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Key Picks - March

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Lynas Rare Earths	LYC	\$9.24	Hold	H1 FY22 Report, Price Deck Update	Steven Clark	9
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Sandfire Resources	SFR	\$6.70	Buy	H1 FY22 Report, Interim MATSA Guidance	Steven Clark	19
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Austin Engineering	ANG	\$0.28	Buy	FY22 guidance seems conservative	Trent Barnett	27
Cash Converters Int.	CCV	\$0.245	Buy	Fair result, 2nd half will be stronger.	Harry Stevenson	34
Cosol	COS	\$0.70	Buy	Strong 1H 2022 revenue and earnings growth, further acquisitions flagged	Gavin Allen	38
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Duratec	DUR	\$0.34	Buy	First Half 2022 results	Gavin Allen	53
Family Zone	FZO	\$0.40	Buy	1H Reporting and Cipafilter Addition	Harry Stevenson	58
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Fleetwood	FWD	\$2.00	Buy	1H 2022 Results	Gavin Allen	67
Genusplus Group	GNP	\$1.25	Buy	Half year as guided, updating for strategic acquisition	Gavin Allen	70
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Mader Group	MAD	\$2.30	Buy	Strong 1h 2022 results	Gavin Allen	89
Peet	PPC	\$1.06	Buy	Impressive 1h 2022 results	Gavin Allen	93
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Carnarvon Energy	CVN	\$0.27	Buy	Pavo-1 Update: Hydrocarbons In Good Reservoir in Primary Targets	Jon Bishop	114
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Austin Engineering	ANG	\$0.30	Buy	Provides FY22 guidance	Trent Barnett	129
Cash Converters Int.	CCV	\$0.26	Buy	Loan book growth will see stronger 2H'22	Harry Stevenson	130
CTI Logistics	CLX	\$0.98	Hold	1H Result: Beat on Forecasts	Seth Lizee	132
DDHI	DDH	\$1.03	Buy	Robust 1H 2022 results	Gavin Allen	133
Family Zone	FZO	\$0.40	Buy	1H Results - First look at the at combined group and acquisitions continue	Harry Stevenson	134
Finbar Group	FRI	\$0.77	Buy	FRI reports half year results; lead indicators robust	Gavin Allen	135
Fleetwood	FWD	\$2.14	Buy	1H 2022 Results	Gavin Allen	136
Joyce Corporation	JYC	\$3.40	Spec Buy	1H Results: Beat on Forecasts, COVID uncertainty	Seth Lizee	137
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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

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Finbar Group Ltd

(FRI \$0.77) Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Gavin Allen	24 th February 2022	\$1.17/sh

FRI reports half year results; lead indicators robust

Event/ Initial Impressions

Lead sales indicators are supportive of step change future earnings, timing is however a little fluid, as is the range of margin outcomes possible. While trading under NTA and offering clear fundamental value, some patience may be required.

Impact

FRI has reported half year 2022 results and associated operational update with the following highlights:

- Half year NPAT of \$9.9m up 138% on pcp (included \$5m NPAT associated with increase in Karratha investment asset value.
- Operating NPAT was \$4.6m, in line with our \$4m expectation.
- Interim dividend declared of 2c.
- \$642m in end value apartments currently under construction.
- Strong sales performance to start second half.
- NTA is \$0.90 per share
- We are to looking for a steady 2022 and 2023 before a step change in 2024 as the flagship Civic Heart project completes.
- While sales are strong, construction is a challenge in a labour short WA, and while FRI is well positioned to benefit from this demand over time, project completions timetables have been pushed out.
- Trading under NTA there is plenty of fundamental value available; patience may be required.

Action

Buy, PT \$1.17

Key Catalyst

- Market will be keen for confirmation/clarity on completion margins.
- WA borders open probably helps
- More of the same in terms of sales demand

Finbar Group Ltd	Year End 30 June	
Share Price	0.77	A\$/sh
Price Target	1.17	A\$/sh
Shares on issue	272.1 m, diluted	
Market Capitalisation	209.5	A\$m
Enterprise Value	228.4	A\$m
Debt	71.5	A\$m
Cash	52.6	A\$m

Key Financials	2021a	2022f	2023f
Revenue (A\$m)	103.4	80.0	114.5
EBITDA (A\$m)	10.8	13.1	14.2
EBIT (A\$m)	10.3	12.6	13.7
Reported NPAT (A\$m)	8.8	10.1	10.8
Normalised NPAT (A\$m)	8.8	10.1	10.8

Gross Cashflow (A\$m)	7.3	10.5	11.3
Capex (A\$m)	-0.1	-0.1	-0.1
Op. Free Cashflow (A\$m)	16.5	20.5	-37.6

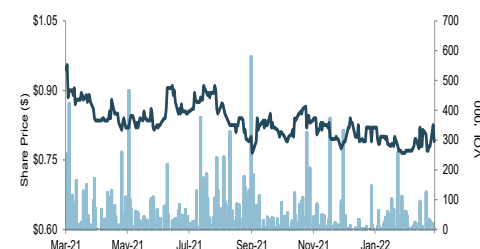
Revenue Growth (%)	-33%	-23%	43%
EBITDA Growth (%)	0%	22%	8%
Norm. NPAT Growth (%)	34%	14%	8%

Normalised EPS (Ac)	3.25	3.70	3.98
Norm. EPS growth (%)	0.34	0.14	0.08
PER (x)	23.7	20.8	19.4
EV:EBITDA (x)	21.2	17.4	16.1
EV:EBIT (x)	22.2	18.1	16.7

DPS (Ac)	4.00	4.00	6.00
Dividend Yield (%)	5.2%	5.2%	7.8%

Net Cash (A\$m)	-18.9	-7.7	-59.1
Net Debt:Equity (%)	8%	3%	25%
Interest Cover (x)	na	na	na

Share Price Chart



Disclaimer

This analyst declares that he has a beneficial interest in Finbar Group Ltd.

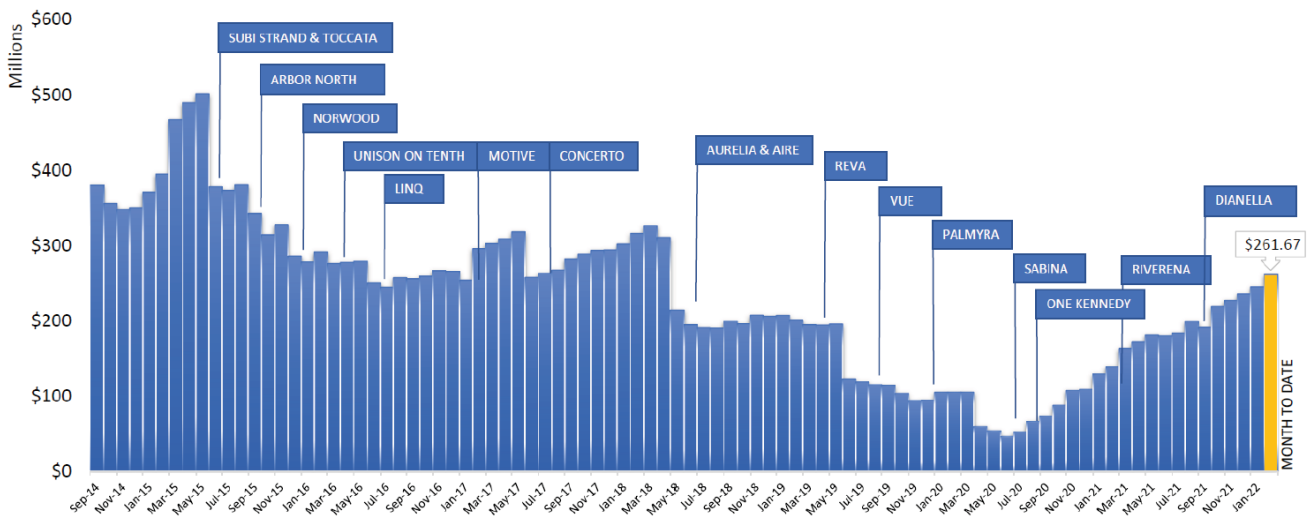
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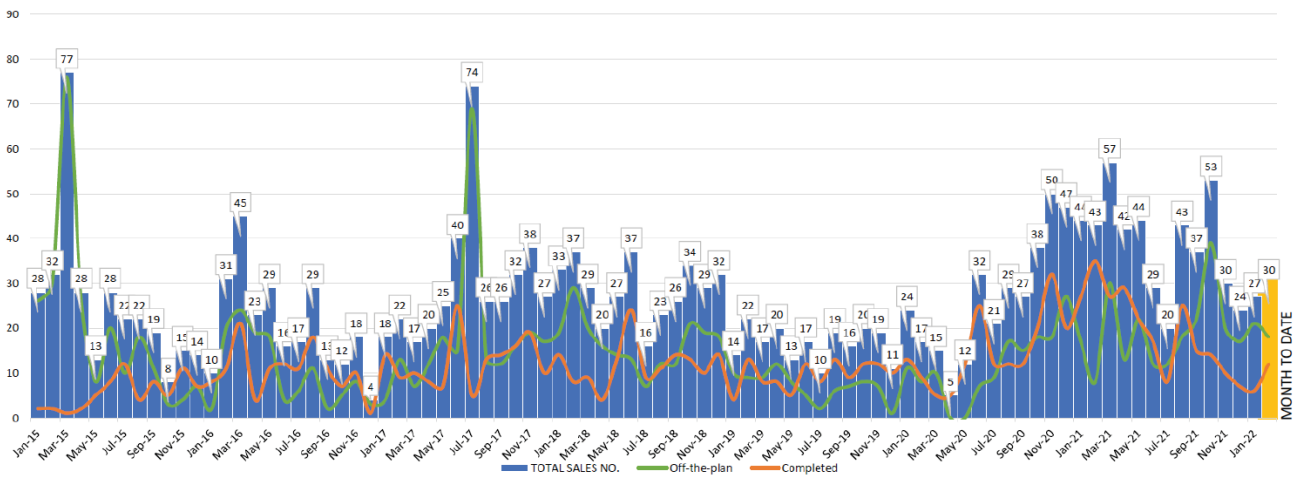
Analysis

The following are useful graphs from the company presentation which support our medium term earnings assertions:

TOTAL OFF-THE-PLAN PRESALES VALUE



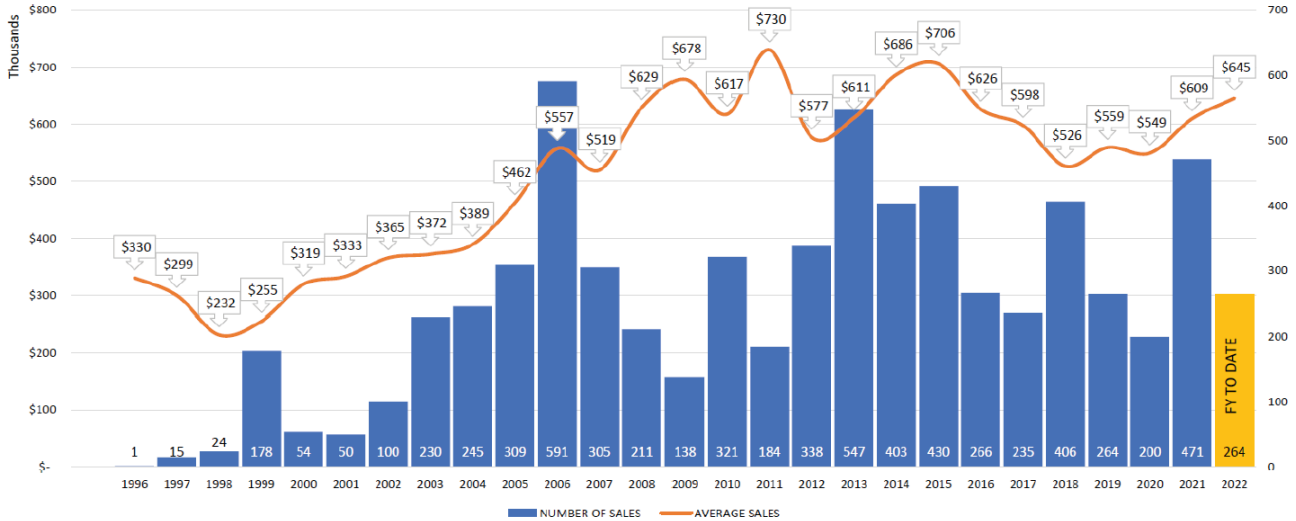
TOTAL NUMBER OF SALES PER MONTH



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AVERAGE SALES VALUE (PER UNIT) - FINANCIAL YEAR



What these suggest are steady/strong sales conditions translating to strong presales at increased value, this bodes well for maintenance of margin despite challenging construction conditions, and increasing margin as people issues decrease.

Our investment thesis is based on step change earnings, which while we concede are now more likely in 2024 than 2023, are on the way nonetheless. Buy with long term view.

Our PT of \$1.17 is 14x our 2024 step change earnings growth assumption 12 months from now; we concede we were 12 months early on this call however the underlying investment thesis is intact.

Finbar Group Ltd

(FRI \$0.77) Buy

EUROZ HARTLEYS

Financial Statements	2020a	2021a	2022f	2023f	Performance Ratios	2020a	2021a	2022f	2023f
Income Statement					Growth & Margins				
Sales	145.4	93.3	65.0	105.5	Revenue Growth	0%	-33%	-23%	43%
Other	9.2	10.1	15.0	9.0	EBITDA Growth	-25%	0%	22%	8%
Revenue	154.6	103.4	80.0	114.5	EBIT Growth	-31%	4%	23%	9%
COGS	-132.1	-81.7	-51.9	-82.3	Normalized Net Profit Growth	-42%	34%	14%	8%
Operating costs	-18.5	-12.8	-15.0	-18.0	EBITDA margin	7%	10%	16%	12%
EBITDA	10.8	10.8	13.1	14.2	EBIT margin	6%	10%	16%	12%
Depreciation	-0.9	-0.5	-0.5	-0.5	Normalized net profit margin	4%	9%	13%	9%
Other non cash	0.0	0.0	0.0	0.0	Effective tax rate	37%	27%	30%	30%
EBIT	9.9	10.3	12.6	13.7	Liquidity				
Net Interest income/(expense)	0.6	0.8	0.8	0.8	Capex/depreciation (x)	0.1	0.1	0.1	0.1
Associates	0.0	0.9	0.9	0.9	Current ratio (x)	1.2	4.5	4.5	2.1
Other income/(expense)	0.0	0.0	0.0	0.0	Quick ratio (x)	1.7	2.7	1.8	-0.8
Abnormal items (pretax)	0.0	0.0	0.0	0.0	Receivable days	26	32	43	43
EBT	10.5	12.0	14.4	15.5	Payable days	67	99	109	109
Tax expense	-3.9	-3.2	-4.3	-4.6	Risk Measures				
Discontinued operations	0.0	0.0	0.0	0.0	Dividend Cover (x)	1.0	1.0	1.1	0.8
Minority interest	0.0	0.0	0.0	0.0	Payout ratio (%)	105%	104%	92%	128%
Reported Earnings	6.6	8.8	10.1	10.8	Net interest cover (x)	na	na	na	na
Adjustments (one off)	0.0	0.0	0.0	0.0	Net debt/equity (%)	14%	8%	3%	25%
Net Profit	6.6	8.8	10.1	10.8	Returns				
Cash flow (A\$m)					Share Data/Valuation				
Pretax profit	10.5	12.0	14.4	15.5	ROIC	0.0	0.0	0.0	0.0
+ Depreciation & Amort	0.9	0.5	0.5	0.5	ROA	0.0	0.0	0.0	0.0
+ Provisions	0.0	0.1	0.0	0.0	ROE	0.0	0.0	0.0	0.0
-Interest paid (net)	0.0	0.0	0.0	0.0	Share Data				
+ Revaluation	-8.5	-1.9	0.0	0.0	Issued shares (m)	272.1	272.1	272.1	272.1
+ Share of associates AT	0.3	-0.9	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	-4.6	-2.5	-4.3	-4.6	Basic EPS (A\$)	2.4	3.3	3.7	4.0
Gross Cashflow	-1.4	7.3	10.5	11.3	YoY change (%)	-42%	34%	14%	8%
- Capital Expenditure	-0.1	-0.1	-0.1	-0.1	Fully diluted EPS (A\$)	2.4	3.3	3.7	4.0
- Change in Working Capital	27.0	9.2	10.0	-48.8	YoY change (%)	-42%	34%	14%	8%
Operating Free Cashflow	25.5	16.5	20.5	-37.6	Fully diluted normalised EPS (A\$)	2.4	3.3	3.7	4.0
- Dividends Paid	-13.6	-8.2	-9.2	-13.9	YoY change (%)	-0.4	0.3	0.1	0.1
+/- Revaluation	0.9	0.5	0.5	0.5	Dividend/share (A\$)	3.0	4.0	4.0	6.0
- Acquisitions (Disposals)	-4.1	0.0	0.0	0.0	Franking (%)	100%	100%	100%	100%
- Dividends received	2.4	0.7	0.0	0.0	Gross cashflow/share (A\$)	-0.5	2.7	3.9	4.1
+ Equity issued	0.0	0.0	0.0	0.0	NBV/share (A\$)	88.9	89.2	89.5	88.4
-Disposals	0.0	0.0	0.0	0.0	NTA/Share (A\$)	88.9	89.2	89.5	88.4
-Loans to Equity Acnt	-10.5	-8.0	0.0	0.0	Valuation				
+Proceeds from Equity Acnt	2.8	12.6	0.0	0.0	PER (Basic) (x)	31.8	23.7	20.8	19.4
+/- Other	-1.7	0.9	0.0	0.0	PER (Fully diluted) (x)	31.8	23.7	20.8	19.4
Net Cashflow	0.7	14.5	11.2	-51.5	PER (Fully diluted, normalized) (x)	31.8	23.7	20.8	19.4
BoP Net Cash / (Debt)	-34.1	-33.4	-18.9	-7.7	P/CFPS (x)	-147.9	28.7	19.9	18.6
(+/-) Net Cashflow	0.7	14.5	11.2	-51.5	Price/NBV (x)	0.9	0.9	0.9	0.9
EOp Net Cash / (Debt)	-33.4	-18.9	-7.7	-59.1	Price/NTA (x)	0.9	0.9	0.9	0.9
Balance Sheet (\$m)					Dividend Yield (%)	3.9%	5.2%	5.2%	7.8%
Cash	30.6	52.6	19.6	-31.9	EV/EBITDA (x)	21.1	21.2	17.4	16.1
Receivables	10.3	8.1	7.7	12.5	EV/EBIT (x)	23.1	22.2	18.1	16.7
Inventories	58.8	57.7	62.4	81.2	EV/Revenue (x)	1.5	2.2	2.9	2.0
Investments in Equ. Inv	0.0	0.0	0.0	0.0					
Other	0.8	0.2	0.2	0.2					
Total current assets	100.5	118.6	89.8	62.0					
Receivables	26.9	26.0	24.8	40.2					
Inventories	95.8	82.1	62.4	81.2					
Property, plant and equipment	9.4	9.2	8.8	8.4					
Equity accounted Inv.	1.4	2.2	2.2	2.2					
Investment property	97.3	97.9	97.9	97.9					
Deferred tax assets	6.3	6.7	6.7	6.7					
Other	0.1	0.6	0.6	0.6					
Total non current assets	237.3	224.8	203.4	237.3					
Total assets	337.8	343.4	293.3	299.4					
Payables	24.3	22.2	15.5	24.7					
Interest bearing liabilities	55.5	2.2	2.2	2.2					
Current tax payable	1.1	1.5	1.5	1.5					
Provisions	0.5	0.6	0.6	0.6					
Total current liabilities	81.4	26.5	19.8	28.9					
Payables	1.8	0.0	0.0	0.0					
Interest bearing liabilities	8.5	69.3	25.0	25.0					
Non current tax liabilities	4.2	5.0	5.0	5.0					
Provisions	0.0	0.1	0.1	0.1					
Total non current liabilities	14.5	74.3	30.0	30.1					
Total liabilities	95.9	100.8	49.8	59.0					
Net Assets	241.9	242.6	243.5	240.4					
Contributed equity	194.5	194.5	194.5	194.5					
Reserves	0.4	0.5	0.5	0.5					
NCI	0.0	0.0	0.0	0.0					
Retained Earnings	47.0	47.7	48.5	45.5					
Total equity	241.9	242.6	243.5	240.4					

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Quick Comment

Finbar Group Ltd (FRI \$0.77) Buy

Analyst	Date	Price Target
Gavin Allen	24 th February 2022	\$1.17/sh

FRI reports half year results; lead indicators robust

Key Points

FRI has reported (after market yesterday) half year 2022 results and associated operational update with the following highlights:

- Half year NPAT of \$9.9m up 138% on pcp (included \$5m NPAT associated with increase in Karratha investment asset value.
- Operating NPAT was \$4.6m, in line with our \$4m expectation.
- Interim dividend declared of 2c.
- \$642m in end value apartments currently under construction.
- Strong sales performance to start second half.
- NTA is \$0.90 per share
- We are looking for a steady 2022 and 2023 before a step change in 2024 as the flagship Civic Heart project completes.
- While sales are strong, construction is a challenge in a labour short WA, and while FRI is well positioned to benefit from this demand over time, project completions timetables have been pushed out.
- Trading under NTA there is plenty of fundamental value available; patience may be required.
- **Initial Impressions**
- Lead sales indicators are supportive of step change future earnings, timing is however a little fluid, as is the range of margin outcomes possible. While trading under NTA and offering clear fundamental value, some patience may be required.

Investment Thesis

With \$642m in end value apartments currently under construction, FRI has significant product that is set for settlement over the 2023/2024/25 period, the operating NPAT associated with which might be in the region \$50m to \$60m after tax. This compares to a circa \$5m to \$10m range the last number of years. While these earnings are likely well skewed to 2024, requiring investor patience, lead indicators in terms of sales \$, sales rates, average sale prices and the total value of off the plan sales are encouraging.

Finbar Group Ltd (FRI)

Share Price	0.77	A\$/sh	Enterprise Value	201.5	A\$/m
Price Target	1.17	A\$/sh	Cash	49	A\$/m
Shares on issue	272.1	m(dil)	Debt (investments)	41	A\$/m
Market Capitalisation	209.5	A\$m			

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