

## Horizon Oil Limited (HZN)

### 1H FY15 results – funding still the main issue

#### Valuation and Recommendation

Nothing has materially changed since our December 2014 quarterly report of 5<sup>th</sup> February: ongoing operation will require additional funding. The first of this will be required before the existing \$US80m in convertible bonds mature on 17<sup>th</sup> June 2016. We estimate additional debt and equity will be required in 2017, prior to possible receipt of a \$US130m bonus payment from Osaka Gas if joint venture gas resources are included in a LNG project (most likely T3 of PNG LNG). In practice, we think it is more likely that Horizon will fully or partly divest its PNG gas resources, given the scale and duration of the projects will sit more comfortably with larger oil & gas companies. We retain our Hold recommendation given the refinancing risks and retain our price target of \$0.16/share.

#### Key investment points

- Performance:** Production of 0.62 mmbbl, down 8%. Revenue of \$US53m, down 18%. No impairments. NPAT of \$US7.3m, compared with a loss of \$US0.05 in the prior corresponding period. Cash of \$US43m, up 17%. Debt of \$US190m (\$US110m bank loans, \$US80m convertible notes).
- Outlook:** No production guidance. Work is continuing on the Phase 2 development plan for the Beibu Gulf WZ 12-8E oil project in China. Field work on the Stanley condensate project in PNG is on hold pending completion of a value engineering review to optimize design, execution and timing. Value engineering reviews are underway on the Elevala/Ketu condensate project in PNG, while pre-feasibility studies are continuing with Osaka Gas for a mid-scale LNG project in PNG, although we think aggregation into T3 of the PNG LNG project is more likely.
- Changes to forecasts:** Incorporated 1H FY15 results. Our estimated future production remains more conservative than Horizon's recent projection (of doubling by 2020 and doubling again by 2022).
- Investment view:** With the above funding structure (issue of new convertible notes in 2016, additional debt and equity in 2017) Horizon will remain relatively highly geared for a mid-cap ASX oil and gas company, which is likely to continue to negatively influence investor perceptions.
- Risks:** PNG gas/liquids commercialization, oil production profile, commodity prices, funding/debt refinancing.

#### Key Financials

Year-end June (A\$)	FY13A	FY14A	FY15E	FY16E	FY17E
USD/AUD (average)	1.03	0.92	0.87	0.80	0.80
Brent (US\$/bbl)	110	109	66	53	65
Production (mmboe)	0.55	1.44	1.24	1.19	1.02
Revenue (\$m)	51	144	95	89	66
EBITDA (\$m)	30	81	65	60	39
Cash costs (\$/boe)	38	42	22	25	29
Normalized NPAT (\$m)	3	-5	9	12	-0
Reported NPAT (\$m)	3	13	6	12	-0
Normalized ROE (%)	2	-2	4	4	-0
Cash (\$m)	19	99	33	46	57
Debt (\$m)	196	187	163	135	186
Capex (\$m)	125	93	94	31	70

Source: Iress, Company, Ord Minnett estimates

Last price \$0.125

Target price \$0.16

Recommendation  
Hold

Risk Assessment  
Higher

#### Oil and Gas

John Young

Senior Oil & Gas Analyst

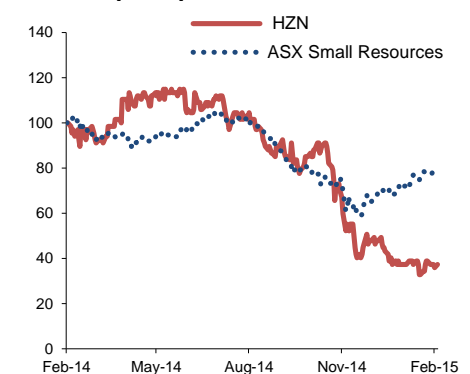
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#### Horizon Oil Limited

ASX Code	HZN
52 week range	\$0.11 - \$0.39
Market Cap (A\$m)	156
Shares Outstanding (m)	1302
Avg Daily Turnover (shares)	3.52m
ASX All Ordinaries	5,926.3
Net Debt/(Cash) FY14 (US\$m)	88
	-
	-

#### Relative price performance



Source: Iress

#### Consensus data

	Cons.	OML
Target price \$/sh	0.25	0.16
FY15 NPAT \$m	16	9
FY16 NPAT \$m	12	12

Bloomberg. (Normalized NPAT)

# Company Review

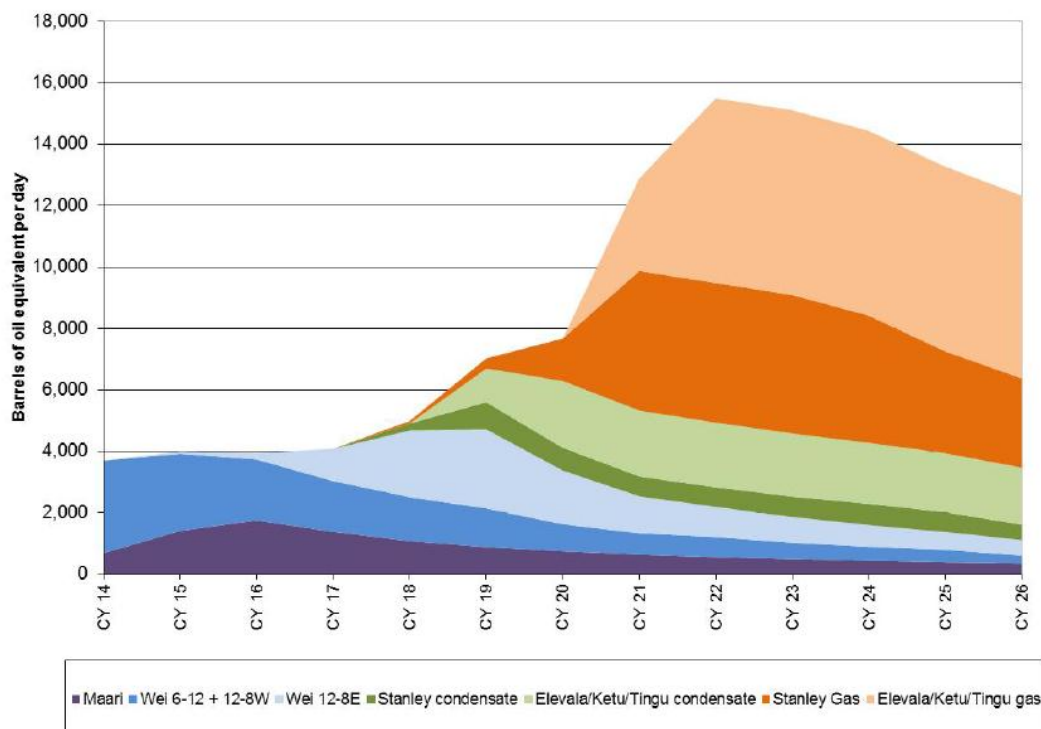
## FY15 results and outlook

**Figure 1: 1H FY15 financial results**

	6 Months to Dec 2014 (US\$ million)	6 Months to Dec 2013 (US\$ million)	Change (US\$ million)	Change (%)
Production	618,665 bbls	672,144 bbls	(53,479 bbls)	(8.0)
Sales	565,397 bbls	642,606 bbls	(77,209 bbls)	(12.0)
Realised Oil Price	US\$94.00/bbl	US\$100.79/bbl	-	-
Sales Revenue	53.1	64.8	(11.7)	(18.1)
Gross Profit on Oil Sales	22.3	15.1	7.2	47.7
Unrealised gain/(loss) on revaluation of conversion option on bonds	4.7	2.8	1.9	67.9
<b>EBITDAX*</b>	<b>43.7</b>	<b>32.9</b>	<b>10.8</b>	<b>32.8</b>
EBIT*	15.9	10.4	5.5	52.9
Profit before Tax	7.9	1.8	6.1	341.6
<b>Net Profit/(Loss) after Tax</b>	<b>7.3</b>	<b>(0.05)</b>	<b>7.4</b>	<b>-</b>

Source: Horizon Oil Limited, 1H 2015 results presentation, 23<sup>rd</sup> February 2015, p 5.

**Figure 2: Company net production forecast**



Note: Wei 12-8E includes management's estimates of recoverable resources from the recent discoveries following the drilling of 12-10-1 & 2 exploration wells

Source: Horizon Oil Limited, 1H 2015 results presentation, 23<sup>rd</sup> February 2015, p 9.

N.B. the production forecast is not formal guidance.

# Company Review

## Valuation summary

NPV @ 12.0% WACC+country factor	Net volume	NPV value	Risk factor	Riskd value	Riskd value	Unriskd value	WACC %	Riskd value
Valuation as of 31 Dec 2014	mmboe	\$US/boe	%	\$A(m)	\$A/sh	\$A/sh	%	\$A/sh
<b>Projects (DCF model valuation)</b>	<b>75.4</b>			<b>370</b>	<b>0.22</b>	<b>0.39</b>		
Maari oil (NZ)	4.1	19.25	90	89	0.05	0.06	12.0	
Beibu Gulf oil (China)	7.2	15.80	90	129	0.08	0.09	12.9	
Stanley cond/gas (PNG)	18.7	8.30	40	82	0.05	0.12	16.0	
PRL 21 cond/gas (PNG)	45.4	3.75	30	70	0.04	0.13	16.0	
-	-	-	-	-	-	-	16.0	
-	-	-	-	-	-	-	16.0	
-	-	-	-	-	-	-	16.0	
-	-	-	-	-	-	-	12.9	
-	-	-	-	-	-	-	12.0	
-	-	-	-	-	-	-	12.0	
<b>Exploration / Appraisal</b>	<b>39.5</b>			<b>-</b>	<b>-</b>	<b>0.07</b>		
PPL 259 (PNG)	39.5	2.40	-	-	-	0.07		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
<b>Other (corporate, cash, debt, etc)</b>				<b>-116</b>	<b>-0.07</b>	<b>-0.07</b>		
Corporate costs				-52	-0.03	-0.03		
Hedging & Investments				27	0.02	0.02		
Franking credits (@ 0 %)				-	-	-		
Cash				44	0.03	0.03		
Additional Equity				28	0.02	0.02		
Debt				-190	-0.12	-0.12		
Minorities / Other				27	0.02	0.02		
<b>Equity Valuation (diluted)</b>	as of Dec 2014			<b>254</b>	<b>0.15</b>	<b>0.39</b>		
<b>Equity Valuation @ spot prices</b>	@ \$US50/bbl WTI real & 0.78 fx			<b>165</b>	<b>0.10</b>			
<b>Target price</b>	as of Dec 2015			<b>264</b>	<b>0.16</b>			
<b>Mkt Cap @ current share price</b>	(and undiluted share count)			<b>163</b>	<b>0.13</b>			
<b>Total shareholder return (%)</b>					<b>28.0</b>			
Number of shares (undiluted)	000,000			1,302.0				
Number of shares (diluted)	000,000			1,649.7				

### Valuation analysis:

Prod'n	
Devel't	
Appr'l	
Expl'n	
Other	

### Oil price and forex sensitivity: \$A/sh

\$US/\$A forex	Real WTI oil price, \$US/bbl					
	50	75	100	125	150	175
fx=1.20	0.05	0.10	0.14	0.18	0.22	0.26
fx=1.10	0.06	0.11	0.16	0.20	0.25	0.29
fx=1.00	0.07	0.13	0.18	0.23	0.28	0.33
fx=0.90	0.08	0.15	0.21	0.26	0.32	0.38
fx=0.80	0.10	0.17	0.24	0.31	0.37	0.44
fx=0.70	0.12	0.21	0.29	0.37	0.44	0.52

Predicted % change in share price per \$US1/bbl change in oil price	1.67
Predicted % change in share price per 1 cent change in forex	-2.36

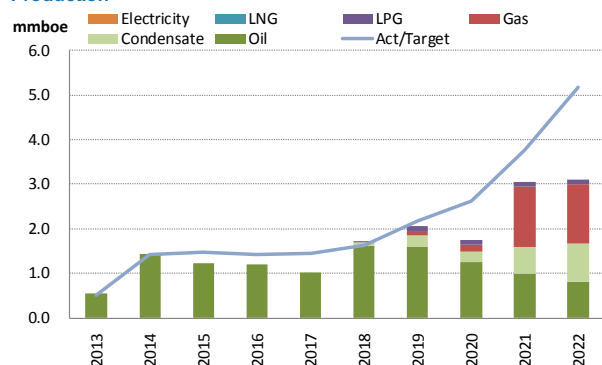
Source: Ord Minnett analysis

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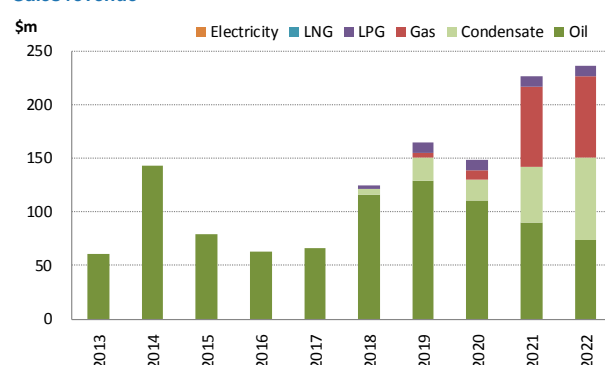
## Production and revenue

### Horizon Oil Limited (HZN)

#### Production



#### Sales revenue



PRODUCTION	units	FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
<b>Production by project</b>											
Maari oil (NZ)	mmboe	0.32	0.19	0.32	0.49	0.44	0.40	0.37	0.33	0.30	0.27
Beibu Gulf oil (China)	mmboe	0.23	1.25	0.91	0.70	0.58	1.21	1.22	0.93	0.70	0.53
Stanley cond/gas (PNG)	mmboe	-	-	-	-	-	0.11	0.48	0.49	1.66	1.66
PRL 21 cond/gas (PNG)	mmboe	-	-	-	-	-	-	-	-	0.39	0.65
-	mmboe	-	-	-	-	-	-	-	-	-	-
-	mmboe	-	-	-	-	-	-	-	-	-	-
-	mmboe	-	-	-	-	-	-	-	-	-	-
-	mmboe	-	-	-	-	-	-	-	-	-	-
-	mmboe	-	-	-	-	-	-	-	-	-	-
-	mmboe	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	mmboe	<b>0.55</b>	<b>1.44</b>	<b>1.24</b>	<b>1.19</b>	<b>1.02</b>	<b>1.72</b>	<b>2.06</b>	<b>1.75</b>	<b>3.05</b>	<b>3.12</b>
Total production	kboed	<b>1.52</b>	<b>3.94</b>	<b>3.39</b>	<b>3.25</b>	<b>2.81</b>	<b>4.72</b>	<b>5.64</b>	<b>4.79</b>	<b>8.35</b>	<b>8.53</b>
Production growth	%		159.9	-14.0	-4.1	-13.7	68.1	19.5	-15.1	74.4	2.2
<b>PRICES &amp; REVENUE</b>											
<b>Price markers</b>											
Forex (period average)	\$US/\$A	1.03	0.92	0.87	0.80	0.80	0.80	0.80	0.80	0.80	0.80
WTI	\$US/bbl	92	101	63	49	60	69	77	81	83	85
Brent	\$US/bbl	110	109	66	53	65	74	85	90	92	94
Nat Gas (Henry Hub)	\$US/mmBtu	3.2	4.2	3.6	3.6	4.3	4.6	4.7	4.8	4.9	5.0
Nat Gas (NE Australia)	\$/GJ	4.1	4.4	4.7	5.3	5.9	6.4	6.9	7.3	7.4	7.6
LNG	\$US/mmBtu	16.2	16.2	10.3	8.5	10.2	11.4	12.9	13.7	14.0	14.3
<b>Received prices</b>											
Oil	\$US/bbl	113	91	55	42	52	57	65	70	72	74
Condensate	\$US/bbl	-	-	-	-	-	60	63	68	69	71
Gas	\$US/mmBtu	-	-	-	-	-	-	7.2	7.5	7.7	7.8
LPG	\$US/bbl	-	-	-	-	-	45	47	51	52	53
LNG	\$US/t	-	-	-	-	-	-	-	-	-	-
Electricity	\$US/MWh	-	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>113</b>	<b>91</b>	<b>55</b>	<b>42</b>	<b>52</b>	<b>58</b>	<b>64</b>	<b>68</b>	<b>59</b>	<b>61</b>
<b>Revenue</b>											
Oil	M\$US	61	143	79	62	66	116	129	111	90	74
Condensate	M\$US	-	-	-	-	-	6	21	19	52	77
Gas	M\$US	-	-	-	-	-	-	4	8	74	76
LPG	M\$US	-	-	-	-	-	3	11	10	9	10
LNG	M\$US	-	-	-	-	-	-	-	-	-	-
Electricity	M\$US	-	-	-	-	-	-	-	-	-	-
<b>Total modelled</b>	M\$US	<b>61</b>	<b>143</b>	<b>79</b>	<b>62</b>	<b>66</b>	<b>124</b>	<b>165</b>	<b>148</b>	<b>226</b>	<b>236</b>
<b>Total reported</b>	M\$US	<b>51</b>	<b>144</b>	-	-	-	-	-	-	-	-

Source: company data and Ord Minnett forecasts

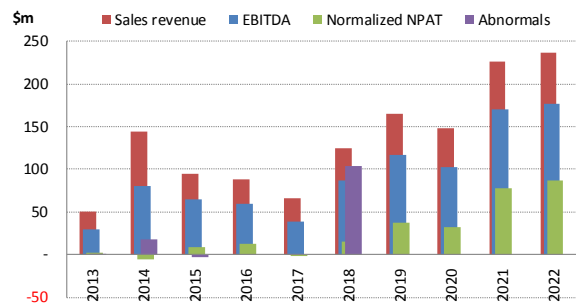
\$US currency unless otherwise noted. Nominal \$ basis. Year ending June.

# Company Review

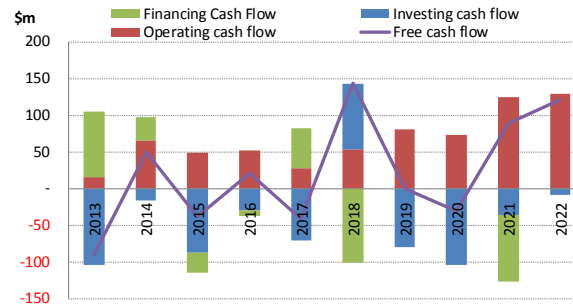
## Financial Statements

### Horizon Oil Limited (HZN)

#### Earnings



#### Cash flow



INCOME STATEMENT	M\$US	FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Sales revenue		51	144	95	89	66	124	165	148	226	236
Other revenue		0	0	4	-	-	-	-	-	-	-
Production costs		-12	-31	-24	-20	-18	-25	-34	-31	-38	-41
Royalties & prod purchases		-2	-22	-1	-2	-2	-5	-6	-5	-8	-9
Admin		-7	-10	-8	-8	-8	-8	-8	-8	-9	-9
Other		-0	-0	-1	-	-	-	-	-	-	-
<b>EBITDA</b>		<b>30</b>	<b>81</b>	<b>65</b>	<b>60</b>	<b>39</b>	<b>86</b>	<b>117</b>	<b>103</b>	<b>170</b>	<b>178</b>
Depreciation and Amortization		-10	-51	-43	-27	-27	-48	-48	-41	-48	-45
<b>EBIT</b>		<b>20</b>	<b>30</b>	<b>22</b>	<b>32</b>	<b>12</b>	<b>39</b>	<b>69</b>	<b>62</b>	<b>122</b>	<b>133</b>
Net Interest Expense		-11	-25	-12	-14	-9	-9	-3	-4	-1	-0
<b>EBT</b>		<b>9</b>	<b>6</b>	<b>11</b>	<b>18</b>	<b>3</b>	<b>30</b>	<b>66</b>	<b>58</b>	<b>121</b>	<b>133</b>
Tax expense		-7	-11	-2	-6	-3	-15	-28	-26	-44	-46
Minorities / preferred dividends		-	-	-	-	-	-	-	-	-	-
<b>Normalized NPAT</b>		<b>3</b>	<b>-5</b>	<b>9</b>	<b>12</b>	<b>-0</b>	<b>15</b>	<b>38</b>	<b>32</b>	<b>77</b>	<b>87</b>
Abnormals		1	18	-3	-	-	104	-	-	-	-
<b>Reported NPAT</b>		<b>3</b>	<b>13</b>	<b>6</b>	<b>12</b>	<b>-0</b>	<b>120</b>	<b>38</b>	<b>32</b>	<b>77</b>	<b>87</b>
Effective tax rate	%	65.2	57.4	7.0	33.4	107.4	33.2	43.0	44.9	36.0	34.7

CASH FLOW STATEMENT	M\$US	FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
EBITDA		30	81	65	60	39	86	117	103	170	178
Other operating items (tax, etc)		-14	-16	-17	-8	-10	-33	-36	-30	-46	-48
<b>Operating cash flow</b>		<b>15</b>	<b>65</b>	<b>48</b>	<b>51</b>	<b>28</b>	<b>53</b>	<b>80</b>	<b>73</b>	<b>125</b>	<b>129</b>
PPE capex		-0	-1	-11	-18	-20	-30	-72	-88	-37	-8
Exploration capex		-30	-42	-35	-13	-15	-15	-	-	-	-
Development capex		-95	-50	-48	-0	-36	-24	-8	-16	-	-
Other investing items		20	77	7	-	-	159	-	-	-	-
<b>Investing cash flow</b>		<b>-105</b>	<b>-16</b>	<b>-87</b>	<b>-31</b>	<b>-70</b>	<b>90</b>	<b>-80</b>	<b>-104</b>	<b>-37</b>	<b>-8</b>
Inc/(Dec) in Equity		1	47	1	28	2	2	-	-	-	-
Inc/(Dec) in Borrowings		89	-15	-28	-28	52	-104	-	-	-90	-
Dividends paid		-	-	-	-	-	-	-	-	-	-
Other financing items		-0	-0	-0	-7	-0	0	-	-	-	-
<b>Financing Cash Flow</b>		<b>89</b>	<b>32</b>	<b>-28</b>	<b>-7</b>	<b>53</b>	<b>-102</b>	<b>-</b>	<b>-</b>	<b>-90</b>	<b>-</b>
<b>Net Inc/(Dec) in Cash</b>		<b>-0.1</b>	<b>80.5</b>	<b>-66.5</b>	<b>13.2</b>	<b>11.1</b>	<b>41.2</b>	<b>0.2</b>	<b>-31.3</b>	<b>-1.9</b>	<b>121.0</b>
<b>Free cash flow</b>		<b>-89.5</b>	<b>48.9</b>	<b>-38.9</b>	<b>20.5</b>	<b>-42.2</b>	<b>143.2</b>	<b>0.2</b>	<b>-31.3</b>	<b>88.1</b>	<b>121.0</b>

BALANCE SHEET	M\$US	FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Cash & cash equivalents		19	99	33	46	57	98	98	67	65	186
Other current assets		28	22	36	37	40	48	51	49	56	57
PPE, Exp & Dev		418	391	420	423	467	488	520	583	600	564
Other non-current assets		10	2	8	5	7	5	5	5	5	5
<b>Total Assets</b>		<b>476</b>	<b>515</b>	<b>496</b>	<b>511</b>	<b>571</b>	<b>639</b>	<b>674</b>	<b>704</b>	<b>726</b>	<b>812</b>
Short term debt		15	44	33	27	37	16	16	16	-	-
Other current liabilities		42	56	32	32	32	39	37	36	45	46
Long term debt		181	143	131	108	149	66	66	66	-	-
Other non-current liabilities		71	49	51	54	60	75	74	73	98	97
<b>Total Liabilities</b>		<b>309</b>	<b>292</b>	<b>246</b>	<b>220</b>	<b>278</b>	<b>196</b>	<b>193</b>	<b>190</b>	<b>143</b>	<b>142</b>
Minorities		-	-	-0	-0	-0	-0	-0	-0	-0	-0
<b>Total Funds Employed</b>		<b>167</b>	<b>223</b>	<b>250</b>	<b>291</b>	<b>293</b>	<b>443</b>	<b>481</b>	<b>514</b>	<b>583</b>	<b>669</b>
Debt		196	187	163	135	186	82	82	82	-	-
Net debt		177	89	131	89	129	-16	-16	15	-65	-186

Source: company data and Ord Minnett forecasts

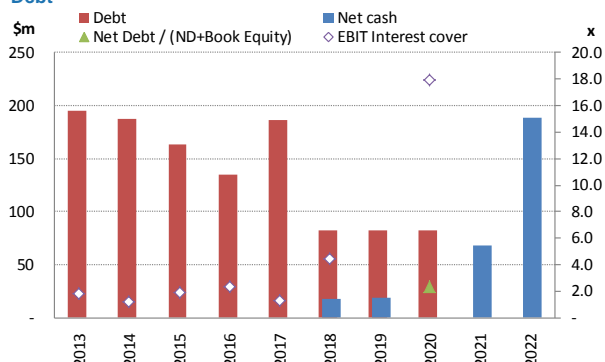
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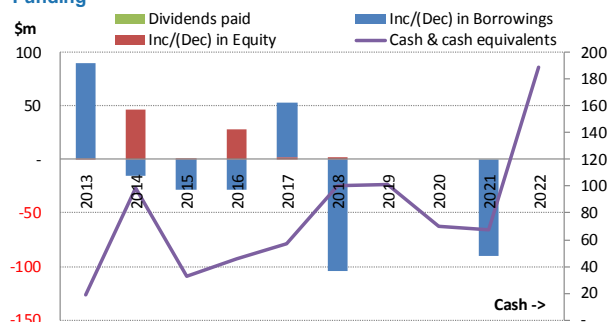
## Financial Analysis

### Horizon Oil Limited (HZN)

#### Debt



#### Funding



OPERATIONAL METRICS		FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
EBITDA margin	%	58.4	56.0	69.0	67.1	58.3	69.6	70.8	69.6	75.4	75.1
EBIT margin	%	39.4	21.0	23.7	36.2	17.6	31.0	41.7	41.7	54.0	56.1
Normalized NPAT margin	%	4.9	-3.5	9.5	13.7	-0.3	12.3	22.7	21.7	34.2	36.6
Revenue growth	%		183.5	-34.5	-6.0	-25.6	87.7	33.0	-10.3	52.5	4.6
EBITDA growth	%		171.7	-19.4	-8.6	-35.3	124.3	35.2	-11.8	65.3	4.2
EBIT growth	%		51.0	-25.9	43.4	-63.9	231.8	78.9	-10.4	97.6	8.6
Normalized ROA	%	0.5	-1.0	1.8	2.4	-0.0	2.4	5.6	4.5	10.6	10.6
Normalized ROE	%	1.5	-2.3	3.6	4.2	-0.1	3.4	7.8	6.2	13.2	12.9

VALUATION RATIOS		FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Fully diluted shares (end of period)	000,000	1,135.3	1,301.1	1,649.7	1,649.7	1,649.7	1,649.7	1,649.7	1,649.7	1,649.7	1,649.7
Weighted fully diluted shares	000,000	1,136.9	1,251.5	1,388.7	1,649.7	1,649.7	1,649.7	1,649.7	1,649.7	1,649.7	1,649.7
Share price (end of period)	\$/share	0.32	0.35	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Market Cap	M\$A	364	455	206	206	206	206	206	206	206	206
Less Net Debt	M\$A	177	89	131	89	129	-18	-19	13	-68	-189
Market EV	M\$A	541	544	337	295	336	188	187	219	138	17
EPS before abnormals	c	0.2	-0.4	0.7	0.9	-0.0	1.2	2.8	2.4	5.8	6.5
EPS growth	%		-303.7	-270.4	23.3	-101.9	-6,793.8	146.0	-14.5	140.4	12.0
PER	x	58.2	-28.6	16.8	13.6	-723.3	10.8	4.4	5.1	2.1	1.9
Op Cash flow per share	c	1.3	5.7	4.0	3.9	2.1	4.2	6.1	5.5	9.5	9.8
Price / Op Cash flow	x	9.4	2.2	3.1	3.2	5.9	3.0	2.0	2.3	1.3	1.3
EV/EBITDA (n.b. future EV)	x	13.1	3.4	4.7	4.3	7.6	1.7	1.3	1.7	0.6	-0.1

LEVERAGE		FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Net Debt / Book Equity	%	106	40	52	31	44	-4	-4	2	-12	-28
Net Debt / (ND+Book Equity)	%	51	28	34	23	31	-4	-4	2	-13	-39
Net Debt / Total Assets	%	37	17	26	17	23	-3	-3	2	-9	-23
EBIT Interest cover	x	1.8	1.2	1.9	2.3	1.3	4.5	23.3	18.0	89.3	588.1
Debt / Free Cash Flow	x	-2.2	3.8	-4.2	6.6	-4.4	0.6	93.2	-2.6	-	-

MARGIN ANALYSIS		real \$	FY13A	FY14A	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Revenue	\$US/boe	96	102	79	73	61	67	73	75	65	65	
Production costs	\$US/boe	-23	-22	-19	-16	-17	-14	-15	-16	-11	-11	
Royalties & prod purchases	\$US/boe	-4	-16	-1	-1	-2	-2	-3	-3	-2	-2	
Admin	\$US/boe	-13	-7	-7	-6	-7	-4	-4	-4	-2	-2	
EBITDA margin	\$US/boe	56	57	52	49	36	47	52	52	49	49	
D&A	\$US/boe	-18	-36	-34	-22	-25	-26	-21	-21	-14	-12	
Tax and financing	\$US/boe	-33	-25	-11	-16	-11	-13	-14	-15	-13	-13	
Normalized NPAT	\$US/boe	5	-4	7	10	-0	8	17	16	22	24	
Cash margin	%	58	56	66	67	58	70	71	70	75	75	
EBIT margin	%	39	21	23	36	18	31	42	42	54	56	
NPAT margin	%	7	9	6	14	-0	96	23	22	34	37	
Resource to production ratio	years	140.7	53.3	61.0	62.4	71.4	41.7	33.9	38.8	22.0	20.6	
Product mix (liquids % of total)	%	100	100	100	100	100	100	96	91	56	57	

Source: company data and Ord Minnett forecasts

\$US currency unless otherwise noted. Nominal \$ basis. Year ending June.

## Company Review

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## Company Review

## Guide to Ord Minnett Recommendations

SPECULATIVE BUY	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.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	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.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	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, historic 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.

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