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The Weekly Informer is Euroz Hartleys' weekly research clearing document. It includes research notes on stocks within the coverage universe published during the preceding week. The Weekly Informer is published mid-week

## Research Analysts

### Resources

**Mike Millikan**  
+61 8 9268 2805  
mmillikan@eurozhartleys.com

**Kyle De Souza**  
+61 8 9488 1427  
kdesouza@eurozhartleys.com

**Michael Scantlebury**  
+61 8 9268 2837  
mscantlebury@eurozhartleys.com

**Declan Bonnick**  
+61 8 9488 1481  
dbonnick@eurozhartleys.com

**Steven Clark**  
+61 8 9488 1430  
sclark@eurozhartleys.com

### Industrials

**Gavin Allen (Head)**  
+61 8 9488 1413  
gallen@eurozhartleys.com

**Trent Barnett**  
+61 8 9268 3052  
tbarnett@eurozhartleys.com

**Harry Stevenson**  
+61 8 9488 1429  
hstevenson@eurozhartleys.com

**Seth Lizee**  
+61 8 9488 1414  
slizee@eurozhartleys.com

Alluvion Level 18  
58 Mounts Bay Road  
Perth WA 6000

PO Box Z5036  
St Georges Terrace  
Perth WA 6831

T: +61 8 9488 1400  
F: +61 8 9488 1477

**Euroz Hartleys Limited**  
Participant of the ASX Group, Cboe and NSX.  
Authorised to provide financial services  
ABN 33 104 195 057  
AFSL 230052

Westralia Square Level 6  
141 St Georges Terrace  
Perth WA 6000

GPO Box 2777  
Perth WA 6001

T: +61 8 9268 2888  
F: +61 8 9268 2800

[eurozhartleys.com](http://eurozhartleys.com)

# Finbar Group Ltd

## (FRI \$0.69) Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Gavin Allen	25 <sup>th</sup> August 2022	\$1.17/sh

### Full year 2022 results and outlook.

#### Event

FRI has reported full year 2022 numbers and updated sales volume achieved for 2023 to date:

#### Impact

- Finbar has reported 2022 NPAT of \$11m, in line with operational update provided in early July.
- This represents a 24% increase on pcp, driven by completion of the Dianella apartments, sell down of completed product and revaluation in Karratha (Pelago apartments).
- The company has \$32.9m in cash and has declared a 2c dividend, which together with 2c interim dividend sees the stock yielding 6% per annum.
- In July FRI commented that FY 2022 was a strong sales year, with a total of 443 sales to the value of \$294m achieved, the strongest sales since 2015.
- Subsequent, FRI has now announced a further \$40.3m in sales achieved in FY 2023 to date, noting the challenging construction market; which has been largely offset by a robust sales market.
- NTA is \$0.89 in relation to which FRI is currently trading at a significant discount.
- AT 238 will contribute in 2023 (second half), which translates to a slow first half and subdued earnings in 2023.
- In 2024 however there is \$657m in project value expected to complete, in Civic Heart, Aurora and the Point, driving step change earnings growth in that year and in 2025.
- Patience may be required, however the investment case is supported by NTA, dividend and presales; and the prospect of step change earnings from 2024.

#### Action

Buy, PT \$1.17 (capitalising 2024 forecasts) and supported by \$0.89 in NTA

#### Key Catalysts

- The construction environment in the West is a significant momentum issue for the stock; it may be that conditions needs to ease to allow for a sentiment change, investors are perhaps understandably concerned about margin.
- To this end, with Civic Heart meaningfully out of the ground over the course of 2023; subsequent reassurance the project is on track in terms of contribution may be a catalyst.
- Sales activity continuing in 2023 as it has to date.
- Ultimately, provided all goes to plan, FRI will be positioned to talk to 2024 prospects with increasing confidence over the course of the year and investors will look through 2023 to 2024 and 2025 which could both be \$20m+ NPAT years all other things equal.

Finbar Group Ltd	Year End 30 June	
Share Price	0.69	A\$/sh
Price Target	1.17	A\$/sh
Shares on issue	272.1	m, diluted
Market Capitalisation	187.7	A\$m
Enterprise Value	239.7	A\$m
Debt	85.2	A\$m
Cash	33.2	A\$m

Key Financials	2022a	2023f	2024f
Revenue (A\$m)	91.4	79.0	192.0
EBITDA (A\$m)	15.6	9.8	28.6
EBIT (A\$m)	15.1	9.3	28.1
Reported NPAT (A\$m)	10.9	7.8	20.9
Normalised NPAT (A\$m)	10.9	7.8	20.9

Gross Cashflow (A\$m)	5.8	8.3	21.4
Capex (A\$m)	-0.1	-0.1	-0.1
Op. Free Cashflow (A\$m)	-7.7	-45.2	209.3

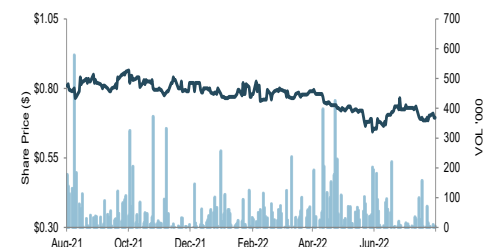
Revenue Growth (%)	-12%	-14%	143%
EBITDA Growth (%)	45%	-37%	192%
Norm. NPAT Growth (%)	23%	-29%	169%

Normalised EPS (Ac)	4.0	2.9	7.7
Norm. EPS growth (%)	0.23	-0.29	1.69
PER (x)	17.2	24.2	9.0
EV:EBITDA (x)	15.4	24.5	8.4
EV:EBIT (x)	15.9	25.7	8.5

DPS (Ac)	4.00	4.00	6.00
Dividend Yield (%)	5.8%	5.8%	8.7%

Net Cash (A\$m)	-52.0	-111.1	84.3
Net Debt:Equity (%)	21%	47%	-35%
Interest Cover (x)	na	na	na

#### Share Price Chart



#### Disclaimer

This analyst declares that he has a beneficial interest in FRI.

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## Finbar Group Ltd

(FRI \$0.69) Buy

EUROZ HARTLEYS

Financial Statements	2021a	2022a	2023f	2024f	Performance Ratios	2021a	2022a	2023f	2024f
<b>Income Statement</b>					<b>Growth &amp; Margins</b>				
Sales	93.3	81.5	67.0	183.0	Revenue Growth	-33%	-12%	-14%	143%
Other	10.1	9.9	12.0	9.0	EBITDA Growth	0%	45%	-37%	192%
<b>Revenue</b>	<b>103.4</b>	<b>91.4</b>	<b>79.0</b>	<b>192.0</b>	EBIT Growth	4%	47%	-38%	202%
COGS	-81.7	-70.0	-53.2	-146.4	Normalized Net Profit Growth	34%	23%	-29%	169%
Operating costs	-12.8	-13.3	-16.0	-17.0	EBITDA margin	10%	17%	12%	15%
<b>EBITDA</b>	<b>10.8</b>	<b>15.6</b>	<b>9.8</b>	<b>28.6</b>	EBIT margin	10%	17%	12%	15%
Depreciation	-0.5	-0.5	-0.5	-0.5	Normalized net profit margin	9%	12%	10%	11%
Other non cash	0.0	0.0	0.0	0.0	Effective tax rate	27%	28%	30%	30%
<b>EBIT</b>	<b>10.3</b>	<b>15.1</b>	<b>9.3</b>	<b>28.1</b>	<b>Liquidity</b>				
Net Interest income/(expense)	0.8	0.1	0.1	0.1	Capex/depreciation (x)	0.1	0.2	0.2	0.2
Associates	0.9	-0.2	1.7	1.7	Current ratio (x)	4.5	2.0	1.4	2.4
Other income/(expense)	0.0	0.0	0.0	0.0	Quick ratio (x)	2.7	4.9	-3.2	3.9
Abnormal items (pretax)	0.0	0.0	0.0	0.0	Receivable days	32	90	72	72
<b>EBT</b>	<b>12.0</b>	<b>15.0</b>	<b>11.1</b>	<b>29.9</b>	Payable days	99	57	108	108
Tax expense	-3.2	-4.1	-3.3	-9.0	<b>Risk Measures</b>				
Discontinued operations	0.0	0.0	0.0	0.0	Dividend Cover (x)	1.0	1.2	0.6	1.5
Minority interest	0.0	0.0	0.0	0.0	Payout ratio (%)	104%	85%	178%	66%
<b>Reported Earnings</b>	<b>8.8</b>	<b>10.9</b>	<b>7.8</b>	<b>20.9</b>	Net interest cover (x)	na	na	na	na
Adjustments (one off)	0.0	0.0	0.0	0.0	Net debt/equity (%)	8%	21%	47%	-35%
<b>Net Profit</b>	<b>8.8</b>	<b>10.9</b>	<b>7.8</b>	<b>20.9</b>	<b>Returns</b>				
<b>Cash flow (A\$m)</b>					<b>Share Data/Valuation</b>				
Pretax profit	12.0	15.0	11.1	29.9	ROIC	0.0	0.0	0.0	0.1
+ Depreciation & Amort	0.5	0.5	0.5	0.5	ROA	0.0	0.0	0.0	0.1
+ Provisions	0.1	0.2	0.0	0.0	ROE	0.0	0.0	0.0	0.1
-Interest paid (net)	0.0	0.0	0.0	0.0	<b>Share Data</b>				
+ Revaluation	-1.9	-7.5	0.0	0.0	Issued shares (m)	272.1	272.1	272.1	272.1
+ Share of associates AT	-0.9	0.2	0.0	0.0	Weighted ave shares (m)	272.1	272.1	272.1	272.1
+ Other non cash expense	0.0	0.0	0.0	0.0	Fully diluted shares (m)	272.1	272.1	272.1	272.1
- Tax Paid	-2.5	-2.6	-3.3	-9.0	Basic EPS (A\$)	3.3	4.0	2.9	7.7
<b>Gross Cashflow</b>	<b>7.3</b>	<b>5.8</b>	<b>8.3</b>	<b>21.4</b>	YoY change (%)	34%	23%	-29%	169%
- Capital Expenditure	-0.1	-0.1	-0.1	-0.1	Fully diluted EPS (A\$)	3.3	4.0	2.9	7.7
- Change in Working Capital	9.2	-13.4	-53.4	188.0	YoY change (%)	34%	23%	-29%	169%
<b>Operating Free Cashflow</b>	<b>16.5</b>	<b>-7.7</b>	<b>-45.2</b>	<b>209.3</b>	Fully diluted normalised EPS (A\$)	3.3	4.0	2.9	7.7
- Dividends Paid	-8.2	-10.9	-13.9	-13.9	YoY change (%)	0.3	0.2	-0.3	1.7
+/- Revaluation	0.5	0.5	0.5	0.5	Dividend/share (A\$)	4.0	4.0	4.0	6.0
- Acquisitions (Disposals)	0.0	0.0	0.0	0.0	Franking (%)	100%	100%	100%	100%
- Dividends received	0.7	0.0	0.0	0.0	Gross cashflow/share (A\$)	2.7	2.1	3.0	7.9
+ Equity issued	0.0	0.0	0.0	0.0	NBV/share (A\$)	89.2	89.2	87.0	89.6
-Disposals	0.0	0.0	0.0	0.0	NTA/Share (A\$)	89.2	89.2	87.0	89.6
-Loans to Equity Acnt	-8.0	-23.1	0.0	0.0	<b>Valuation</b>				
+Proceeds from Equity Acnt	12.6	9.9	0.0	0.0	PER (Basic) (x)	21.2	17.2	24.2	9.0
+/- Other	0.9	-1.3	0.0	0.0	PER (Fully diluted) (x)	21.2	17.2	24.2	9.0
<b>Net Cashflow</b>	<b>14.5</b>	<b>-33.1</b>	<b>-59.1</b>	<b>195.4</b>	PER (Fully diluted, normalized) (x)	21.2	17.2	24.2	9.0
BoP Net Cash / (Debt)	-33.4	-18.9	-52.0	-111.1	P/CFPS (x)	25.7	32.4	22.8	8.8
(+/-) Net Cashflow	14.5	-33.1	-59.1	195.4	Price/NBV (x)	0.8	0.8	0.8	0.8
EoP Net Cash / (Debt)	-18.9	-52.0	-111.1	84.3	Price/NTA (x)	0.8	0.8	0.8	0.8
<b>Balance Sheet (\$m)</b>					Dividend Yield (%)	5.8%	5.8%	5.8%	8.7%
Cash	52.6	33.2	-62.8	132.7	EV/EBITDA (x)	22.3	15.4	24.5	8.4
Receivables	8.1	20.0	13.2	36.1	EV/EBIT (x)	23.3	15.9	25.7	8.5
Inventories	57.7	19.3	109.0	0.0	EV/Revenue (x)	2.3	2.6	3.0	1.2
Investments in Equ. Inv	0.0	0.0	0.0	0.0					
Other	0.2	0.6	0.6	0.6					
<b>Total current assets</b>	<b>118.6</b>	<b>73.2</b>	<b>60.1</b>	<b>169.4</b>					
Receivables	26.0	30.8	20.3	55.4					
Inventories	82.1	123.0	109.0	0.0					
Property, plant and equipment	9.2	9.9	9.5	9.2					
Equity accounted Inv.	2.2	1.0	1.0	1.0					
Investment property	97.9	102.2	102.2	102.2					
Deferred tax assets	6.7	5.4	5.4	5.4					
Other	0.6	0.9	0.9	0.9					
<b>Total non current assets</b>	<b>224.8</b>	<b>273.2</b>	<b>248.3</b>	<b>174.0</b>					
<b>Total assets</b>	<b>343.4</b>	<b>346.4</b>	<b>308.4</b>	<b>343.4</b>					
Payables	22.2	10.9	15.7	43.3					
Interest bearing liabilities	2.2	23.3	23.3	23.3					
Current tax payable	1.5	1.9	1.9	1.9					
Provisions	0.6	0.8	0.8	0.8					
<b>Total current liabilities</b>	<b>26.5</b>	<b>36.9</b>	<b>41.8</b>	<b>69.3</b>					
Payables	0.0	0.2	0.2	0.7					
Interest bearing liabilities	69.3	61.9	25.0	25.0					
Non current tax liabilities	5.0	4.7	4.7	4.7					
Provisions	0.1	0.0	0.0	0.0					
<b>Total non current liabilities</b>	<b>74.3</b>	<b>66.7</b>	<b>29.9</b>	<b>30.4</b>					
<b>Total liabilities</b>	<b>100.8</b>	<b>103.7</b>	<b>71.7</b>	<b>99.7</b>					
<b>Net Assets</b>	<b>242.6</b>	<b>242.7</b>	<b>236.6</b>	<b>243.7</b>					
Contributed equity	194.5	194.5	194.5	194.5					
Reserves	0.5	0.5	0.5	0.5					
NCI	0.0	0.0	0.0	0.0					
Retained Earnings	47.7	47.7	41.6	48.7					
<b>Total equity</b>	<b>242.6</b>	<b>242.7</b>	<b>236.6</b>	<b>243.7</b>					

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