

# PeopleIn Limited

## Quality earnings for an attractive price

We re-iterate our BUY recommendation on PeopleIn in light of record low unemployment, favourable sector tailwinds supported by the Federal budget, solid wages growth and attractive pricing relative to peers. The 2022 Federal budget included provisions for growth in NDIS funding to \$44.6b by FY26e (from \$33.9b in FY23e), supporting PPE's community and health franchises. Budget commitments for new spending in aged care, the apprenticeship incentive scheme and regional infrastructure are also positive drivers for PPE's customer segments short and medium term. The 3.9% unemployment rate and evidence of skills shortages across the labour market highlights PPE's value-add to clients in a tight labour market. PPE's competitive advantage includes a national presence, industry specialisation, systems, training programs, compliance services and global sourcing networks. Although skills shortages create a level of constraint on hours worked in the short-term, the outlook for wages growth is projected to remain firm and PPE's revenue share on temporary and placement activity rises in proportion to the wages pool. With existing guidance in the market for \$45m-\$47m EBITDA during FY22e (pre-SBP), PPE carries a high level of earnings certainty into the August result. Trading on an 11.8x P/E ratio and 3.8% fully franked yield we retain a BUY recommendation. Next catalyst: FY22 result, potential M&A activity.

### Balance sheet capacity for bolt on acquisitions

- With forecast net debt/EBITDA of 0.9x pro-forma at FY22e and rising cash flows into FY23e, PPE retains balance sheet capacity for acquisitions within the core verticals.

### Momentum into FY23e

- Our forecasts allow for ~8% organic EBITDA growth into FY23e. The Perigon acquisition (settled Feb '22) is on track to contribute for the full 12 months of FY23e.

### BUY recommendation, \$4.35 PT

- We have applied a higher cost of capital to the DCF valuation in line with higher global risk-free rates and this tapers our price target to \$4.35 (from \$4.60). PPE trades on a -15% P/E discount to the peer set in FY22e.

Year-end June (\$)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (\$m)	374.2	444.4	678.6	759.6	808.0
EBITDA (\$m)	28.2	36.9	44.6	50.9	55.7
EBIT (\$m)	25.1	33.9	40.0	46.0	50.3
Reported NPAT (\$m)	16.4	17.7	18.4	26.7	30.3
Reported EPS (c)	21.6	19.3	19.4	27.3	30.8
Normalised NPAT (\$m)	16.0	22.6	26.4	30.6	34.2
Normalised EPS (c)	21.1	24.7	28.0	31.4	34.9
EPS Growth (%)	66.3	17.2	13.5	12.0	11.2
Dividend (c)	8.5	10.5	12.5	13.5	14.5
Net Yield (%)	2.6	3.2	3.8	4.1	4.4
Franking (%)	100	100	100	100	100
EV/EBITDA (X)	10.3	9.2	8.1	6.8	5.9
Normalised P/E (x)	15.6	13.3	11.8	10.5	9.4
Normalised ROE (%)	19.4	21.4	21.4	21.6	21.3

Source: OML, Iress, PeopleIn Limited

### Last Price

**A\$3.29**

### Target Price

**A\$4.35** (Previously A\$4.60)

### Recommendation

**Buy**

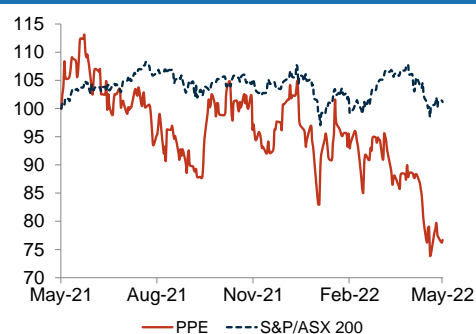
**Risk**

**Higher**

### Human Resource and Employment Service

ASX Code	PPE
52 Week Range (\$)	3.17 - 4.85
Market Cap (\$m)	314.6
Shares Outstanding (m)	95.6
Av Daily Turnover (\$m)	0.3
3 Month Total Return (%)	-17.5
12 Month Total Return (%)	-23.3
Benchmark 12 Month Return (%)	1.2
NTA FY22E (¢ per share)	2.4
Net Debt FY22E (\$m)	42.5

### Relative Price Performance



Source: FactSet

### Consensus Earnings

	FY22E	FY23E
NPAT (C) (\$m)	27.3	31.7
NPAT (OM) (\$m)	26.4	30.6
EPS (C) (c)	28.5	32.9
EPS (OM) (c)	28.0	31.4

Source: OML, Iress, PeopleIn Limited

#### Ian Munro

Senior Research Analyst  
(03) 9608 4127  
imunro@ords.com.au

#### Jack Dunn, CFA

Research Associate  
(03) 9608 4117  
Jdunn@ords.com.au

## Forecast changes

Figure 1: FY23e forecasts allow for 8% organic growth

	FY22e			FY23e			FY24e		
	old	new	change %	old	new	change %	old	new	change %
<b>revenue- segments \$m</b>									
Industrial & Specialist*	417.9	417.9	0%	482.1	479.5	-1%	512.3	506.8	-1%
Health & Community*	146.2	146.2	0%	157.9	157.9	0%	170.6	170.6	0%
Technology*	114.4	114.4	0%	122.2	122.2	0%	130.6	130.6	0%
<b>revenue- total</b>	<b>678.6</b>	<b>678.6</b>	<b>0%</b>	<b>762.3</b>	<b>759.6</b>	<b>0%</b>	<b>813.5</b>	<b>808.0</b>	<b>-1%</b>
<b>EBITDA- segments \$m</b>									
Industrial & Specialist*	22.9	22.9	0%	27.1	26.4	-3%	29.8	28.9	-3%
Health & Community*	13.2	13.2	0%	14.7	14.7	0%	15.9	15.9	0%
Technology*	14.6	14.6	0%	15.6	15.6	0%	16.7	16.7	0%
unallocated	-4.3	-4.3	0%	-4.5	-5.2	15%	-4.7	-5.5	15%
<b>EBITDA - pre SBP "PPE"</b>	<b>46.4</b>	<b>46.4</b>	<b>na</b>	<b>52.9</b>	<b>51.5</b>	<b>-3%</b>	<b>57.6</b>	<b>56.0</b>	<b>-3%</b>
share based payments	-1.8	-1.8	na	-0.6	-0.6	0%	-0.3	-0.3	0%
<b>EBITDA- underlying</b>	<b>44.6</b>	<b>44.6</b>	<b>0%</b>	<b>52.3</b>	<b>50.9</b>	<b>-3%</b>	<b>57.3</b>	<b>55.7</b>	<b>-3%</b>
EBITDA margin %	6.8%	6.8%	0%	6.9%	6.8%	-2%	7.1%	6.9%	-2%
<b>Key P&amp;L metrics \$m</b>									
D&A- underlying	-4.6	-4.6	0%	-5.0	-5.0	0%	-5.3	-5.3	0%
EBITA	40.7	40.7	0%	48.3	46.9	-3%	53.1	51.5	-3%
EBIT	40.0	40.0	0%	47.4	46.0	-3%	51.9	50.3	-3%
net interest	-2.2	-2.2	0%	-2.2	-2.2	0%	-1.4	-1.4	0%
PBT - underlying	37.8	37.8	0%	45.1	43.7	-3%	50.5	48.9	-3%
<b>NPATA - underlying</b>	<b>26.4</b>	<b>26.4</b>	<b>0%</b>	<b>31.6</b>	<b>30.6</b>	<b>-3%</b>	<b>35.4</b>	<b>34.2</b>	<b>-3%</b>
EPS (cents):underlying EPS-A	28.0	28.0	0%	32.3	31.4	-3%	36.0	34.9	-3%
D&A - reported	-10.2	-10.2	0%	-10.6	-10.6	0%	-11.0	-11.0	0%
Abnormals - pre-tax	-5.9	-5.9	0%	0.0	0.0	0%	0.0	0.0	na
reported NPAT	18.4	18.4	0%	27.6	26.7	-4%	31.4	30.3	-4%
dividend (cents)	12.5	12.5	0%	13.5	13.5	0%	14.5	14.5	0%
payout % cash EPS	45%	45%	0%	42%	43%	1%	40%	42%	1%
<b>Key metrics \$m</b>									
operating cash flow	24.7	24.7	0%	38.1	37.3	-2%	41.1	40.2	-2%
net capex & leases	-6.0	-6.0	0%	-6.1	-6.1	0%	-6.2	-6.2	0%
acquisitions	-22.6	-22.6	na	0.0	0.0	na	0.0	0.0	na
free cash flow (post tax)	-11.6	-11.6	0%	26.9	26.1	-3%	31.3	30.3	-3%
net debt (cash)	42.5	42.5	0%	22.5	23.3	3%	4.4	6.1	39%
Net debt/EBITDA	0.9x	0.9x	0%	1.0x	1.0x	0%	0.4x	0.5x	6%
ROE %	21%	21%	0%	22%	22%	-3%	22%	21%	-2%
EV/EBITDA x	8.0	8.1	2%	6.5	6.8	5%	5.6	5.9	5%
EV/EBIT x	8.9	9.0	2%	7.2	7.5	5%	6.2	6.5	6%
<b>P/E x</b>	<b>11.5</b>	<b>11.8</b>	<b>2%</b>	<b>10.0</b>	<b>10.5</b>	<b>5%</b>	<b>9.0</b>	<b>9.4</b>	<b>5%</b>

Source: Ord Minnett Research

- **Slight adjustment to organic growth in FY23e:** We have marginally lowered organic growth expectations to 8% in FY23e (from 11%). The Perigon acquisition is scheduled to contribute to earnings for the full 12-month period of FY23e.
- **Valuation reduces to \$4.35 (from \$4.60):** We have increased the risk-free rate to 3.5% (from 2.5%) to allow for recent movement in the 10-year bond rate. Our cost of equity rises to 11.0% (from 10.6%), resulting in a marginal reduction to the DCF based valuation.

## Relative Valuation

- On a relative basis, PPE trades on the price/earnings ratio of 11.8x for FY22e, which represents a -15% discount to the peer set. Based on FY23e forecasts, this discount extends to -17% versus the peer group, validating our BUY recommendation.

Figure 2: 11.8x relative P/E versus peer average of 13.9x

Code	Company	Mkt cap A\$m	EV A\$m	Price / Earnings			EV / EBITDA			EV / Sales		Return on equity		EV/EBIT	
				FY21	FY22	FY23	FY21	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23
APM AU Equity	APM Group	3137	3591	na	18.1	17.6	na	11.8	10.2	2.6	2.2	14.2	12.1	17.3	14.4
6569 JP Equity	Nisso Corp	230	166	11.9	12.6	8.5	na	5.7	3.2	0.2	0.2	12.2	20.4	6.9	4.3
4763 JP Equity	Creek & River Co Ltd	511	422	31.1	20.4	17.0	na	na	na	0.9	0.9	19.7	20.7	11.3	9.8
2181 JP Equity	Persol Holdings Co	6,722	6,363	36.9	20.7	19.1	14.1	8.6	8.4	0.5	0.5	17.3	16.5	11.7	10.8
2181 JP Equity	JAC Recruitment	6,722	6,363	36.9	20.7	19.1	14.1	8.6	8.4	0.5	0.5	17.3	16.5	11.7	10.8
2475 JP Equity	WDB Holdings Co	516	292	17.1	11.0	10.3	na	na	na	0.6	0.6	16.8	na	4.4	4.1
HAS LN Equity	Hays PLC	3,505	3,425	36.2	14.2	12.2	12.0	7.1	6.3	0.3	0.3	16.5	20.3	9.2	7.8
PAGE LN Equity	Page Group	2,613	2,517	12.3	9.9	9.1	6.4	5.5	5.2	0.7	0.7	41.7	36.7	6.8	6.4
STEM LN Equity	Sthree PLC	849	807	12.1	10.7	9.7	6.4	5.7	5.2	0.3	0.3	25.3	24.0	6.8	6.1
RWA LN Equity	Robert Walters	746	634	12.8	10.2	9.2	4.9	4.4	4.0	0.3	0.3	21.0	20.0	5.9	5.3
KFY US Equity	Korn Ferry	4,356	3,625	25.0	9.4	10.0	8.9	4.5	4.6	1.0	0.9	na	17.7	5.7	5.9
AMN US Equity	AMN Healthcare Services	5,560	6,561	11.5	9.0	11.5	7.6	6.0	7.5	1.0	1.2	34.1	24.5	7.3	9.4
KFY US Equity	Kforce Inc	4,356	3,625	25.0	9.4	10.0	8.9	4.5	4.6	1.0	0.9	na	17.7	5.7	5.9
BRNL NA Equity	Brunel International NV	807	747	19.6	16.0	13.1	7.9	7.3	6.2	0.5	0.4	12.6	14.4	8.8	7.2
AAD GR Equity	Amadeus Fire AG	1,098	1,178	18.2	16.2	14.6	8.9	8.2	7.6	1.9	1.8	26.9	24.8	11.0	10.0
Average				21.9	13.9	12.7	9.1	6.8	6.3	0.8	0.8	21.2	20.4	8.7	7.9
Median				18.9	12.6	11.5	8.9	6.0	6.2	0.6	0.6	17.3	20.1	7.3	7.2
PPE AU Equity	PeopleIn	310	356	13.3	11.8	10.5	9.8	8.1	6.8	0.5	0.4	20.0	20.2	9.0	7.5

Source: Ord Minnett Research, Bloomberg

## Overview

- PeopleIn is a workforce solutions company, providing services to over 3,500 clients across the public and private sectors. PeopleIn operates in four key segments including health and community services, industrial services, specialist services and information technology. Services include sourcing, skilling, deployment and management of workforce staff, with a balance of permanent placement and contracting. Since listing in 2017, 14 new brands have been added to the portfolio and the company is on track for over 8.0 million hours of worked billed in FY22e. PeopleIn employs over 550 staff and has a national presence.

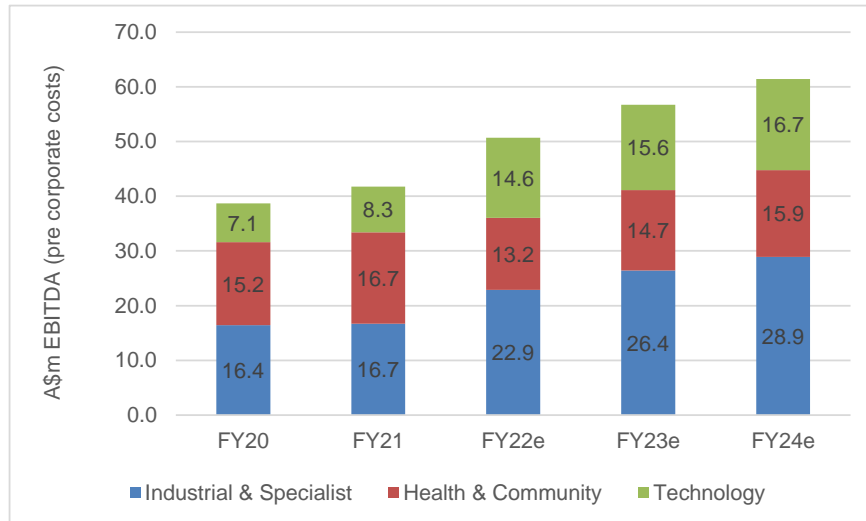
## Investment thesis

- We are attracted to PeopleIn's exposure to entrenched and growing segments of the employment market, including healthcare, community and technology. Each of these segments is forecast to grow by a multiple of GDP growth between 2020 and 2025, driven by supportive thematics and demographic change. PPE's acquisition strategy since listing has delivered ~10% organic earnings growth since the time of acquisition. Acquired brands have typically broadened the service offering and geographical spread and added to the stickiness of the broader group in retaining and expanding panel-based work. We see PPE's return on equity and higher forecast free cash flows as evidence that the acquisition strategy is delivering returns above the cost of capital.

## Key metrics

- Improving industry diversity is a key feature of PPE’s earnings profile.

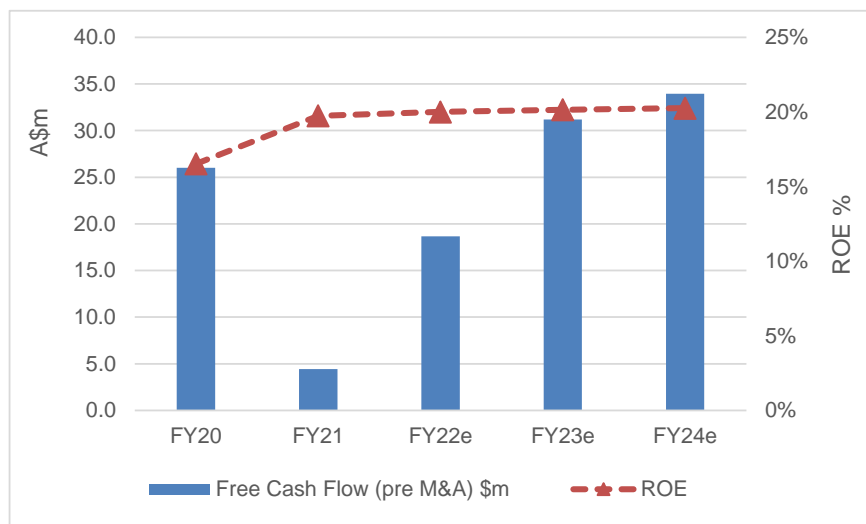
Figure 3: EBITDA by segment



Source: Ord Minnett Research

- Although impacted by acquisition payments, we expect PPE’s free cash flow generation to grow. ROE of ~20% is maintainable in our view.

Figure 4: Free cash flow vs ROE

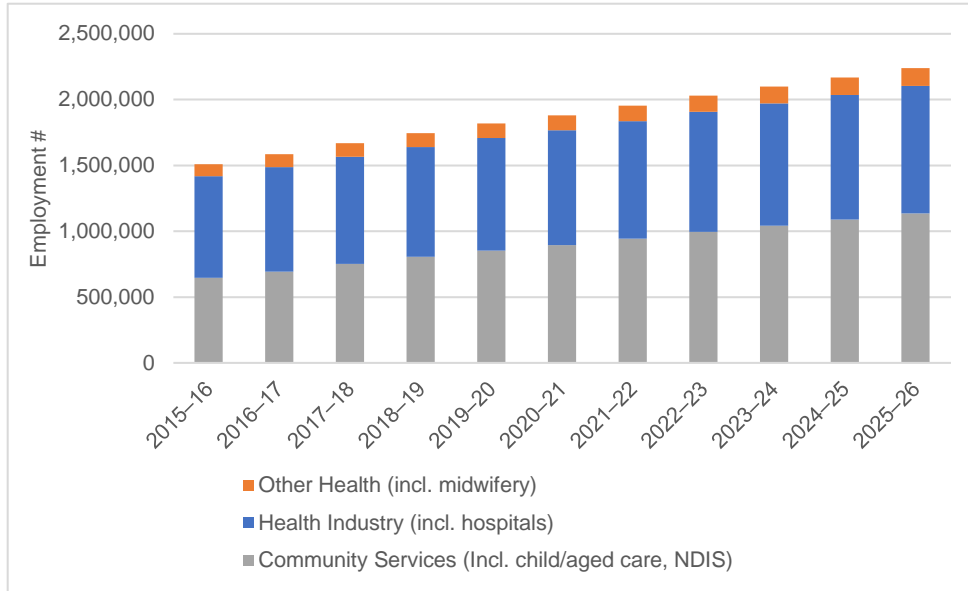


Source: Ord Minnett Research

## Industry growth

- According to IBIS, employment growth is forecast to be +4.9% CAGR within community services, +3.7% within other health, and +2.0% within the health industry for the period between FY20 and FY26. We see this growth as supportive of PPE revenues at a faster rate than GDP.

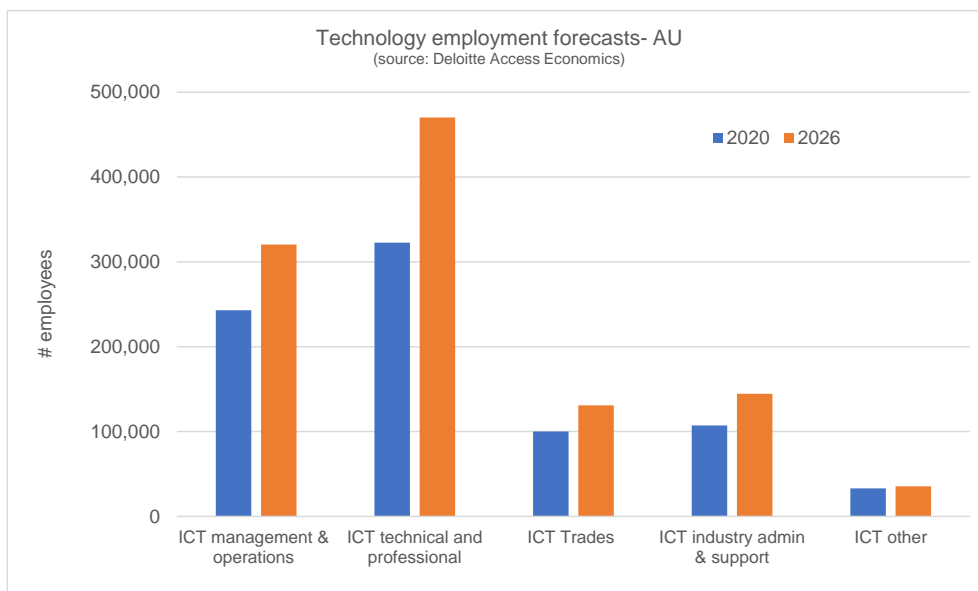
Figure 5: Large and growing health segments



Source: Ord Minnett Research, IBIS

- According to Deloitte Access economics, employment within the information and communication technology sectors is forecast to grow by 5.4% CAGR between 2020 and 2026.

Figure 6: Technology segment forecast for 5%+ CAGR



Source: Ord Minnett Research, DAE

## Key risks

- **A change in employment conditions:** PPE's core business relies on the ongoing demand for labour, any change in conditions that affect this could have an adverse impact on revenue. This includes a reversal in the trend towards workforce casualisation and any event which causes a fall in economic activity.
- **Margin pressure:** Wage pressure within PPE contractors has potential to impact profit margins in the short term until rate cards can be adjusted to reflect the new costs. We note PPE's track record in growing EBITDA margins from 6.7% in FY19 to 8.3% in FY21.
- **Regulatory risk:** Due to the focus of the company's operations being in comparatively more unionised sectors, there is a risk of industrial action impacting on PPE's operations. Changes to government regulations, could also have an adverse impact on the business.
- **Cash Flow conversion:** The conversion from EBITDA to operating cash flow during FY21 was 21%, constrained by acquisition integration and working capital movements. Variation between debtor days and creditor days has potential to impact cash flow conversion.

**PeopleIn Limited**

<b>PROFIT &amp; LOSS (A\$m)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Revenue	374.2	444.4	678.6	759.6	808.0
Operating costs	(346.0)	(407.5)	(634.0)	(708.7)	(752.3)
<b>Operating EBITDA</b>	<b>28.2</b>	<b>36.9</b>	<b>44.6</b>	<b>50.9</b>	<b>55.7</b>
D&A	(3.1)	(3.1)	(4.6)	(5.0)	(5.3)
<b>EBIT</b>	<b>25.1</b>	<b>33.9</b>	<b>40.0</b>	<b>46.0</b>	<b>50.3</b>
Net interest	(2.3)	(1.5)	(2.2)	(2.2)	(1.4)
<b>Pre-tax profit</b>	<b>22.8</b>	<b>32.3</b>	<b>37.8</b>	<b>43.7</b>	<b>48.9</b>
Net tax (expense) / benefit	(6.9)	(9.7)	(11.3)	(13.1)	(14.7)
<b>Normalised NPAT</b>	<b>16.0</b>	<b>22.6</b>	<b>26.4</b>	<b>30.6</b>	<b>34.2</b>
<b>Reported NPAT</b>	<b>16.4</b>	<b>17.7</b>	<b>18.4</b>	<b>26.7</b>	<b>30.3</b>
Normalised dil. EPS (cps)	21.1	24.7	28.0	31.4	34.9
Reported EPS (cps)	21.6	19.3	19.4	27.3	30.8
Effective tax rate (%)	28.4	28.4	28.4	28.4	28.4
DPS (cps)	8.5	10.5	12.5	13.5	14.5
Dividend yield (%)	2.6	3.2	3.8	4.1	4.4
Payout ratio (%)	40.4	42.6	44.7	43.1	41.6
Franking (%)	100.0	100.0	100.0	100.0	100.0
Diluted # of shares (m)	80.2	95.8	99.1	100.3	100.3

<b>CASH FLOW (A\$m)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
EBITDA incl. adjustments	28.2	37.0	44.6	50.9	55.7
Change in working capital	8.3	(31.9)	(9.8)	0.0	(1.1)
Net Interest (paid)/received	(2.3)	(1.5)	(2.2)	(2.2)	(1.4)
Income tax paid	(7.1)	(11.2)	(7.9)	(11.4)	(13.0)
Other operating items	(0.0)	15.3	-	-	-
<b>Operating Cash Flow</b>	<b>27.1</b>	<b>7.6</b>	<b>24.7</b>	<b>37.3</b>	<b>40.2</b>
Capex	(1.1)	(1.3)	(3.0)	(3.0)	(3.0)
Acquisitions	(12.3)	(22.0)	(22.6)	-	-
Other investing items	-	0.0	(7.8)	(5.1)	(3.6)
<b>Investing Cash Flow</b>	<b>(13.5)</b>	<b>(23.3)</b>	<b>(33.3)</b>	<b>(8.1)</b>	<b>(6.6)</b>
Inc/(Dec) in borrowings	(13.2)	6.2	15.0	(15.0)	(15.0)
Dividends paid	(5.2)	(7.1)	(9.6)	(11.8)	(13.2)
Other financing items	(1.9)	(1.9)	(3.0)	(3.1)	(3.2)
<b>Financing Cash Flow</b>	<b>(3.5)</b>	<b>(2.1)</b>	<b>2.4</b>	<b>(25.0)</b>	<b>(31.4)</b>
Net Inc/(Dec) in Cash	10.2	(17.7)	(6.3)	4.2	2.1

<b>BALANCE SHEET (A\$m)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Cash	31.5	13.7	7.5	11.7	13.8
Receivables	41.2	76.0	107.8	114.5	119.5
Inventory	-	-	-	-	-
Other current assets	1.5	1.7	1.7	1.7	1.7
PP & E	6.2	9.1	13.2	13.1	13.0
Investments	-	-	-	-	-
Intangibles	87.5	116.9	129.9	130.6	129.5
Other non-current assets	-	-	-	-	-
<b>Total Assets</b>	<b>167.8</b>	<b>217.4</b>	<b>260.1</b>	<b>271.5</b>	<b>277.5</b>
Short term debt	5.7	18.3	18.3	18.3	18.3
Payables	30.8	33.7	55.8	62.4	66.4
Other current liabilities	6.7	14.7	14.7	14.7	14.7
Long term debt	20.9	28.6	31.7	16.7	1.7
Other non-current liabilities	6.9	7.4	7.4	7.4	7.4
<b>Total Liabilities</b>	<b>71.0</b>	<b>102.8</b>	<b>127.8</b>	<b>119.5</b>	<b>108.5</b>
<b>Total Equity</b>	<b>96.8</b>	<b>114.6</b>	<b>132.2</b>	<b>152.0</b>	<b>169.1</b>
Net debt (cash)	(4.8)	33.2	42.5	23.3	6.2

**Buy**

<b>DIVISIONS</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>KEY METRICS (%)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Revenue growth	34.0	18.7	52.7	11.9	6.4
EBITDA growth	50.2	30.9	20.8	14.2	9.3
EBIT growth	56.5	34.7	18.2	14.9	9.5
Normalised EPS growth	66.3	17.2	13.5	12.0	11.2
EBITDA margin	7.5	8.3	6.6	6.7	6.9
EBIT margin	6.7	7.6	5.9	6.1	6.2
Return on assets	11.4	12.6	12.0	12.4	13.1
Return on equity	19.4	21.4	21.4	21.6	21.3

<b>VALUATION RATIOS (x)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Reported P/E	15.2	17.1	16.9	12.1	10.7
Normalised P/E	15.6	13.3	11.8	10.5	9.4
Price To Free Cash Flow	9.6	68.0	16.6	10.3	9.5
Price To NTA	31.7	-	136.4	15.1	8.2
EV / EBITDA	10.3	9.2	8.1	6.8	5.9
EV / EBIT	11.5	10.0	9.0	7.5	6.5

<b>LEVERAGE</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
ND / (ND + Equity) (%)	(5.3)	22.5	24.3	13.3	3.5
Net Debt / EBITDA (%)	(17.2)	90.1	95.3	45.7	11.1
EBIT Interest Cover (x)	11.0	21.9	17.9	20.6	35.6
EBITDA Interest Cover (x)	12.3	23.8	19.9	22.8	39.4

<b>SUBSTANTIAL HOLDERS</b>	<b>m</b>	<b>%</b>
Declan Sherman	7.2	11.2%
Perennial Value	6.1	9.5%
AP Brosnan Trust	6.1	9.4%

<b>VALUATION</b>	
Cost of Equity (%)	11.0
Cost of debt (after tax) (%)	3.5
D / EV (%)	(12.1)
<b>WACC (%)</b>	<b>10.1</b>

Forecast cash flow (\$m)	181.2
Terminal value (\$m)	255.1
Enterprise Value (\$m)	436.3
<b>Equity NPV Per Share (\$)</b>	<b>4.35</b>

Target Price Method	DCF
Target Price (\$)	4.35
Valuation disc. / (prem.) to share price (%)	32.2

**Institutional Research**

Malcolm Wood	Head of Institutional Research	+61 2 8216 6777	mwood@ords.com.au
Nicolas Burgess	Senior Research Analyst	+61 3 9602 9379	nburgess@ords.com.au
James Casey	Senior Research Analyst	+61 3 9602 9265	jamescasey@ords.com.au
Phillip Chippindale	Senior Research Analyst	+61 2 8216 6346	pchippindale@ords.com.au
Paul Kaner	Senior Research Analyst	+61 3 9608 4124	pkaner@ords.com.au
Dylan Kelly	Senior Research Analyst	+61 2 8216 6417	dkelly@ords.com.au
Luke Macnab	Senior Research Analyst	+61 2 8216 6776	lmacnab@ords.com.au
Ian Munro	Senior Research Analyst	+61 3 9608 4127	ian.munro@ords.com.au
John O'Shea	Senior Research Analyst	+61 3 9608 4146	joshea@ords.com.au
Leanne Truong	Senior Research Analyst	+61 2 8216 6367	ltruong@ords.com.au
Jack Dunn	Research Associate	+61 3 9608 4117	jdunn@ords.com.au
Milo Ferris	Research Associate	+61 2 8216 6691	mferris@ords.com.au
Dylan Jones	Research Associate	+61 3 9608 4104	djones@ords.com.au
William Thurlow	Research Associate	+61 2 8216 6623	wthurlow@ords.com.au
Benjamin Yun	Research Associate	+61 2 8216 6646	byun@ords.com.au

**Institutional Sales (Australia)**

Angus Esselmont	Head of Institutional Equities	+61 2 8216 6363	aesselmont@ords.com.au
Jim Bromley	Institutional Equities Sales	+61 2 8216 6343	jbromley@ords.com.au
Ashley Cox	Institutional Equities Sales	+61 2 4910 2413	acox@ords.com.au
Stephen Jolly	Institutional Equities Sales	+61 2 8216 6424	sjolly@ords.com.au
Chris McDermott	Institutional Equities Sales	+61 2 8216 6335	cmcdermott@ords.com.au
Isaac Morris	Institutional Equities Sales	+61 2 8216 6370	imorris@ords.com.au
Scott Ramsay	Institutional Equities Sales	+61 3 9608 4100	sramsay@ords.com.au
Matt White	Institutional Equities Sales	+61 3 9608 4133	mwhite@ords.com.au
Zac Whitehead	Institutional Equities Sales	+61 2 8216 6350	zwhitehead@ords.com.au
Brendan Sweeney	Operator	+61 2 8216 6781	bsweeney@ords.com.au

**Institutional Sales (Hong Kong)**

Chris Moore	Institutional Equities Sales	+61 2 8216 6362	cmoore@ords.com.hk
-------------	------------------------------	-----------------	--------------------

**Ord Minnett Offices**

**Adelaide**

Level 5  
100 Pirie Street  
Adelaide SA 5000  
Tel: (08) 8203 2500  
Fax: (08) 8203 2525

**Canberra**

101 Northbourne Avenue  
Canberra ACT 2600  
Tel: (02) 6206 1700  
Fax: (02) 6206 1720

**Mackay**

45 Gordon Street  
Mackay QLD 4740  
Tel: (07) 4969 4888  
Fax: (07) 4969 4800

**Newcastle**

426 King Street  
Newcastle NSW 2300  
Tel: (02) 4910 2400  
Fax: (02) 4910 2424

**Head Office**

**Sydney**  
Level 18, Grosvenor Place  
225 George Street  
Sydney NSW 2000  
Tel: (02) 8216 6300  
Fax: (02) 8216 6311  
www.ords.com.au

**Brisbane**

Level 31  
10 Eagle Street  
Brisbane QLD 4000  
Tel: (07) 3214 5555  
Fax: (07) 3214 5550

**Gold Coast**

Level 7  
50 Appel Street  
Surfers Paradise QLD 4217  
Tel: (07) 5557 3333  
Fax: (07) 5557 3377

**Melbourne**

Level 22  
35 Collins Street  
Melbourne VIC 3000  
Tel: (03) 9608 4111  
Fax: (03) 9608 4142

**Perth**

Level 27  
108 St Georges Terrace  
Perth WA 6000  
Tel: (02) 4910 2400  
Fax: (02) 4910 2424

**International**

**Hong Kong**  
1801 Ruttonjee House  
11 Duddell Street  
Central, Hong Kong  
Tel: +852 2912 8980  
Fax: +852 2813 7212  
www.ords.com.hk

**Buderim (Sunshine Coast)**

1/99 Burnett Street  
Buderim QLD 4556  
Tel: (07) 5430 4444  
Fax: (07) 5430 4400

**Hobart**

Level 3  
85 Macquarie Street  
Hobart TAS 7000  
Tel: (03) 6161 9300



## Guide to Ord Minnett Recommendations

Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.

<b>SPECULATIVE BUY</b>	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
<b>BUY</b>	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
<b>ACCUMULATE</b>	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
<b>HOLD</b>	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
<b>LIGHTEN</b>	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
<b>SELL</b>	We expect the total return to lose 15% or more.
<b>RISK ASSESSMENT</b>	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historical volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

**Disclosure:** Ord Minnett is the trading brand of Ord Minnett Limited ABN 86 002 733 048, holder of AFS Licence Number 237121 and is an ASX Group Participant, a Participant of Cboe Australia Pty Ltd and a wholly owned subsidiary of Ord Minnett Holdings Pty Limited ABN 32 062 323 728. Ord Minnett Limited and/or its associated entities, directors and/or its employees may have a material interest in, and may earn brokerage from, any securities referred to in this document. This document is not available for distribution outside Australia, New Zealand and Hong Kong and may not be passed on to any third party or person without the prior written consent of Ord Minnett Limited. Further, Ord Minnett and/or its affiliated companies may have acted as manager or co-manager of a public offering of any such securities in the past three years. Ord Minnett and/or its affiliated companies may provide or may have provided corporate finance to the companies referred to in the report.

Ord Minnett and associated persons (including persons from whom information in this report is sourced) may do business or seek to do business with companies covered in its research reports. As a result, investors should be aware that the firm or other such persons may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

This document is current as at the date of the issue but may be superseded by future publications. You can confirm the currency of this document by checking Ord Minnett's internet site.

**Disclaimer:** Ord Minnett Limited believes that the information contained in this document has been obtained from sources that are accurate, but has not checked or verified this information. Except to the extent that liability cannot be excluded, Ord Minnett Limited and its associated entities accept no liability for any loss or damage caused by any error in, or omission from, this document. This document is intended to provide general securities advice only, and has been prepared without taking account of your objectives, financial situation or needs, and therefore before acting on advice contained in this document, you should consider its appropriateness having regard to your objectives, financial situation and needs. If any advice in this document relates to the acquisition or possible acquisition of a particular financial product, you should obtain a copy of and consider the Product Disclosure Statement for that product before making any decision. Investments can go up and down. Past performance is not necessarily indicative of future performance.

**Analyst Certification:** The analyst certifies that: (1) all of the views expressed in this research accurately reflect their personal views about any and all of the subject securities or issuers; (2) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed herein.

**Ord Minnett Hong Kong:** This document is issued in Hong Kong by Ord Minnett Hong Kong Limited, CR Number 1792608, which is licensed by the Securities and Futures Commission (CE number BAI183) for Dealing in Securities (Type 1 Regulated Activity) and Advising on Securities (Type 4 Regulated Activity) and Asset Management (Type 9 Regulated Activity) in Hong Kong. Ord Minnett Hong Kong Limited believes that the information contained in this document has been obtained from sources that are accurate, but has not checked or verified this information. Except to the extent that liability cannot be excluded, Ord Minnett Hong Kong Limited and its associated entities accept no liability for any loss or damage caused by any error in, or omission from, this document. This document is provided for information purposes only and does not constitute an offer to sell (or solicitation of an offer to purchase) the securities mentioned or to participate in any particular trading strategy. The investments described have not been, and will not be, authorized by the Hong Kong Securities and Futures Commission.

For summary information about the qualifications and experience of the Ord Minnett Limited research service, please visit <http://www.ords.com.au/our-team-2/>

For information regarding Ord Minnett Research's coverage criteria, methodology and spread of ratings, please visit <http://www.ords.com.au/methodology/>

For information regarding any potential conflicts of interest and analyst holdings, please visit <http://www.ords.com.au/methodology/>

The analyst has certified that they were not in receipt of inside information when preparing this report, whether or not it contains company recommendations. Any reports in this publication have been authorised for distribution by Malcolm Wood, Head of Institutional Research at Ord Minnett.