	7,493.0	5,709.0	6,406.0	6,654.9	6,788.3
Earnings Per Share ¢	260.3	239.7	237.1	237.7	242.0
Avg no. of Shares (\$Mil)	2,772.4	2,906.2	2,926.4	2,860.4	2,794.4
Book Value Per Share ¢	2,064.9	1,989.5	2,014.7	1,905.5	1,941.0
Efficiency Ratio %	45.6	44.8	46.1	46.7	46.5
Bad Debts to Gross Loans Ratio %	0.22	0.34	0.21	0.17	0.19
Tier 1 Ratio %	11.3	11.8	12.6	12.1	11.8

## Consensus out of 4 analysts

	2017	2018e	2019e
EPS ¢	195.0	222.0	238.0
DPS ¢	160.0	161.0	164.0
Dividend Yield %	5.7	5.7	5.9

## Key Dates

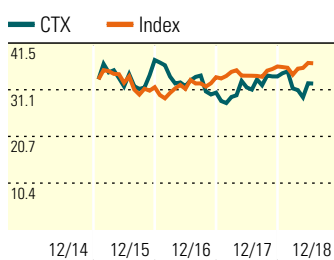
Fiscal Year End	30 Sep	AGM	19 Dec 2017
Listing Date	30 Sep 1969	DRIP	Active

# Caltex Australia Limited CTX ★★★ (4:00PM 04-Jul-2018)

## Snapshot

Fair Value Uncertainty	High
Moat Rating	None
Fair Value \$	33.50
Stewardship Rating	Standard
Market Cap \$Mil	8,469
Morningstar Style Box	
Price \$ (4:00PM 04-Jul-2018)	32.47
52 Week High/Low \$	37.02/28.44
Shares Issued Mil	261
Morningstar Sector	Energy
Morningstar Industry	Oil & Gas Refining & Marketing
GICS Sector	Energy

## Price vs. Market



	12/16	12/17	12/18e	12/19e
NPAT (\$Mil)	524.4	621.0	653.8	644.1
EPS ¢	195.7	238.1	250.7	247.0
EPS Chg %	-15.0	21.7	5.3	-1.5
DPS ¢	102.0	121.0	125.3	123.5
Franked %	100.0	100.0	100.0	100.0
Div Yld %	3.1	3.8	3.8	3.7
P/E x	16.9	13.3	13.2	13.4

Source: Morningstar estimates 13-Jun-2018.

## Profile

Caltex Australia Limited (CTX) is a transport fuel supplier, with end-to-end operations in refining, importing and marketing premium fuels and lubricants. It operates a refinery at Lytton in Brisbane. The company also operates with a myriad of subsidiaries; Caltex Australia Custodians, Caltex Australia Petroleum, Caltex Fuel Services, Petroleum Services, Hunter Pipe Line Company, B&S Distributors and Jet Fuels Petroleum Distributors.

## Investment Perspective by Mark Taylor 14-Jun-2018

Caltex has a strong competitive position in retail and distribution, with a premier 35% Australian market share of all transport fuels sold. However, the expansion of low-cost Asian refineries and dependence on premium-priced imported light sweet crude feedstock eroded refiner margins. Caltex reduced its exposure to uncompetitive refineries by closing one of its two plants in 2014. The company now rests more on its more competitive supply chain and long-term supply agreements with in-house refining meeting one third of needs. Group returns on invested capital have improved materially. The marketing segment is reliably profitable and fast-growing, and will enjoy increased cash flow for investment previously sunk into refining. However, the change is not sufficient to earn a moat. Caltex's business rests largely on its fuel supply chain, and in this space it wrestles with capable competition in BP, Shell, and Mobil.

## Research Archive

Time	Date	Rating	Price \$	Event
10:25AM	14-Jun-2018	★★★	30.57	
				<i>Caltex FVE Upgraded 3% to AUD 33.50 on Higher Supply &amp; Marketing Margin Assumption</i>
10:00PM	27-Feb-2018	Hold	36.42	
				<i>Cash Flows Impress, and We Increase Our FVE for No-Moat Caltex by 5% to AUD 32.50</i>
10:35AM	22-Dec-2017	Hold	33.96	
				<i>No-Moat Caltex Enters into Strategic Partnership in the Philippines. No Change to FVE</i>
4:00PM	19-Dec-2017	Hold	34.60	\$
				<i>Price move through trigger level</i>
2:10PM	19-Dec-2017	Reduce	34.74	
				<i>No-Moat Caltex Profit Guidance Softer than Expected But our Long-Term Assumptions Stand</i>

\$ = Price Move = Research Report

## Financials

	12/16	12/17	12/18e	12/19e
Sales Revenue (\$Mil)	17,191.2	20,533.1	22,803.7	22,827.8
EBITDA Margin %	5.9	5.6	5.4	5.4
EBIT (\$Mil)	813.5	931.4	977.7	956.2
EBIT Margin %	4.7	4.5	4.3	4.2
Adjusted NPAT (\$Mil)	524.4	621.0	653.8	644.1
Reported NPAT (\$Mil)	610.0	619.0	729.8	616.1
Earnings Per Share ¢	195.7	238.1	250.7	247.0
Avg no. of Shares (\$Mil)	268.0	260.8	260.8	260.8
Book Value Per Share ¢	1,044.0	1,186.5	1,340.9	1,453.7
Net Operating Cashflow (\$Mil)	0.0	0.0	1,077.9	1,024.6
Capex (\$Mil)	-354.2	-411.9	-505.0	-235.1
Free Cash Flow (\$Mil)	504.4	-25.1	429.1	766.2

## Consensus out of 3 analysts

	2017	2018e	2019e
EPS ¢	243.0	243.0	238.0
DPS ¢	121.0	122.0	124.0
Dividend Yield %	3.7	3.8	3.8

## Key Dates

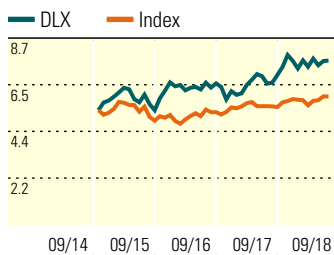
Fiscal Year End	31 Dec	AGM	10 May 2018
Listing Date	30 Jun 1981	DRIP	None

# DuluxGroup Limited DLX ★★★ (4:00PM 04-Jul-2018)

## Snapshot

Fair Value Uncertainty	Medium
Moat Rating	Narrow
Fair Value \$	7.50
Stewardship Rating	Standard
Market Cap \$Mil	2,986
Morningstar Style Box	
Price \$ (4:00PM 04-Jul-2018)	7.67
52 Week High/Low \$	8.28/6.56
Shares Issued Mil	389
Morningstar Sector	Basic Materials
Morningstar Industry	Building Materials
GICS Sector	Materials

## Price vs. Market



	09/16	09/17	09/18e	09/19e
NPAT (\$Mil)	130.4	139.8	147.0	156.7
EPS ¢	33.8	36.2	37.9	40.4
EPS Chg %	2.3	7.3	4.7	6.6
DPS ¢	24.0	26.5	28.0	29.0
Franked %	100.0	100.0	100.0	100.0
Div Yld %	3.8	4.1	3.6	3.8
P/E x	18.6	18.1	20.3	19.0

Source: Morningstar estimates 24-May-2018.

## Profile

DuluxGroup Limited (DLX) is engaged in manufacturing, marketing, selling and distribution of branded paint, coatings, adhesives, garden care and other building products to the residential home improvement, commercial and infrastructure markets across Australia, New Zealand, Papua New Guinea, China and South East Asia. DLX operates mainly in Paints and Coatings ANZ, Consumer and Construction Products, Garage Doors & Openers, Cabinet Hardware and Architectural Hardware and other businesses segments.

## Investment Perspective by Daniel Ragonese

17-May-2018

DuluxGroup is a consumer-oriented and brand-focused business, commanding healthy margins that more than adequately cover the modest capital expenditure requirements. We believe this makes the company an attractive investment that generates high free cash flow. While revenue from renovations is relatively stable, some parts of DuluxGroup are subject to cyclical shifts in consumer confidence and household expenditure. The acquisition of Alesco increased leverage to new housing activity. Input costs can be volatile, but DuluxGroup can generally pass those costs through, particularly in paints.

## Research Archive

Time	Date	Rating	Price \$	Event
5:00PM	17-May-2018	★★★	7.87	
<i>Dulux's Continued Market Share Gains Paint a Pretty Picture for the Remainder of Fiscal 2018</i>				
5:15PM	16-Mar-2018	Hold	7.67	
<i>Dulux Well-Placed to Continue Riding Bunnings' Coat Tails for the Foreseeable Future</i>				
6:40PM	15-Nov-2017	Hold	8.00	
<i>It's Not Just About Paint; Strength Across All Divisions Drives 7% FVE Increase for Dulux</i>				
4:00PM	15-Nov-2017	Reduce	8.00	\$
<i>Price move through trigger level</i>				
5:29PM	14-Jul-2017	Hold	6.90	
<i>Transfer of Analyst Coverage of DuluxGroup</i>				

\$ = Price Move = Research Report

## Financials

	09/16	09/17	09/18e	09/19e
Sales Revenue (\$Mil)	1,716.1	1,784.5	1,866.3	1,954.3
EBITDA Margin %	13.6	13.8	14.4	14.5
EBIT (\$Mil)	201.1	214.2	225.7	239.8
EBIT Margin %	11.7	12.0	12.1	12.3
Adjusted NPAT (\$Mil)	130.4	139.8	147.0	156.7
Reported NPAT (\$Mil)	130.4	139.8	147.0	156.7
Earnings Per Share ¢	33.8	36.2	37.9	40.4
Avg no. of Shares (\$Mil)	386.0	386.0	387.7	387.7
Book Value Per Share ¢	94.4	106.4	115.8	127.3
Net Operating Cashflow (\$Mil)	144.9	166.0	212.5	179.0
Capex (\$Mil)	-57.1	-95.5	-60.0	-33.2
Free Cash Flow (\$Mil)	81.3	79.2	163.1	156.5

## Consensus out of 3 analysts

	2017	2018e	2019e
EPS ¢	37.0	38.0	40.0
DPS ¢	27.0	28.0	30.0
Dividend Yield %	3.5	3.7	3.9

## Key Dates

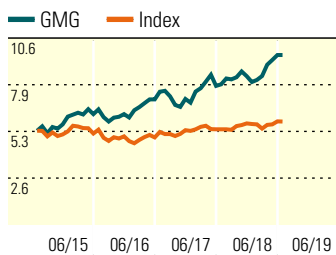
	30 Sep	AGM	21 Dec 2017
Fiscal Year End			
Listing Date	12 Jul 2010	DRIP	Active

# Goodman Group GMG ★★★ (4:00PM 04-Jul-2018)

## Snapshot

Fair Value Uncertainty	Medium
Moat Rating	Narrow
Fair Value \$	8.90
Stewardship Rating	Standard
Market Cap \$Mil	17,323
Morningstar Style Box	
Price \$ (4:00PM 04-Jul-2018)	9.62
52 Week High/Low \$	10.00/7.57
Shares Issued Mil	1,801
Morningstar Sector	Real Estate
Morningstar Industry	REIT - Diversified
GICS Sector	Real Estate

## Price vs. Market



	06/16	06/17	06/18e	06/19e
NPAT (\$Mil)	714.5	776.0	840.9	895.4
EPS ¢	39.5	42.1	45.4	48.2
EPS Chg %	7.5	6.6	8.0	5.9
DPS ¢	24.0	25.9	28.0	30.0
Franked %	0.0	0.0	0.0	0.0
Div Yld %	3.8	3.5	2.9	3.1
P/E x	16.2	17.7	21.3	20.1

Source: Morningstar estimates 18-Mar-2018.

## Profile

Goodman Group (GMG) is an integrated property group with operations throughout Australia, New Zealand, Asia, Europe, the United Kingdom, North America and Brazil. GMG comprised of the stapled entities Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited. GMG operates four divisions namely Property Investment, Fund Management, Property Services and Property Development.

## Investment Perspective by Tony Sherlock 19-Mar-2018

The substantial yield premium on high-quality industrial property to bonds is a key factor behind strong institutional demand for Goodman-developed product. With an outlook for interest rates to reach exceptionally low levels, we expect sustained institutional demand for industrial property. Goodman has strong growth prospects, but asset value risks are evident. Recent rises in industrial asset values have been facilitated by sharply lower interest rates, particularly given that rent growth rates have stabilised in most regions. The inevitable reversion to long-term average borrowing rates in outer years could weigh heavily on industrial property values, reflecting the dual impact of capitalisation-rate expansion and softer commercial demand for industrial space. This ever-present risk highlights the importance of premium product and financially sound tenants, a key attribute of the Goodman investment vehicles.

## Research Archive

Time	Date	Rating	Price \$	Event
3:50PM	19-Mar-2018	★★★	8.53	
<i>We Upgrade Development Profile and Goodman FVE to AUD 8.90</i>				
7:00PM	14-Feb-2018	Hold	8.03	
<i>Goodman Weaves Magic of Growth Without the Gearing. FVE Raised to AUD 8.30</i>				
11:30AM	14-Nov-2017	Hold	8.73	
<i>Pushing More Development to Goodman Partnerships Could Be a Long-Term Catalyst</i>				
4:54PM	20-Sep-2017	Hold	8.18	
<i>The Trend Is Your Friend; Goodman's FVE Raised to AUD 8.20</i>				
3:50PM	22-Aug-2017	Hold	8.54	
<i>Rotation to Better Assets Is Paying Dividends for Goodman. FVE Increases to AUD 8.00</i>				

\$ = Price Move = Research Report

## Financials

	06/15	06/16	06/17	06/18e	06/19e
Sales Revenue (\$Mil)	1,616.9	2,123.4	2,113.0	2,285.9	2,366.9
EBITDA Margin %	41.6	38.6	38.9	38.1	38.2
EBIT (\$Mil)	666.1	811.8	812.6	862.8	893.9
EBIT Margin %	44.4	41.4	42.5	40.6	40.5
Adjusted NPAT (\$Mil)	653.5	714.5	776.0	840.9	895.4
Reported NPAT (\$Mil)	1,208.0	1,274.6	778.1	775.9	830.4
Earnings Per Share ¢	36.7	39.5	42.1	45.4	48.2
Avg no. of Shares (\$Mil)	1,780.2	1,809.8	1,844.1	1,849.9	1,859.6
Book Value Per Share ¢	396.0	445.8	449.9	464.3	478.3
Net Operating Cashflow (\$Mil)	654.7	830.1	586.4	843.7	943.4
Capex (\$Mil)	-62.2	-111.8	-5.2	166.2	164.3
Free Cash Flow (\$Mil)	1,133.1	1,699.2	1,454.4	1,345.7	823.1

## Consensus out of 3 analysts

	2017	2018e	2019e
EPS ¢	37.0	46.0	49.0
DPS ¢	26.0	28.0	30.0
Dividend Yield %	2.7	2.9	3.1

## Key Dates

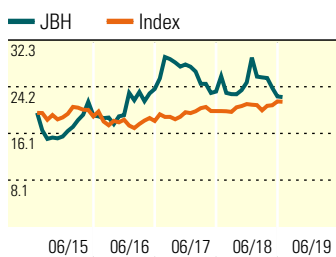
Fiscal Year End	30 Jun	AGM	16 Nov 2017
Listing Date	02 Feb 2005	DRIP	Suspended

# JB Hi-Fi Limited JBH ★★★ (4:00PM 04-Jul-2018)

## Snapshot

Fair Value Uncertainty	High
Moat Rating	None
Fair Value \$	23.00
Stewardship Rating	Standard
Market Cap \$Mil	2,575
Morningstar Style Box	
Price \$ (4:00PM 04-Jul-2018)	22.41
52 Week High/Low \$	29.47/21.64
Shares Issued Mil	115
Morningstar Sector	Consumer Cyclical
Morningstar Industry	Specialty Retail
GICS Sector	Consumer Discretionary

## Price vs. Market



	06/16	06/17	06/18e	06/19e
NPAT (\$Mil)	152.8	207.8	230.0	249.7
EPS ¢	150.8	184.4	199.3	216.4
EPS Chg %	8.5	22.2	8.1	8.6
DPS ¢	100.0	118.0	131.0	142.0
Franked %	100.0	100.0	100.0	100.0
Div Yld %	4.9	4.5	5.8	6.2
P/E x	13.6	14.3	11.4	10.5

Source: Morningstar estimates 09-May-2018.

## Profile

JB Hi-Fi Limited (JBH) is a specialty discount retailer of branded home entertainment products. The Group's products particularly focus on consumer electronics, software (including music, games and movies), whitegoods and appliances. The company primarily operates from standalone destination sites and shopping centre locations and its online stores in Australia and New Zealand.

## Investment Perspective by Johannes Faul 29-Jun-2016

JB Hi-Fi operates more than 300 electrical and white-goods stores across Australia and New Zealand under The Good Guys and JB Hi-Fi brands. Despite the absence of an economic moat, the business has proven to be very resilient, trading strongly throughout the financial crisis as the younger target demographic continued to spend on entertainment. The industry is constantly developing new gadgets and products, which drive organic growth. Investment risk is high because uncertainty surrounds the pace of structural change to the retail industry as consumers increasingly purchase products online.

## Research Archive

Time	Date	Rating	Price \$	Event
6:05PM	02-May-2018	★★★	23.28	
<i>The Good Guys Are Not So Good for JB Hi-Fi</i>				
<i>Group's Margins</i>				
4:00PM	23-Mar-2018	★★★	25.59	\$
<i>Price move through trigger level</i>				
6:05PM	12-Feb-2018	<b>Reduce</b>	25.86	
<i>JB Hi-Fi's Stellar Sales Growth Didn't Translate to Higher Margins, Leaving Investors Underwhelmed</i>				
4:00PM	09-Jan-2018	<b>Reduce</b>	27.35	\$
<i>Price move through trigger level</i>				
5:35PM	26-Oct-2017	<b>Hold</b>	23.53	
<i>JB Hi-Fi's Sales Growth Slows, but Remains On Track to Hit Guidance; FVE Unchanged at AUD 23</i>				

\$ = Price Move = Research Report

## Financials

	06/15	06/16	06/17	06/18e	06/19e
Sales Revenue (\$Mil)	3,652.1	3,954.5	5,628.0	6,850.0	7,257.5
EBITDA Margin %	6.6	6.6	6.1	6.1	6.2
EBIT (\$Mil)	200.9	221.2	290.6	350.6	378.5
EBIT Margin %	5.5	5.6	5.4	5.1	5.2
Adjusted NPAT (\$Mil)	137.6	152.8	207.8	230.0	249.7
Reported NPAT (\$Mil)	136.5	152.2	172.4	230.0	249.7
Earnings Per Share ¢	139.0	150.8	184.4	199.3	216.4
Avg no. of Shares (\$Mil)	99.0	101.3	112.7	115.4	115.4
Book Value Per Share ¢	347.0	399.5	757.3	862.1	933.9
Net Operating Cashflow (\$Mil)	179.9	185.1	190.6	299.9	303.4
Capex (\$Mil)	-42.5	-52.3	-49.1	-82.1	-76.5
Free Cash Flow (\$Mil)	141.7	135.5	-688.8	172.2	242.2

## Consensus out of 4 analysts

	2017	2018e	2019e
EPS ¢	187.0	199.0	202.0
DPS ¢	118.0	131.0	132.0
Dividend Yield %	5.3	5.8	5.9

## Key Dates

	30 Jun	AGM	26 Oct 2017
Fiscal Year End			
Listing Date	23 Oct 2003	DRIP	None

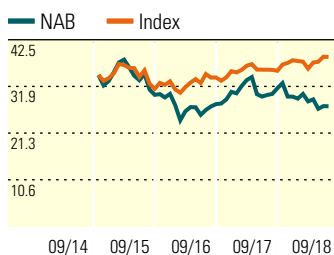
# National Australia Bank Limited NAB

★★★★ (4:00PM 04-Jul-2018)

## Snapshot

Fair Value Uncertainty	Medium
Moat Rating	Wide
Fair Value \$	32.00
Stewardship Rating	Standard
Market Cap \$Mil	74,555
Morningstar Style Box	
Price \$ (4:00PM 04-Jul-2018)	27.38
52 Week High/Low \$	32.98/25.90
Shares Issued Mil	2,723
Morningstar Sector	Financial Services
Morningstar Industry	Banks - Global
GICS Sector	Financials

## Price vs. Market



	09/16	09/17	09/18e	09/19e
NPAT (\$Mil)	6,483.0	6,642.0	6,450.4	6,836.8
EPS ¢	235.3	239.5	231.8	244.7
EPS Chg %	3.4	1.8	-3.2	5.6
DPS ¢	198.0	198.0	198.0	198.0
Franked %	100.0	100.0	100.0	100.0
Div Yld %	7.2	6.5	7.1	7.1
P/E x	11.7	12.7	12.0	11.3

Source: Morningstar estimates 09-May-2018.

## Profile

National Australia Bank Limited (NAB) is a financial services group that provides a comprehensive and integrated range of banking and financial services including wealth management throughout Australia and New Zealand, with branches located in Asia, the United Kingdom (UK) and the United States (US).

## Investment Perspective by David Ellis 03-May-2018

National Australia Bank is one of four major banks and is Australia's biggest business bank. The Clydesdale demerger completed in February 2016 with the core and profitable Australian and New Zealand commercial and retail banking franchises now the sole focus. CEO Andrew Thorburn and senior management have started the business optimisation process and we expect consistent, high-quality earnings going forward, erasing previous disappointments and rebuilding investor confidence. Good revenue and volume growth, tight cost control and improved return on equity will feature. The share price has recovered relative to peers from a long period of underperformance. The bank has substantial exposure to the business sector, with 45% of earnings from business banking, and is well placed to take advantage of the recovery in demand for business credit. The author's retirement fund owns shares in all four Australian major banks.

## Financials

	09/15	09/16	09/17	09/18e	09/19e
Net Interest Income (\$Mil)	14,017.0	12,912.0	13,166.0	13,213.1	13,755.6
Net Interest Margin %	1.87	1.88	1.92	1.87	1.89
Non Interest Income (\$Mil)	5,281.0	4,492.0	4,729.0	4,870.9	5,093.7
Adjusted NPAT (\$Mil)	5,839.0	6,483.0	6,642.0	6,450.4	6,836.8
Reported NPAT (\$Mil)	6,338.0	352.0	5,285.0	5,425.4	6,836.8
Earnings Per Share ¢	227.6	235.3	239.5	231.8	244.7
Avg no. of Shares (\$Mil)	2,565.4	2,755.3	2,773.1	2,783.4	2,793.7
Book Value Per Share ¢	2,163.2	1,861.6	1,850.2	1,609.2	1,889.5
Efficiency Ratio %	52.2	43.3	43.2	45.5	43.6
Bad Debts to Gross Loans Ratio %	0.15	0.14	0.15	0.13	0.17
Tier 1 Ratio %	12.4	12.2	12.4	13.6	13.6

## Consensus out of 5 analysts

	2017	2018e	2019e
EPS ¢	239.0	218.0	240.0
DPS ¢	198.0	198.0	198.0
Dividend Yield %	7.2	7.2	7.2

## Research Archive

Time	Date	Rating	Price \$	Event
4:00PM	15-May-2018	★★★★	27.52	\$
<i>Price move through trigger level</i>				
2:00PM	03-May-2018	★★★	29.58	
<i>NAB's 1H18 Profit Flat. Confirms Wealth Business</i>				
<i>Sell-Off by End 2019. FVE AUD 32 Unchanged</i>				
2:45PM	23-Apr-2018	★★★	28.37	
<i>NAB Confirms Significant Restructuring Costs, but Payoff a Long Way Off. FVE AUD 32 Unchanged</i>				
3:20PM	06-Mar-2018	Hold	29.92	
<i>Major Australian Bank Earnings Remain Resilient, Despite Slowing Credit Growth. FVEs Unchanged</i>				
1:05PM	08-Feb-2018	Hold	28.24	
<i>No Surprises in NAB's 1Q18 Trading Update. AUD 32 FVE Unchanged</i>				

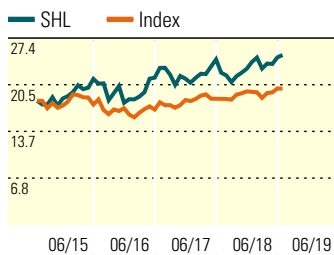
\$ = Price Move = Research Report

# Sonic Healthcare Limited SHL ★★★ (4:00PM 04-Jul-2018)

## Snapshot

Fair Value Uncertainty	Medium
Moat Rating	Narrow
Fair Value \$	24.00
Stewardship Rating	Standard
Market Cap \$Mil	10,562
Morningstar Style Box	
Price \$ (4:00PM 04-Jul-2018)	24.87
52 Week High/Low \$	25.34/20.60
Shares Issued Mil	425
Morningstar Sector	Healthcare
Morningstar Industry	Medical Care
GICS Sector	Health Care

## Price vs. Market



	06/16	06/17	06/18e	06/19e
NPAT (\$Mil)	450.8	427.5	469.5	523.8
EPS ¢	109.2	102.0	111.9	124.8
EPS Chg %	21.4	-6.5	9.7	11.5
DPS ¢	74.0	77.0	78.0	87.0
Franked %	45.0	20.0	20.0	20.0
Div Yld %	3.8	3.5	3.2	3.5
P/E x	17.9	21.5	22.1	19.8

Source: Morningstar estimates 29-Jun-2018.

## Profile

Sonic Healthcare Limited (SHL) is an international medical diagnostics company, offering laboratory medicine/pathology and radiology services to the medical community. The company is structured as a decentralized federation of medically-led diagnostic practices, with the head office in Sydney, Australia. SHL provides the services and infrastructure in eight countries: Australia; New Zealand; the UK; Germany; Switzerland; Belgium; Ireland; and the USA.

## Investment Perspective by Chris Kallos, CFA

29-Jun-2018

During the past two decades, Sonic has built a dominant position in the Australian medical diagnostics market; it is now the largest Australian pathology laboratory operator. This scale gives it a significant cost advantage, the primary source of its narrow economic moat. Sonic invested heavily throughout the six years to 2011 to establish critical mass in the U.S. and European pathology markets. The firm is now generating synergies from acquired businesses, the same strategy it implemented so successfully in Australia. We expect steady realisation of synergies in the U.S. and European markets to gradually boost margins for many years and help drive EPS growth of about 10% during the next five years. Several dynamics underpin pathology test volume globally, including ageing populations, the economic benefits of preventative medicine, and ongoing innovation in pathology testing technology.

## Research Archive

Time	Date	Rating	Price \$	Event
4:20PM	29-Jun-2018	★★★	24.53	
				<i>Medicare Indexation Freeze Ends as the New Fiscal Year Begins; Maintaining FVE for Sonic Healthcare</i>
9:35AM	16-Feb-2018	Hold	23.77	
				<i>Sonic Delivers Solid Interim Result, but Fee Cuts in Germany Back on The Radar</i>
12:55PM	22-Dec-2017	Hold	23.09	
				<i>U.S. Medicare Fee Changes Face Increasing Industry Pressure; Maintaining FVE for Sonic</i>
4:00PM	29-Nov-2017	Hold	22.35	\$
				<i>Price move through trigger level</i>
4:00PM	04-Oct-2017	Accumulate	20.74	\$
				<i>Price move through trigger level</i>

\$ = Price Move = Research Report

## Financials

	06/16	06/17	06/18e	06/19e
Sales Revenue (\$Mil)	5,013.0	5,119.0	5,404.5	5,715.7
EBITDA Margin %	17.6	17.0	17.6	18.1
EBIT (\$Mil)	660.1	640.7	712.5	782.1
EBIT Margin %	13.2	12.5	13.2	13.7
Adjusted NPAT (\$Mil)	450.8	427.5	469.5	523.8
Reported NPAT (\$Mil)	450.8	427.5	469.5	523.8
Earnings Per Share ¢	109.2	102.0	111.9	124.8
Avg no. of Shares (\$Mil)	412.9	419.0	419.5	419.8
Book Value Per Share ¢	887.1	914.0	949.6	986.7
Net Operating Cashflow (\$Mil)	707.7	707.7	604.2	764.4
Capex (\$Mil)	-322.4	-336.9	-162.1	-171.5
Free Cash Flow (\$Mil)	-66.6	31.7	391.4	541.7

## Consensus out of 3 analysts

	2017	2018e	2019e
EPS ¢	105.0	111.0	120.0
DPS ¢	77.0	79.0	85.0
Dividend Yield %	3.1	3.2	3.4

## Key Dates

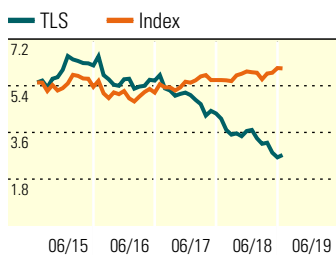
Fiscal Year End	30 Jun	AGM	22 Nov 2017
Listing Date	30 Apr 1987	DRIP	Suspended

# Telstra Corporation Limited TLS ★★★★★ (4:00PM 04-Jul-2018)

## Snapshot

Fair Value Uncertainty	Medium
Moat Rating	Narrow
Fair Value \$	4.40
Stewardship Rating	Standard
Market Cap \$Mil	32,231
Morningstar Style Box	
Price \$ (4:00PM 04-Jul-2018)	2.71
52 Week High/Low \$	4.42/2.60
Shares Issued Mil	11,893
Morningstar Sector	Communication Services
Morningstar Industry	Telecom Services
GICS Sector	Telecommunication Services

## Price vs. Market



	06/16	06/17	06/18e	06/19e
NPAT (\$Mil)	4,009.0	3,891.0	3,251.9	2,511.4
EPS ¢	32.8	32.5	27.3	21.1
EPS Chg %	-0.2	-1.0	-15.8	-22.8
DPS ¢	31.0	31.0	22.0	15.0
Franked %	100.0	100.0	100.0	100.0
Div Yld %	5.6	6.3	8.2	5.6
P/E x	17.0	15.2	9.8	12.7

Source: Morningstar estimates 20-Jun-2018.

## Profile

Telstra Corporation Limited (TLS) is a provider of telecommunications and information products and services through its Australian and offshore operations. TLS has a range of businesses namely fixed broadband, mobile, data and IP, network application & services (NAS), digital media and international.

## Investment Perspective by Brian Han 20-Jun-2018

Telstra is the dominant player in the Australian telecom industry. It is the clear market share leader in fixed voice, broadband and mobile services. Telstra's mobile unit benefits from a network quality advantage that underpins a 48% subscriber market share position. Government investment in the national broadband network, or NBN, will change the structure of the fixed broadband market. How management plugs the expected AUD 3 billion EBITDA hole to be inflicted by the NBN is the key long term issue facing investors, with significant bearing on sustainability of current dividends. Gearing is conservative and the group has a good track record of extracting productivity benefits and replacing lost earnings. However, TPG Telecom's planned entry into the mobile market will raise competition to another level, further underscoring the importance of cost-cuts and pursuing new growth opportunities.

## Financials

	06/15	06/16	06/17	06/18e	06/19e
Sales Revenue (\$Mil)	26,112.0	25,934.0	25,912.0	29,230.9	29,042.1
EBITDA Margin %	40.3	41.2	41.1	34.4	31.5
EBIT (\$Mil)	6,540.0	6,541.0	6,206.0	5,443.0	4,437.2
EBIT Margin %	25.0	25.2	24.0	18.6	15.3
Adjusted NPAT (\$Mil)	4,040.0	4,009.0	3,891.0	3,251.9	2,511.4
Reported NPAT (\$Mil)	4,231.0	5,780.0	3,891.0	3,041.9	2,091.4
Earnings Per Share ¢	32.9	32.8	32.5	27.3	21.1
Avg no. of Shares (\$Mil)	12,280.0	12,216.0	11,979.0	11,893.3	11,893.3
Book Value Per Share ¢	114.8	129.9	121.4	125.8	128.4
Net Operating Cashflow (\$Mil)	7,746.0	7,486.0	7,040.0	7,413.4	7,239.2
Capex (\$Mil)	-5,102.0	-4,194.0	-5,321.0	-5,542.4	-4,475.5
Free Cash Flow (\$Mil)	2,651.1	5,566.7	3,048.4	2,496.9	3,427.4

## Consensus out of 5 analysts

	2017	2018e	2019e
EPS ¢	34.0	29.0	27.0
DPS ¢	31.0	22.0	18.0
Dividend Yield %	11.4	8.1	6.8

## Research Archive

Time	Date	Rating	Price \$	Event
4:35PM	20-Jun-2018	★★★★★	2.77	
<i>Disruption is the New Black, as Telstra Is Jolted into Action</i>				
3:20PM	14-May-2018	★★★★★	3.08	
<i>Mobile and Data Hurting Telstra</i>				
9:55AM	07-May-2018	★★★★★	3.24	
<i>The Meaning of a Dataful Life for Telstra</i>				
4:00PM	20-Apr-2018	★★★★★	3.08	\$
<i>Price move through trigger level</i>				
1:40PM	15-Feb-2018	<b>Accumulate</b>	3.43	
<i>Telstra Dials Up 'Self Help' Measures to Combat Competitive and Margin Pressures</i>				

\$ = Price Move = Research Report

## Key Dates

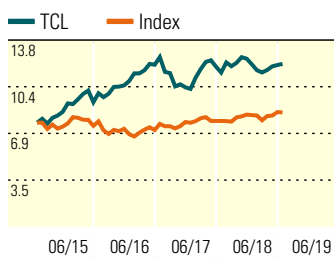
Fiscal Year End	30 Jun	AGM	17 Oct 2017
Listing Date	17 Nov 1997	DRIP	Suspended

# Transurban Group TCL ★★★ (4:00PM 04-Jul-2018)

## Snapshot

Fair Value Uncertainty	Medium
Moat Rating	Wide
Fair Value \$	11.50
Stewardship Rating	Standard
Market Cap \$Mil	26,808
Morningstar Style Box	
Price \$ (4:00PM 04-Jul-2018)	12.05
52 Week High/Low \$	13.11/10.97
Shares Issued Mil	2,225
Morningstar Sector	Industrials
Morningstar Industry	Infrastructure Operations
GICS Sector	Industrials

## Price vs. Market



	06/16	06/17	06/18e	06/19e
NPAT (\$Mil)	177.8	239.0	415.4	479.8
EPS ¢	9.0	11.7	19.6	21.8
EPS Chg %	71.0	30.7	67.0	11.1
DPS ¢	45.5	51.5	56.0	60.0
Franked %	15.4	13.6	5.0	6.0
Div Yld %	4.3	4.6	4.6	4.9
P/E x	117.9	96.1	62.2	56.0

Source: Morningstar estimates 23-Mar-2018.

## Profile

Transurban Group (TCL) manages and develops urban toll road networks in Australia and the United States of America. Company engage in the development, operation, maintenance and financing of toll road networks as well as management of the associated customer and client relationships. Company have 13 roads in Australian portfolio and in US company have 2 roads in the state of Virginia, both in Washington DC area.

## Investment Perspective by Adrian Atkins 13-Feb-2018

Transurban Group is a leading toll road owner/operator, with a portfolio of assets on the Eastern seaboard of Australia and in Virginia, U.S. Concession lives are fixed, with toll roads handed back to their respective governments debt-free at the end of the concession. The weighted average concession life of the portfolio is around 30 years. Under the leadership of Scott Charlton, Transurban has aggressively expanded its portfolio through a combination of acquisitions and greenfield projects. Toll roads have high barriers to entry and benefit from rising traffic volumes and tolls, which increase in line with the consumer price index or higher. Transurban is a stapled security, with a considerable portion of its net cash flows distributed to security holders pretax. The objective is to cash-cover and increase distributions; we project a five-year high-single-digit CAGR in distributions

## Research Archive

Time	Date	Rating	Price \$	Event
11:20AM	01-May-2018	★★★	11.60	
<i>Transurban's Investor Day Highlights Growth Potential and Higher Costs</i>				
5:40PM	16-Apr-2018	★★★	11.25	
<i>Transurban Tracking In Line With Expectations; No Change to FVE</i>				
4:45PM	23-Mar-2018	★★★	11.05	
<i>Transurban Secures a Beachhead in Montreal; No change to FVE</i>				
5:45PM	13-Feb-2018	Hold	11.33	
<i>Higher Costs Mar an Otherwise Strong 1H for Transurban</i>				
1:40PM	11-Jan-2018	Hold	11.97	
<i>Transurban Lines up Another Attractive Development. AUD 11.50 FVE Unchanged</i>				

\$ = Price Move = Research Report

## Financials

	06/15	06/16	06/17	06/18e	06/19e
Sales Revenue (\$Mil)	1,860.0	2,210.0	2,732.0	2,337.9	2,585.9
EBITDA Margin %	43.0	57.2	56.8	75.4	75.2
EBIT (\$Mil)	248.0	681.0	923.0	1,123.4	1,272.4
EBIT Margin %	36.4	36.7	34.0	48.0	49.2
Adjusted NPAT (\$Mil)	100.3	177.8	239.0	415.4	479.8
Reported NPAT (\$Mil)	-182.0	99.0	239.0	415.4	479.8
Earnings Per Share ¢	5.2	9.0	11.7	19.6	21.8
Avg no. of Shares (\$Mil)	1,910.0	1,978.8	2,035.5	2,118.9	2,202.2
Book Value Per Share ¢	313.9	326.4	285.3	327.3	276.7
Net Operating Cashflow (\$Mil)	304.0	910.0	837.0	892.6	1,154.5
Capex (\$Mil)	-77.0	-78.0	-1,122.0	-2,667.7	-1,985.7
Free Cash Flow (\$Mil)	-5,567.2	-1,797.8	994.7	-851.7	24.3

## Consensus out of 3 analysts

	2017	2018e	2019e
EPS ¢	12.0	20.0	22.0
DPS ¢	52.0	56.0	61.0
Dividend Yield %	4.3	4.7	5.1

## Key Dates

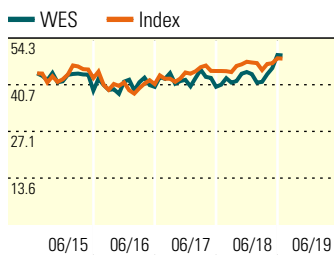
Fiscal Year End	30 Jun	AGM	12 Oct 2017
Listing Date	15 Mar 1996	DRIP	Active

# Wesfarmers Limited WES ★★ (4:00PM 04-Jul-2018)

## Snapshot

Fair Value Uncertainty	Medium
Moat Rating	Narrow
Fair Value \$	37.50
Stewardship Rating	Exemplary
Market Cap \$Mil	55,830
Morningstar Style Box	
Price \$ (4:00PM 04-Jul-2018)	49.24
52 Week High/Low \$	50.00/40.01
Shares Issued Mil	1,134
Morningstar Sector	Consumer Defensive
Morningstar Industry	Grocery Stores
GICS Sector	Consumer Staples

## Price vs. Market



	06/16	06/17	06/18e	06/19e
NPAT (\$Mil)	2,353.0	2,873.0	2,847.4	2,926.5
EPS ¢	209.2	254.2	251.1	258.1
EPS Chg %	-3.0	21.6	-1.2	2.8
DPS ¢	186.0	223.0	221.0	219.0
Franked %	100.0	100.0	100.0	100.0
Div Yld %	4.6	5.2	4.5	4.4
P/E x	19.4	16.7	19.8	19.2

Source: Morningstar estimates 31-May-2018.

## Profile

Wesfarmers Limited (WES) is a diversified business operating supermarkets, department stores, home improvement and office supplies, resources, chemicals, energy and fertilisers, and industrials and safety products. WES is headquartered in Western Australia.

## Investment Perspective by Johannes Faul 22-Dec-2017

Wesfarmers' diversified portfolio provides exposure to many segments of the Australian economy. In fiscal 2017, more than 90% of group revenue was consumer-related. The contribution to group EBIT from these operations is also above 90%. Other operations provide exposure to resources, coal mining, agriculture, and industrial gases. Wesfarmers is Australia's largest private-sector employer, with more than 200,000 employees. We believe Wesfarmers has a narrow moat, which is sourced from cost advantages derived from its significant retail scale. Return on equity is affected by dilutive equity issues associated with the acquisition of Coles in 2008, along with the company's significant goodwill, but return on invested capital (excluding goodwill) comfortably exceeds the cost of capital.

## Research Archive

Time	Date	Rating	Price \$	Event
9:35AM	08-Jun-2018	★★	46.48	
<i>Wesfarmers Sees the Light and Ramps Up Investments in Technology; FVE Unchanged at AUD 37.50</i>				
10:40AM	29-May-2018	★★	45.13	
<i>Wesfarmers' Demerger of Coles Opens Up New Possibilities, but Stops Short of Materially Adding Value</i>				
3:55PM	25-May-2018	★★	45.11	
<i>Wesfarmers Cuts Homebase Loose and Transfers Lease Obligations. FVE Unchanged at AUD 37.50</i>				
7:50PM	26-Apr-2018	★★	43.13	
<i>Wesfarmers' Supermarket Sales Improve, but Coles Still Losing Market Share</i>				
10:20AM	19-Mar-2018	★★	43.80	
<i>Wesfarmers's Demerging of Coles Has Positives, But our DCF-Based FVE Is Unmoved</i>				

\$ = Price Move = Research Report

## Financials

	06/15	06/16	06/17	06/18e	06/19e
Sales Revenue (\$Mil)	62,447.0	65,981.0	68,444.0	70,647.8	69,282.6
EBITDA Margin %	8.0	4.0	8.3	7.9	7.9
EBIT (\$Mil)	3,759.0	1,346.0	4,402.0	2,877.5	4,301.9
EBIT Margin %	6.1	5.3	6.5	6.0	6.3
Adjusted NPAT (\$Mil)	2,440.0	2,353.0	2,873.0	2,847.4	2,926.5
Reported NPAT (\$Mil)	2,440.0	407.0	2,873.0	1,247.2	2,926.5
Earnings Per Share ¢	215.7	209.2	254.2	251.1	258.1
Avg no. of Shares (\$Mil)	1,131.0	1,125.0	1,130.0	1,133.8	1,133.8
Book Value Per Share ¢	2,191.1	2,039.9	2,118.7	2,000.5	2,039.6
Net Operating Cashflow (\$Mil)	3,791.0	3,365.0	4,943.2	4,193.7	4,291.0
Capex (\$Mil)	-2,239.0	-1,899.0	-1,681.0	-1,624.9	-1,662.8
Free Cash Flow (\$Mil)	1,429.2	-1,155.2	3,703.3	3,395.8	2,757.3

## Consensus out of 4 analysts

	2017	2018e	2019e
EPS ¢	261.0	247.0	259.0
DPS ¢	223.0	217.0	219.0
Dividend Yield %	4.5	4.4	4.5

## Key Dates

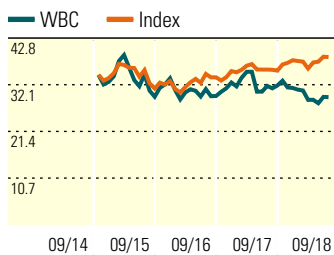
Fiscal Year End	30 Jun	AGM	13 Oct 2017
Listing Date	15 Nov 1984	DRIP	Active

# Westpac Banking Corporation WBC ★★★★★ (4:00PM 04-Jul-2018)

## Snapshot

Fair Value Uncertainty	Medium
Moat Rating	Wide
Fair Value \$	35.00
Stewardship Rating	Exemplary
Market Cap \$Mil	100,133
Morningstar Style Box	
Price \$ (4:00PM 04-Jul-2018)	29.25
52 Week High/Low \$	33.68/27.24
Shares Issued Mil	3,423
Morningstar Sector	Financial Services
Morningstar Industry	Banks - Global
GICS Sector	Financials

## Price vs. Market



	09/16	09/17	09/18e	09/19e
NPAT (\$Mil)	7,822.0	8,062.0	8,424.8	8,740.9
EPS ¢	235.5	239.7	247.5	253.8
EPS Chg %	-5.6	1.8	3.3	2.5
DPS ¢	188.0	188.0	188.0	190.0
Franked %	100.0	100.0	100.0	100.0
Div Yld %	6.2	5.9	6.4	6.5
P/E x	12.9	13.4	11.9	11.6

Source: Morningstar estimates 09-May-2018.

## Profile

Westpac Banking Corporation (WBC) is Australia's oldest banking and financial services group, with branches and operations throughout Australia, New Zealand and the near Pacific region as well as offices in key financial centres around the world including London, New York, Hong Kong and Singapore. The Group is organised in the following 5 Key Divisions: Consumer Bank, Commercial and Business Bank, BT Financial Group, Westpac Institutional Bank and Westpac New Zealand. Its serves nearly 13 million customers.

## Investment Perspective by David Ellis 07-May-2018

Westpac Banking Corporation is Australia's oldest bank, marking 200 years in 2017. Certain commentators view Westpac's successful home-loan growth strategy as a key weakness, but we argue that it is a core strength. Investor concerns, centred on the large exposure to residential mortgages, are overdone. The high-profile multibrand franchise in Australia and New Zealand is slanted towards retail banking, but retains meaningful exposure to the wealth, corporate, and institutional sectors. We see solid earnings upside potential, with international investors continuing to focus too much attention on negative short-term issues. A strong balance sheet, peer-leading loan quality, and impressive returns on equity underpin a solid earnings outlook. The author's retirement fund owns shares in all four Australian major banks.

## Research Archive

Time	Date	Rating	Price \$	Event
3:56PM	07-May-2018	★★★★	29.10	
<i>Westpac Bank Surprises with a Stronger Than Expected 1H18 Profit. FVE AUD 35 Unchanged</i>				
5:30PM	23-Apr-2018	★★★★	28.86	
<i>A Modest Increase in Westpac's 1H18 Profit Likely. FVE AUD 35 Unchanged</i>				
3:20PM	06-Mar-2018	<b>Accumulate</b>	30.33	
<i>Major Australian Bank Earnings Remain Resilient, Despite Slowing Credit Growth. FVEs Unchanged</i>				
4:00PM	06-Feb-2018	<b>Accumulate</b>	30.33	\$
<i>Price move through trigger level</i>				
2:45PM	05-Feb-2018	<b>Hold</b>	31.70	
<i>No Surprises in Westpac's 1Q18 Update on Capital, Funding and Asset Quality. AUD 35 FVE Unchanged.</i>				

\$ = Price Move = Research Report

## Financials

	09/15	09/16	09/17	09/18e	09/19e
Net Interest Income (\$Mil)	14,239.0	15,348.0	15,704.0	16,484.7	17,487.7
Net Interest Margin %	2.08	2.13	2.09	2.13	2.12
Non Interest Income (\$Mil)	6,301.0	5,888.0	5,852.0	5,808.3	5,921.8
Adjusted NPAT (\$Mil)	7,820.0	7,822.0	8,062.0	8,424.8	8,740.9
Reported NPAT (\$Mil)	8,012.0	7,445.0	7,990.0	8,424.8	8,740.9
Earnings Per Share ¢	249.5	235.5	239.7	247.5	253.8
Avg no. of Shares (\$Mil)	3,134.0	3,322.0	3,364.0	3,404.0	3,444.0
Book Value Per Share ¢	1,720.3	1,751.4	1,823.5	1,781.4	1,850.1
Efficiency Ratio %	42.0	42.1	42.2	41.8	41.8
Bad Debts to Gross Loans Ratio %	0.12	0.17	0.13	0.13	0.15
Tier 1 Ratio %	11.4	11.2	12.7	12.0	12.0

## Consensus out of 6 analysts

	2017	2018e	2019e
EPS ¢	233.0	244.0	248.0
DPS ¢	188.0	188.0	195.0
Dividend Yield %	6.4	6.4	6.7

## Key Dates

Fiscal Year End	30 Sep	AGM	08 Dec 2017
Listing Date	31 Jan 1962	DRIP	Active

# Equities Research Methodology and Disclosure

We believe that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star, or Buy-rated, stocks sell for the biggest risk-adjusted discount to their fair values, whereas 1-star, or Sell-rated, stocks trade at premiums to their intrinsic worth. Four key components drive the Morningstar rating: our assessment of the firm's economic moat, our estimate of the stock's fair value, our uncertainty around that fair value estimate and the current market price. This process ultimately culminates in our single-point star rating. Underlying this rating is a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's equity analysts. In this document, we provide a detailed overview of how the Morningstar Rating for stocks is derived, and also outline the analytical work that feeds into our coverage of stocks.

## Morningstar's Economic Moat™ Rating

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess profits as returns on invested capital, or ROICs, above our estimate of a firm's cost of capital, or WACC (weighted average cost of capital). Without a moat, profits are more susceptible to competition. Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

## Determining Fair Value

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' independent primary research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process.

## The Uncertainty Rating

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our recommendation system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Our uncertainty ratings are low, medium, high, very high, and extreme. With each uncertainty rating is a corresponding set of price/fair value ratios that we use to assign recommendations, or star ratings.

## Generating the Morningstar Recommendation/Star Rating

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the recommendation, or star rating, is automatically re-calculated at the market close on every day the market is open. Lower price/fair value ratios (<1.0) lead to positive recommendations while higher price/fair value estimate ratios (>1.0) lead to negative recommendations.

Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted. Furthermore, we would expect our fair value estimates to generally rise over time, due to the time value of money. Specifically, over the course of a year, barring major changes to analyst assumptions, we would expect our fair value estimates to increase at the level of our estimate of a firm's cost of equity (net of shareholder returns attributed to dividends). So, for a stock that pays no dividends with a \$100 fair value estimate today and an estimated 10% cost of equity, we would expect our fair value estimate to rise to \$110 in 12 months, all else equal.

It is also worth noting that there is no predefined distribution of our recommendations. That is, the percentage of stocks that earn a Buy rating can fluctuate daily, so the recommendations, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many Buy-rated stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

Our recommendations /star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

Buy (★★★★★): We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential. This rating encourages investors to consider an overweight position in the security relative to the appropriate benchmark.

Accumulate (★★★★): Appreciation beyond a fair risk-adjusted return is likely, in our opinion. This rating encourages investors to own the firm's shares, possibly overweight relative to the appropriate benchmark after fully considering more attractively priced alternatives, such as our Buy recommendations.

Hold (★★★): Indicates that we believe investors are likely to receive a fair risk-adjusted return (approximately cost of equity). Concentrated portfolios might consider exiting these positions if more attractively priced alternatives are available.

Reduce (★★): We believe investors are likely to receive a less than fair risk-adjusted return and should consider directing their capital elsewhere. Securities with this recommendation should generally be underweight, assuming less expensive alternatives are available for the portfolio strategy being employed.

Sell (★): Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss. This rating encourages investors to strongly consider exiting portfolio positions in the security in nearly all strategies.