

Presented by Colin Nicholson
Australian Investors Association Perth 5 April 2014

* **A Masterclass in
Stock Selection**

The views expressed today are intended only for discussion and education

They are neither intended to be, nor are they suitable to be, acted upon
as investment advice

It is advisable to obtain investment advice from a licensed adviser before
making any investment decisions based on my presentation

I am not a licensed investment adviser

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The slides used for the Masterclass
may be requested by emailing me

colin@bwts.com.au

The Masterclass in Stock Selection

1. Finding prospects and initial assessment
2. The two companies we will use as case studies
3. Company profiles
4. Understanding financial statements and key ratios
 - Statement of Financial Performance (Profit & Loss)
 - Statement of Financial Position (Balance Sheet)
 - Statement of Cash Flows
5. Addressing the three key questions
 - Will the company stay in business?
 - Will the business generate a good return?
 - Can we buy the shares at an attractive price?
6. Questions

Session One

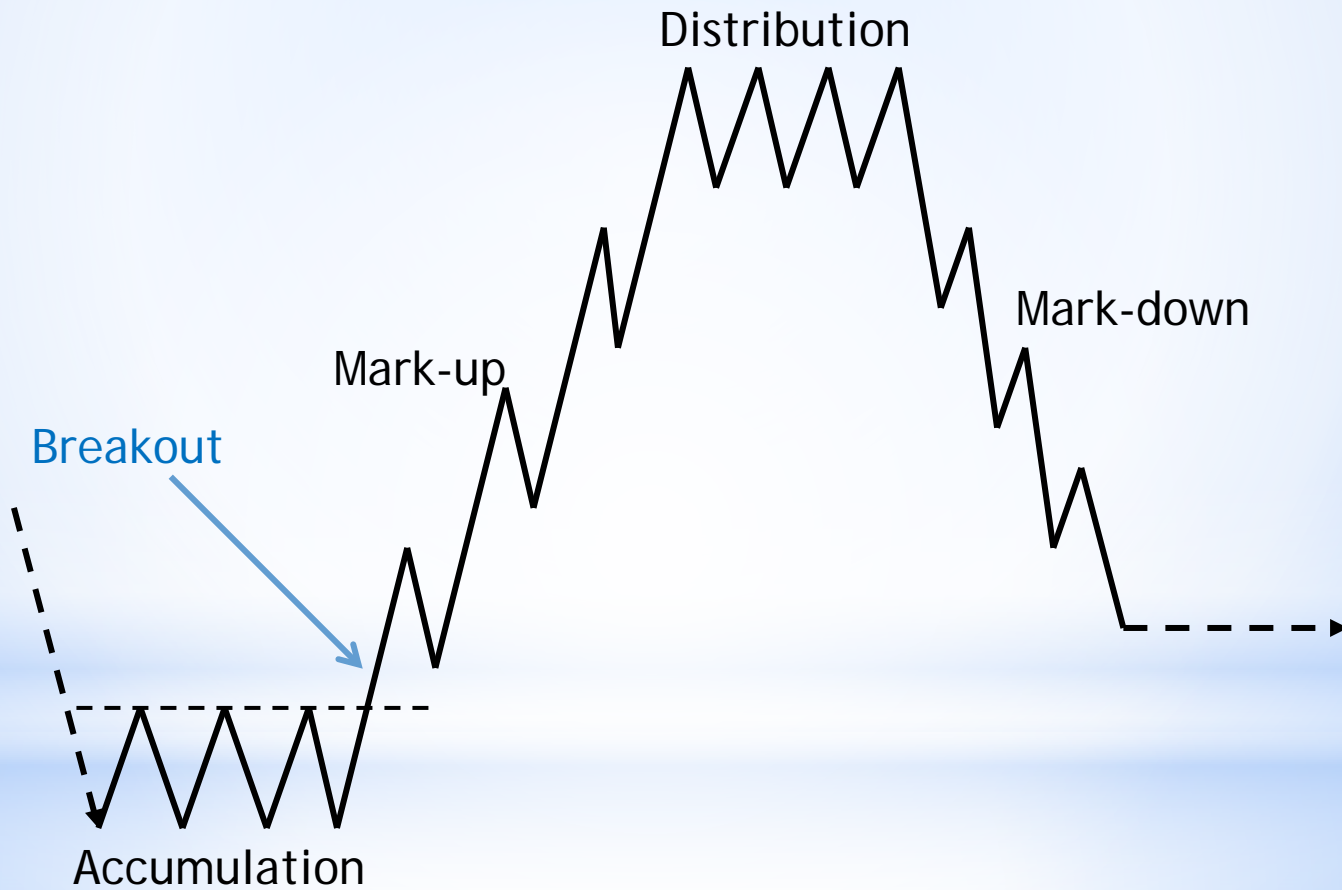
Finding Good Prospects and Initial Assessment

My Two Models for Finding Stocks to Buy

Value Model

Growth Model

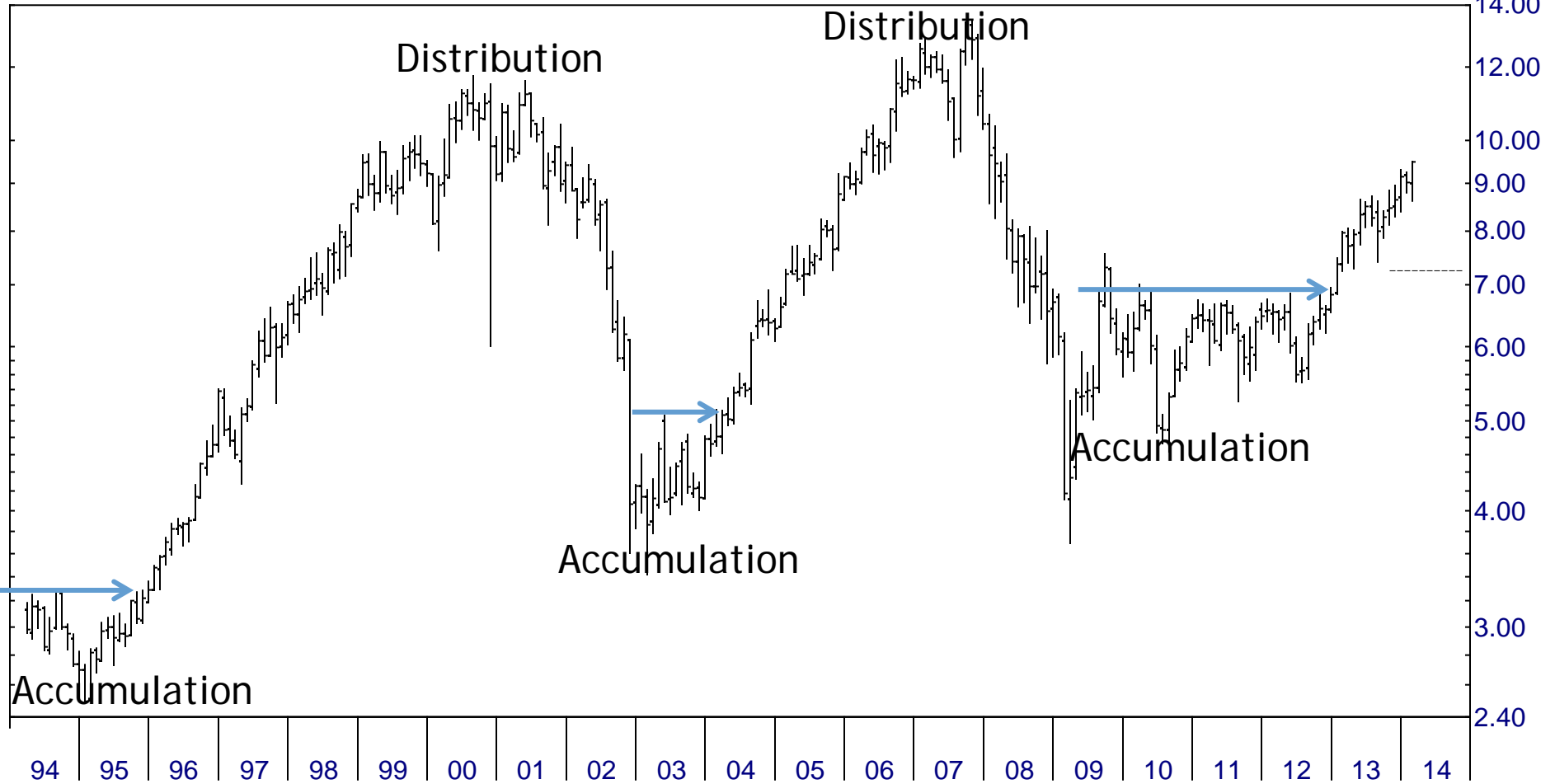
Value Model



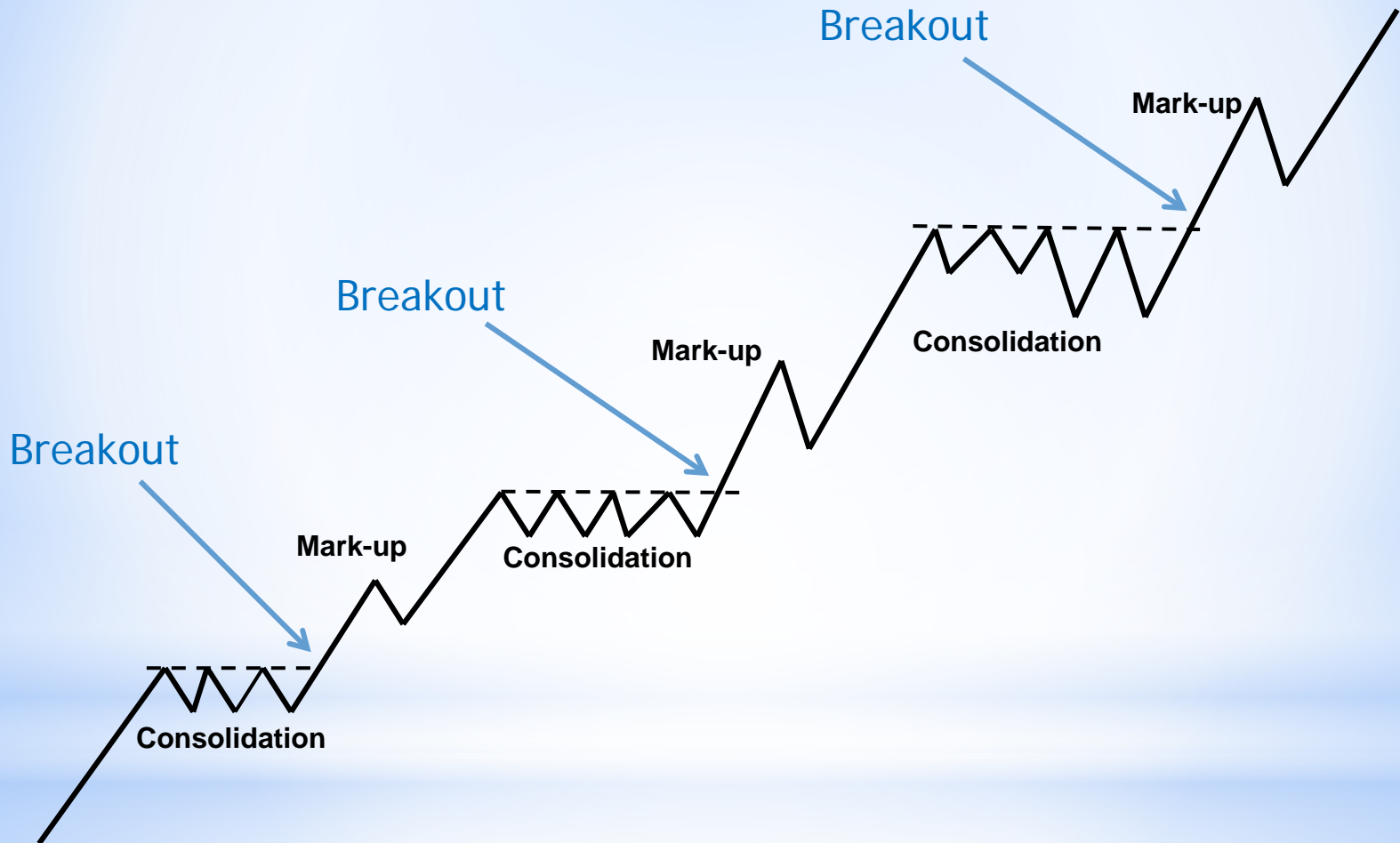
Value Model

BXB - BRAMBLES LTD > +1.4% +0.13 to 9.48

M @ M 310394-280214



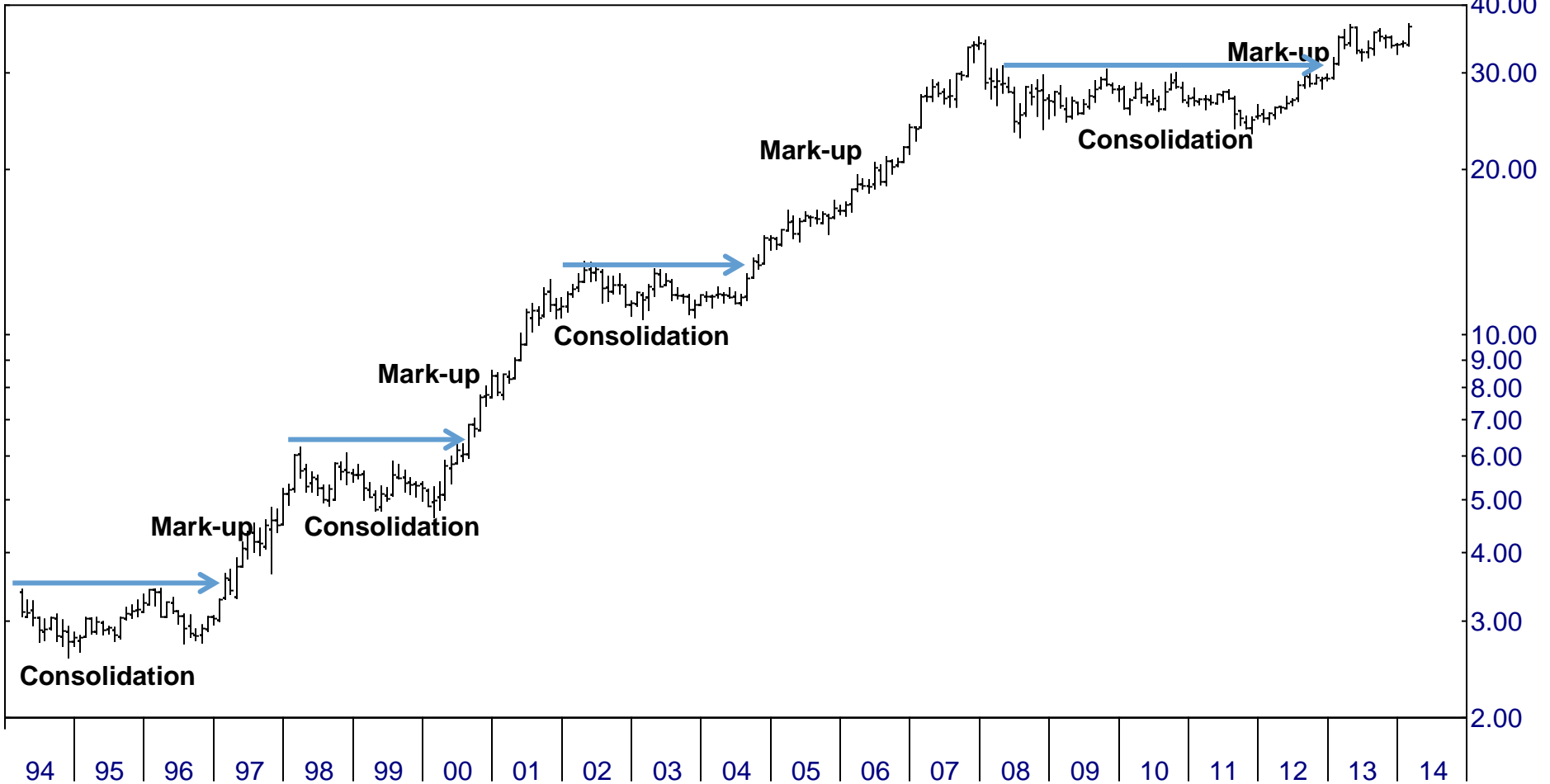
Growth Model



Growth Model

WOW - WOOLWORTHS LTD > -0.2% -0.08 to 36.52

M @ M 310394-280214



My Two Models for Finding Stocks to Buy

Value Model

Growth Model

To find stocks on both models we are looking for

- Upward breakouts from broad sideways patterns
or
- Uptrends

We can look at lots of charts, or we can use software to scan the market...

Scan to Find Stocks to Buy

- High price this week $>$ High price for the last year
- **AND** Price Earnings Ratio $>$ 0
- **AND** Dividend Yield $>$ 0

The first condition will find breakouts from patterns at least a year wide and uptrending stocks

The other two conditions restrict the scan to investment grade stocks

Scan using *Insight Trader* charting software

Filter Report

HIGHLIGHTED SECURITIES FOR TARGET DATE 250314 DATE OF TEST:- 250314

DIRECTORY: C:\Winit\ SECURITY LIST: ALL.LST NOTRADES LIMIT: 0 WEEKDAYS

FILTER SYSTEM: 01 Technical Scan - My plan 52 weeks

NUMBER OF HITS: 31

N...	Security	Name	Main Activity	Criter...	Mom	Vol	Price	Veloc	Behvr	MktCap M	MFlow K	Dt/Eq	PER	EmYd	DvYd	Frnk	GDvYd	P/NTA
7	AAD	ARDENT LEISURE ...	CONSUMER SERV...	+123	0	165	-1	99	86	1,009	5,002	47	26.7	3.7	4.8	0	4.8	3.4
28	AEU	AUSTRALIAN ED...	REAL ESTATE INV...	+123	6	-81	3	18	52	348	2,189	53	7.5	13.4	5.1	0	5.1	1.3
11	AIA	AUCKLAND INTE...	TRANSPORTATION	+123	2	-71	-2	59	91	4,801	274	46	32.	3.1	2.8	0	2.8	2.3
14	ALL	ARISTOCRAT LEIS...	CONSUMER SERV...	+123	4	26	2	47	61	2,945	12,349	63	27.4	3.6	2.7	0	2.7	13.
26	ALZ	AUSTRALAND PR...	REAL ESTATE INV...	+123	9	-47	4	20	76	2,417	16,068	59	13.5	7.4	5.1	0	5.1	1.2
24	AZF	THE AUSTRALIAN...	REAL ESTATE INV...	+123	1	-69	0	22	83	71	41	49	8.8	11.4	5.5	0	5.5	1.
4	BGA	BEGA CHEESE LTD	FOOD BEVERAGE ...	+123	-3	-75	-2	166	94	821	4,227	42	32.2	3.1	1.4	100	2.	3.2
12	BGL	BIGAIR GROUP LTD	WIRELESS TELEC...	+123	15	11	9	57	53	177	392	0	35.7	2.8	1.	100	1.4	12.9
20	BOQ	BANK OF QUEEN...	BANKS	+123	2	-5	1	33	58	4,122	16,262	0	21.9	4.6	4.5	100	6.5	0.
29	BPA	BROOKFIELD PRI...	REAL ESTATE INV...	+123	14	2	4	18	70	221	8	195	4.	25.3	0.9	0	0.9	0.
5	BTT	BT INVESTMENT ...	CAPITAL MARKETS	+123	10	-38	3	153	95	2,041	2,594	15	34.5	2.9	2.5	50	3.	90.2
2	CAJ	CAPITOL HEALTH...	HEALTHCARE EQ...	+123	13	72	5	208	77	246	667	36	60.6	1.6	1.	100	1.4	57.
10	CTD	CORPORATE TRA...	CONSUMER SERV...	+123	4	411	2	62	75	574	2,084	5	39.3	2.5	1.6	100	2.3	11.1
25	CTY	COUNTRY ROAD ...	RETAILING	+123	38	-62	19	21	85	1,347	3	33	29.9	3.3	2.	100	2.9	8.4
16	FRI	FINBAR GROUP L...	Real Estate Mana...	+123	6	-39	2	43	90	386	195	68	12.1	8.3	5.4	100	7.8	1.9
23	GHC	GENERATION HE...	REAL ESTATE INV...	+123	6	-86	2	23	76	153	83	122	16.7	6.	5.8	0	5.8	1.3
18	HHV	HUNTER HALL GL...	CAPITAL MARKETS	+123	1	-2	0	37	86	205	267	0	6.1	16.4	3.9	28	4.3	0.
27	KAT	KATANA CAPITAL...	CAPITAL MARKETS	+123	10	-85	3	19	72	31	38	0	18.7	5.4	5.6	100	7.9	0.9
21	LLC	LEND LEASE GRO...	Real Estate Mana...	+123	3	15	2	31	68	6,823	29,011	113	11.6	8.6	3.6	0	3.5	2.2
17	NHF	NIB HOLDINGS L...	INSURANCE	+123	8	-82	4	38	71	1,247	2,407	47	18.6	5.4	3.5	100	5.	5.3
1	NST	NORTHERN STAR...	Gold	+123	1	-57	-4	323	74	505	7,148	10	17.6	5.7	3.	100	4.2	5.4
9	NVT	NAVITAS LTD	CONSUMER SERV...	+123	-1	11	0	84	84	2,819	5,309	78	37.7	2.6	2.6	100	3.7	-13.2
6	OCL	OBJECTIVE CORP...	SOFTWARE & SE...	+123	5	-22	4	118	83	69	24	0	20.	5.	2.6	33	2.9	11.1
15	PMC	PLATINUM CAPIT...	CAPITAL MARKETS	+123	6	-57	1	47	93	434	1,063	0	5.3	18.9	3.7	100	5.3	1.1
31	PNW	PACIFIC STAR NE...	MEDIA	+123	39	-67	12	-1	74	15	9	4	20.7	4.8	5.5	0	5.5	2.6
19	SKT	SKY NETWORK TE...	MEDIA	+123	2	-29	1	35	72	2,362	3,155	41	20.4	4.9	3.3	0	3.3	9.8
22	SYD	SYDNEY AIRPORT	TRANSPORTATION	+123	2	16	1	27	57	9,260	24,411	350	68.5	1.5	5.3	0	5.3	-1.6
8	TGR	TASSAL GROUP L...	FOOD BEVERAGE ...	+123	3	-59	2	89	89	574	1,887	23	17.1	5.8	2.4	0	2.4	2.1
30	TMM	TASMANIA MINES	Diversified Metals...	+123	24	-61	8	12	49	34	7	0	8.4	11.9	3.2	100	4.6	0.9
13	TRG	TREASURY GROU...	CAPITAL MARKETS	+123	8	-54	3	49	57	239	563	0	23.	4.3	3.9	100	5.5	3.9
3	VOC	VOCUS COMMUN...	DIVERSIFIED TELE...	+123	7	-62	3	198	84	389	3,495	100	70.4	1.4	0.2	100	0.3	-21.9

I provide this scan weekly in Excel on www.bwts.com.au in the members section

Security	Name	Main Activity	Mom	Vol	Price	MktCap M	MFlow K	Dt/Eq	PER	ErnYd	DvYd	Frnk	GDvYd	P/NTA
AAD	ARDENT LEISURE GROUP	CONSUMER SERVICES	0	165	-1	1009	5002	47	26.7	3.7	4.8	0	4.8	3.4
AEU	AUSTRALIAN EDUCATION TRUST	REAL ESTATE INVESTMENT TRUSTS (REITs)	6	-81	3	348	2189	53	7.5	13.4	5.1	0	5.1	1.3
AIA	AUCKLAND INTERNATIONAL AIRPORT LTD	TRANSPORTATION	2	-71	-2	4801	274	46	32	3.1	2.8	0	2.8	2.3
ALL	ARISTOCRAT LEISURE LTD	CONSUMER SERVICES	4	26	2	2945	12349	63	27.4	3.6	2.7	0	2.7	13
ALZ	AUSTRALAND PROPERTY GROUP	REAL ESTATE INVESTMENT TRUSTS (REITs)	9	-47	4	2417	16068	59	13.5	7.4	5.1	0	5.1	1.2
AZF	THE AUSTRALIAN SOCIAL INFRASTRUCTURE FUND	REAL ESTATE INVESTMENT TRUSTS (REITs)	1	-69	0	71	41	49	8.8	11.4	5.5	0	5.5	1
BGA	BEGA CHEESE LTD	FOOD BEVERAGE & TOBACCO	-3	-75	-2	821	4227	42	32.2	3.1	1.4	100	2	3.2
BGL	BIGAIR GROUP LTD	WIRELESS TELECOMMUNICATION SERVICES	15	11	9	177	392	0	35.7	2.8	1	100	1.4	12.9
BOQ	BANK OF QUEENSLAND	BANKS	2	-5	1	4122	16262	0	21.9	4.6	4.5	100	6.5	0
BPA	BROOKFIELD PRIME PROPERTY FUND	REAL ESTATE INVESTMENT TRUSTS (REITs)	14	2	4	221	8	195	4	25.3	0.9	0	0.9	0
BTT	BT INVESTMENT MANAGEMENT LTD	CAPITAL MARKETS	10	-38	3	2041	2594	15	34.5	2.9	2.5	50	3	90.2
CAJ	CAPITOL HEALTH LTD	HEALTHCARE EQUIPMENT & SERVICES	13	72	5	246	667	36	60.6	1.6	1	100	1.4	57
CTD	CORPORATE TRAVEL MANAGEMENT LTD	CONSUMER SERVICES	4	411	2	574	2084	5	39.3	2.5	1.6	100	2.3	11.1
CTY	COUNTRY ROAD LTD	RETAILING	38	-62	19	1347	3	33	29.9	3.3	2	100	2.9	8.4
FRI	FINBAR GROUP LTD	Real Estate Management & Development	6	-39	2	386	195	68	12.1	8.3	5.4	100	7.8	1.9
GHC	GENERATION HEALTHCARE REIT	REAL ESTATE INVESTMENT TRUSTS (REITs)	6	-86	2	153	83	122	16.7	6	5.8	0	5.8	1.3
HHV	HUNTER HALL GLOBAL VALUE LTD	CAPITAL MARKETS	1	-2	0	205	267	0	6.1	16.4	3.9	28	4.3	0
KAT	KATANA CAPITAL LTD	CAPITAL MARKETS	10	-85	3	31	38	0	18.7	5.4	5.6	100	7.9	0.9
LLC	LEND LEASE GROUP	Real Estate Management & Development	3	15	2	6823	29011	113	11.6	8.6	3.6	0	3.5	2.2
NHF	NIB HOLDINGS LTD	INSURANCE	8	-82	4	1247	2407	47	18.6	5.4	3.5	100	5	5.3
NST	NORTHERN STAR RESOURCES LTD	Gold	1	-57	-4	505	7148	10	17.6	5.7	3	100	4.2	5.4
NVT	NAVITAS LTD	CONSUMER SERVICES	-1	11	0	2819	5309	78	37.7	2.6	2.6	100	3.7	-13.2
OCL	OBJECTIVE CORPORATION LTD	SOFTWARE & SERVICES	5	-22	4	69	24	0	20	5	2.6	33	2.9	11.1
PMC	PLATINUM CAPITAL LTD	CAPITAL MARKETS	6	-57	1	434	1063	0	5.3	18.9	3.7	100	5.3	1.1
PNW	PACIFIC STAR NETWORK LTD	MEDIA	39	-67	12	15	9	4	20.7	4.8	5.5	0	5.5	2.6
SKT	SKY NETWORK TELEVISION LTD	MEDIA	2	-29	1	2362	3155	41	20.4	4.9	3.3	0	3.3	9.8
SYD	SYDNEY AIRPORT	TRANSPORTATION	2	16	1	9260	24411	350	68.5	1.5	5.3	0	5.3	-1.6
TGR	TASSAL GROUP LTD	FOOD BEVERAGE & TOBACCO	3	-59	2	574	1887	23	17.1	5.8	2.4	0	2.4	2.1
TMM	TASMANIA MINES	Diversified Metals & Mining	24	-61	8	34	7	0	8.4	11.9	3.2	100	4.6	0.9
TRG	TREASURY GROUP LTD	CAPITAL MARKETS	8	-54	3	239	563	0	23	4.3	3.9	100	5.5	3.9
VOC	VOCUS COMMUNICATIONS LTD	DIVERSIFIED TELECOMMUNICATION SERVICES	7	-62	3	389	3495	100	70.4	1.4	0.2	100	0.3	-21.9

Rolling Year Records - Daily Highs

XAO 5362.1 at 2014-03-24T16:46:36. Monday, March 24, 2014. Process

Security Description	ASX Code	New High	Last Week	Last Month
pref	BOQPD	109.85	109.40	108.59
Bora Bora Res	BBR	0.495	0.33	0.25
Cadence Capital	CDM	1.52	1.505	1.50
Corporate Travel	CTD	6.67	6.52	5.71
Finbar Grp	FRI	1.80	1.77	1.74
Kibaran Resources	KNL	0.21	0.20	0.155
opt aug15	KNLO	0.06	0.045	-
Lambo Res	LMB	0.965	0.75	0.415
Mayne Pharma	MYX	1.04	1.02	0.955
MRL Corp opt oct16	MRFOA	0.015	0.012	0.004
NetComm Wireless	NTC	0.58	0.56	0.385
Planet Metals	PMQ	0.038	0.032	0.037
Progen Pharma	PGL	1.24	1.20	0.50
Pulse Health	PHG	0.67	0.64	0.52
Reverse Corp	REF	0.16	0.13	0.105
Shine	SHJ	2.26	2.20	1.96
Syrah Res	SYR	3.72	3.71	2.89
Tasmania Mines	TMM	1.80	1.75	1.55
Tel Pacific	TPC	0.14	0.10	0.075
Treasury Grp	TRG	10.47	10.30	9.40
USCOM	UCM	0.28	0.23	0.225
Valence Industries	VXL	0.46	0.43	0.335
opt jul16	VXLO	0.27	0.24	0.125
Veda Grp	VED	2.55	2.45	2.29

Free alternative source daily on AFR website

http://www.afr.com/share_tables/

but is not restricted to investment grade stocks

I also provide a weekly list of investment grade stocks in Excel on www.bwts.com.au in the members section

All Investment Grade Stocks														
Security	Name	Main Activity	Mom	Vol	Price	MktCap M	MFlow K	Dt/Eq	PER	ErnYd	DvYd	Frnk	GDvYd	P/NTA
AAD	ARDENT LEISURE GROUP	CONSUMER SERVICES	0	-54	-1	1000	4836	47	26.5	3.8	4.9	0	4.9	3.4
AAX	AUSENCO LTD	CAPITAL GOODS	-1	-52	1	98	251	23	2.9	34.1	20.9	0	20.9	1.1
ABC	ADELAIDE BRIGHTON LTD	CONSTRUCTION MATERIALS	8	-29	3	2528	11491	35	17.1	5.9	4.2	100	6	3
ABP	ABACUS PROPERTY GROUP	REAL ESTATE INVESTMENT TRUSTS (REITs)	1	-61	1	1153	1609	71	17	5.9	7.1	0	7.1	1
ABW	AURORA ABSOLUTE RETURN FUND	CAPITAL MARKETS	-1	-5	-1	19	90	0	28.8	3.5	6	0	6	1
ACR	ACRUX LTD	PHARMACEUTICALS BIOTECHNOLOGY & LIFE SCIENCES	-8	-50	-2	283	2455	0	40.9	2.5	4.7	0	4.7	12.1
AEU	AUSTRALIAN EDUCATION TRUST	REAL ESTATE INVESTMENT TRUSTS (REITs)	7	-97	1	346	2198	53	7.4	13.4	5.2	0	5.2	1.3
AFI	AUSTRALIAN FOUNDATION	CAPITAL MARKETS	-1	-48	0	6236	1521	7	25.1	4	3.7	100	5.3	1
AGI	AINSWORTH GAME TECHNOLOGY LTD	CONSUMER SERVICES	-16	-53	-8	1195	3568	0	23.2	4.3	2.2	0	2.2	6.9
AGK	AGL ENERGY LTD	MULTI-UTILITIES	0	-16	0	8415	23032	42	21.3	4.7	4.2	100	6	2
AHD	AMALGAMATED HOLDINGS	MEDIA	0	653	1	1359	313	9	15.9	6.3	4.9	100	7	1.6
AHE	AUTOMOTIVE HOLDINGS GROUP LTD	RETAILING	10	35	6	1019	3099	158	15.3	6.5	5.1	100	7.3	4.3
AIA	AUCKLAND INTERNATIONAL AIRPORT LTD	TRANSPORTATION	-3	237	-1	4774	334	46	31.8	3.1	2.8	0	2.8	2.3
AIO	ASCIANO LTD	TRANSPORTATION	-6	11	-2	5072	26782	84	14.9	6.7	2.2	100	3.2	6
AIX	AUSTRALIAN INFRASTRUCTURE FUND LTD	TRANSPORTATION	-30	623	-8	3	6	0	0	5424	1100	100	1571.4	0
AIZ	AIR NEW ZEALAND LTD	TRANSPORTATION	9	-94	4	2060	264	90	13.3	7.5	3.6	0	3.6	1.4
AJA	ASTRO JAPAN PROPERTY GROUP	REAL ESTATE INVESTMENT TRUSTS (REITs)	-3	-74	-2	251	264	259	18	5.6	4.7	0	4.7	1
AKG	ACADEMIES AUSTRALASIA GROUP LTD	CONSUMER SERVICES	-5	112	0	54	14	22	14.3	7	5.2	100	7.4	9.7
ALF	AUSTRALIAN LEADERS FUND LTD	CAPITAL MARKETS	-4	-68	-1	345	855	0	6.4	15.6	7.1	100	10.2	1.1
ALL	ARISTOCRAT LEISURE LTD	CONSUMER SERVICES	5	-53	1	2956	13592	63	27.5	3.6	2.7	0	2.7	13.1
ALQ	ALS LTD	COMMERCIAL & PROFESSIONAL SERVICES	5	-69	0	2882	13186	66	13.6	7.3	6.3	50	7.6	-104.4
ALR	ABERDEEN LEADERS LTD	CAPITAL MARKETS	-4	45	-2	78	42	46	42.9	2.3	7.3	100	10.4	1.1
ALU	ALTIUM LTD	SOFTWARE & SERVICES	2	-92	-1	270	1267	4	167.1	0.6	4.6	0	4.6	47.8
ALZ	AUSTRALAND PROPERTY GROUP	REAL ESTATE INVESTMENT TRUSTS (REITs)	13	-32	4	2458	20330	59	13.7	7.3	5.1	0	5.1	1.2
AMA	AMA GROUP LTD	RETAILING	6	-61	1	84	280	25	10.6	9.4	6.4	95	9	6.2
AMC	AMCOR	CONTAINERS & PACKAGING	2	-43	-1	12489	48253	118	20.8	4.8	3.9	0	3.9	11
AMM	AMCOM TELECOMMUNICATIONS LTD	DIVERSIFIED TELECOMMUNICATION SERVICES	0	3	0	504	849	31	24.2	4.1	2.7	100	3.8	6.1
AMP	AMP LTD	INSURANCE	1	4	0	14670	55027	0	20	5	4.8	70	6.3	4.2
ANG	AUSTIN ENGINEERING LTD	CAPITAL GOODS	-8	-27	3	185	335	44	5.7	17.5	6.7	100	9.6	2.5
ANN	ANSELL LTD	HEALTHCARE EQUIPMENT & SERVICES	-4	-4	-2	2799	11416	70	17.5	5.7	2.1	0	2.1	10.2
ANZ	AUSTRALIA & NEW ZEALAND BANK	BANKS	4	66	1	90061	172327	0	14.2	7	5	100	7.1	2.4
APA	APA GROUP	GAS UTILITIES	-1	-69	-1	5391	15765	172	16.7	6	5.5	0	5.5	4.5

380 stocks - not all shown here

I can then examine the chart of each stock in turn...



AEU-AUSTRALIAN EDUCATION TR

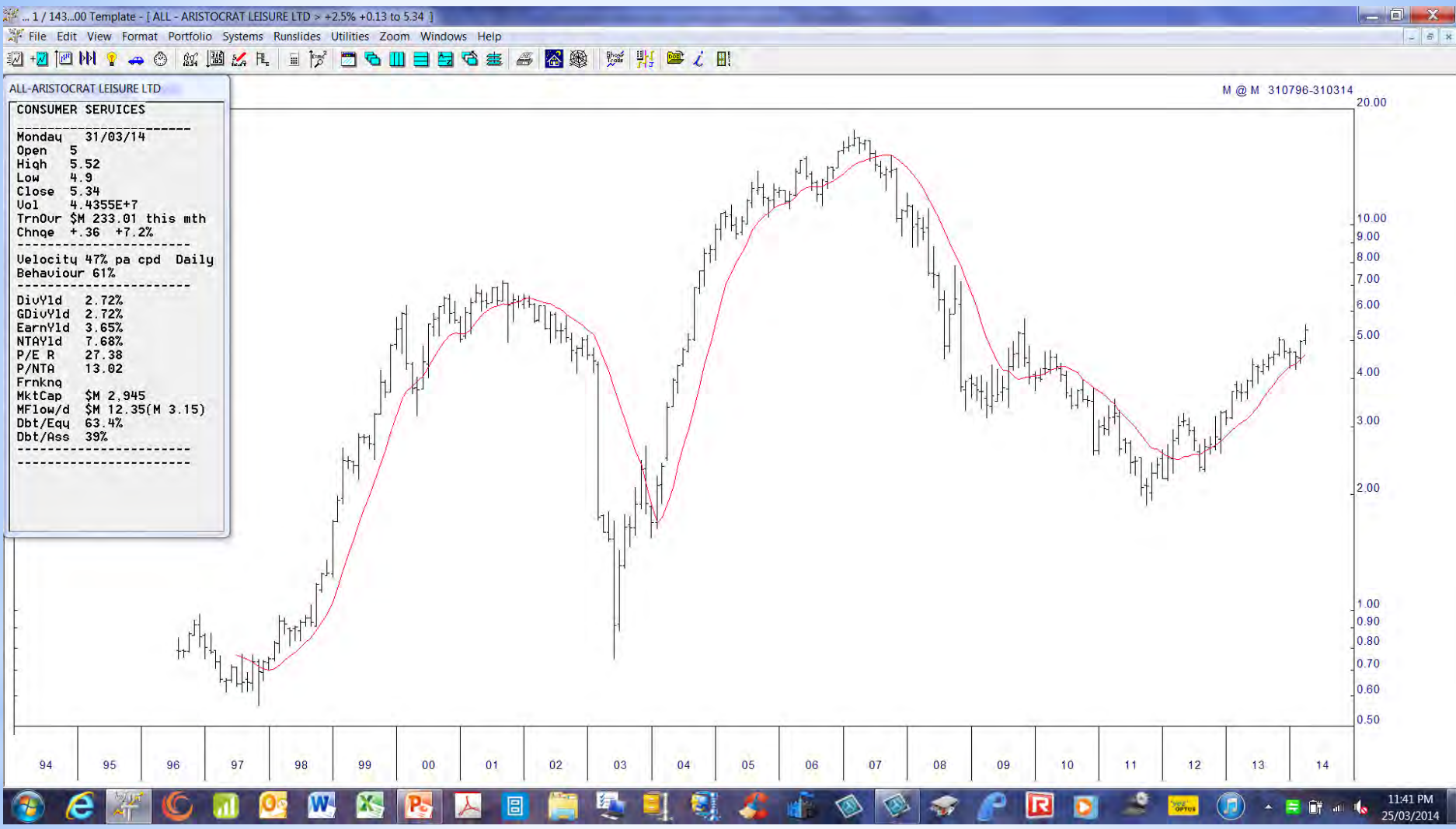
M @ M 300503-310314 2.00

REAL ESTATE INVESTMENT TRUSTS (REITs)	
Mondaq	31/03/14
Open	1.58
High	1.73
Low	1.56
Close	1.695
Uo1	2.52882E+7
TrnOvr	\$M 42.02 this mth
Chnge	+1.15 +7.3%

Velocity	-9999% pa cpd Dai
Behaviour	-9999%

DivYld	5.13%
GDivYld	5.13%
EarnYld	13.36%
NTAYld	78.47%
P/E R	7.49
P/NTA	1.27
Frnkng	
MktCap	\$M 348
MFlow/d	\$M 2.19(K 143)
Dbt/Equ	53.4%
Dbt/Ass	35%





FRI-FINBAR GROUP LTD

Real Estate Management & Development
 Monday 31/03/14
 Open 1.7
 High 1.8
 Low 1.61
 Close 1.75
 Vol 1.62753E+6
 TrnOvr \$M 2.8 this mth
 Chnq +.05 +2.9%

Velocity 43% pa cpd Daily
 Behaviour 90%

DivYld 5.43%
 GDivYld 7.76%
 EarnYld 8.27%
 NTAYld 53.14%
 P/E R 12.09
 P/NTA 1.88
 Frnkq 100
 MktCap \$M 386
 MFlow/d \$K 195(K 8)
 Dbt/Equ 67.8%
 Dbt/Ass 40%





TRG-TREASURY GROUP LTD

M @ M 290601-310314

20.00

10.00

9.00

8.00

7.00

6.00

5.00

4.00

3.00

2.00

1.00

0.90

0.80

0.70

0.60

0.50

94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14

11:45 PM
25/03/2014

CAPITAL MARKETS

Mondaq 31/03/14

Open 9.25

High 10.47

Low 9.23

Close 10.34

Vol 1.04276E+6

Trn0vr \$M 10.44 this mth

Chngc +1.19 +13%

Velocity -9999% pa cpd Dai

Behaviour -9999%

DivYld 3.87%

GDivYld 5.53%

EarnYld 4.35%

NTAYld 25.53%

P/E R 22.98

P/NTA 3.92

Frnkq 100

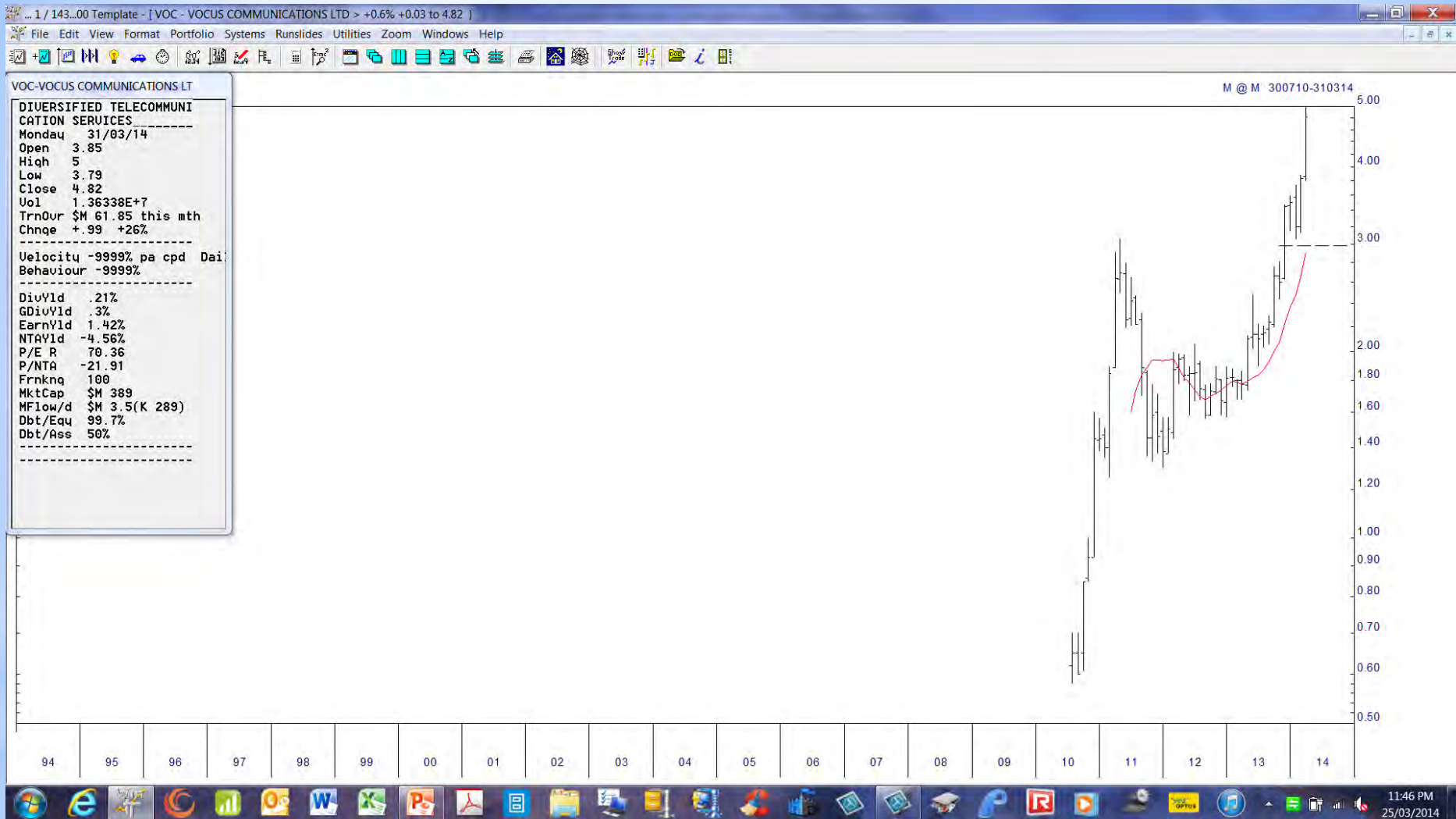
MktCap \$M 239

MFlow/d \$K 563(K 79)

Dbt/Equ 0% ?

Dbt/Ass 0% ?





I quickly discard those of no interest

- Outside my investment plan
- Have already moved too far
- Look relatively expensive

If they look interesting

- Check their fundamentals to confirm interest
- Add them to my watch list
- Research them as I have time

Now we will do a scan
as of the close yesterday...

Session Two

The Two Companies We Will Use as Case Studies

Found on a scan for 52-week highs

BYL - BRIERTY LTD > Steady 0.37

M @ M 311207-300414

MOV AVS 12(0) mnth 0.3471

BYL-BRIERTY LTD

CAPITAL GOODS

Friday 04/04/14

Open .37

High .375

Low .37


Close .37

Vol 233700

TrnOvr \$K 87 this wk

Chnge 0 0%

Velocity 20% pa cpd Daily
Behaviour 45%

DivYld 8.11% 

GDivYld 11.58%

EarnYld 25.08%

NTAYld 129.73%

P/E R 3.99 

P/NTA .77

Frnkng 100

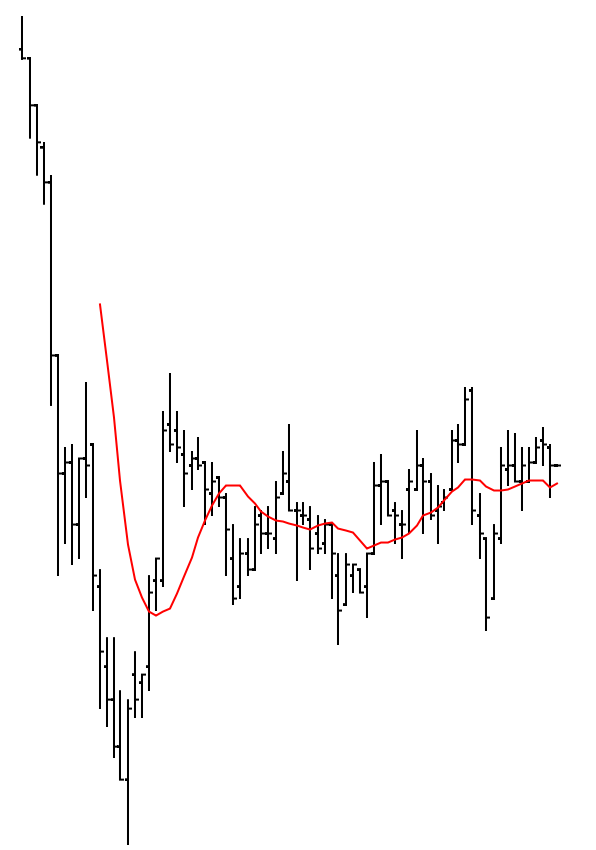
MktCap \$M 41

MFlow/d \$K 51(K 1)

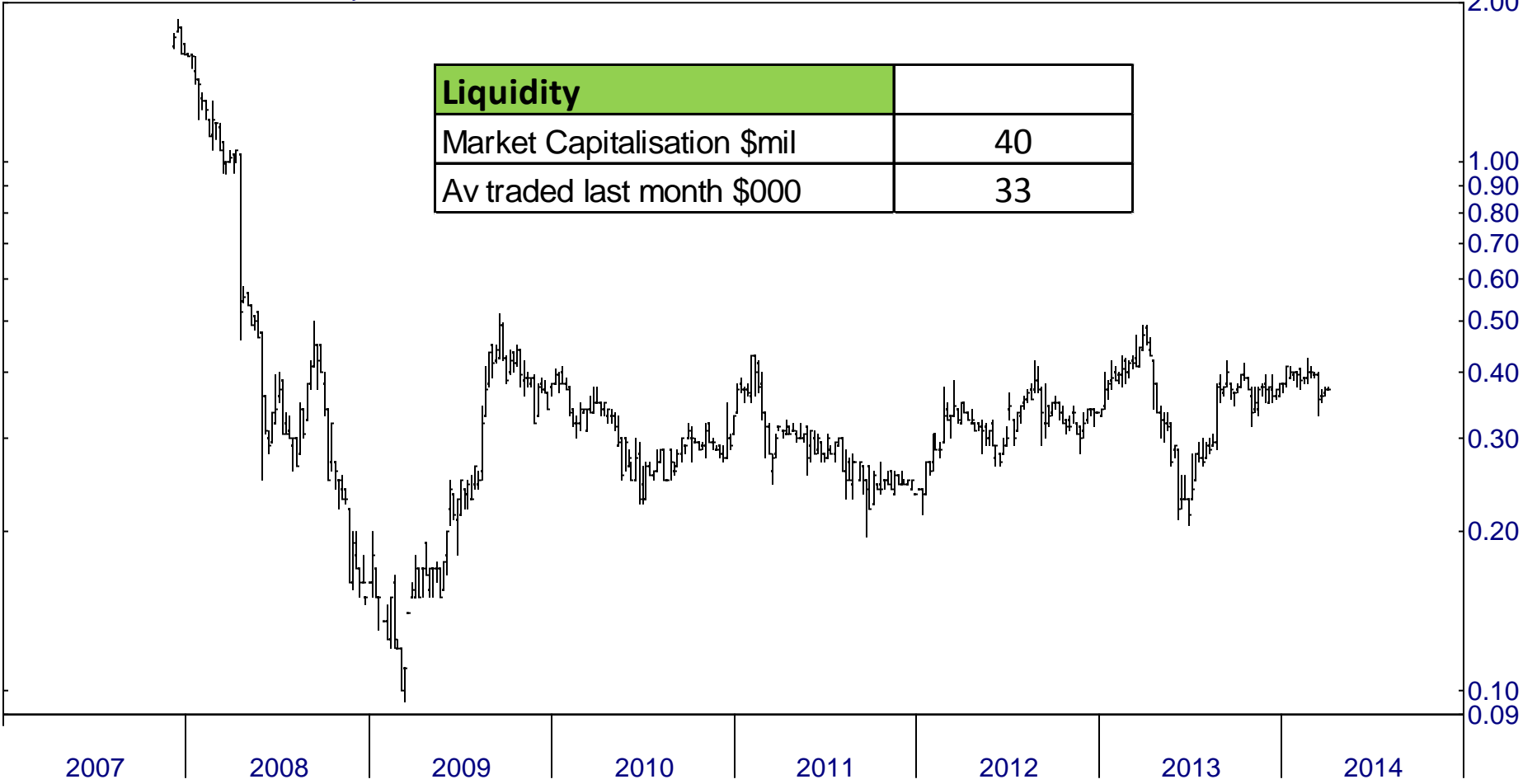
Dbt/Equ 69.5%

Dbt/Ass 41%

2.00
1.00
0.90
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.09



94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14



Found on my scans for 52-week highs

SWL - SEYMOUR WHYTE LTD > +1.6% +0.025 to 1.575

M @ M 310510-300414

MOV AVS 12(0) mnth 1.3438

SWL-SEYMOUR WHYTE LTD

CAPITAL GOODS

Friday 04/04/14

Open 1.56

High 1.58

Low 1.53

Close 1.575

Vol 74257

TrnOvr \$K 116 this wk

Chnge +.01 +.64%

Velocity 101% pa cpd Daily

Behaviour 67%

DivYld 5.08% ←

GDivYld 7.26%

EarnYld 7.56%

NTAYld 36.19%

P/E R 13.22 ←

P/NTA 2.76

Frnkng 100

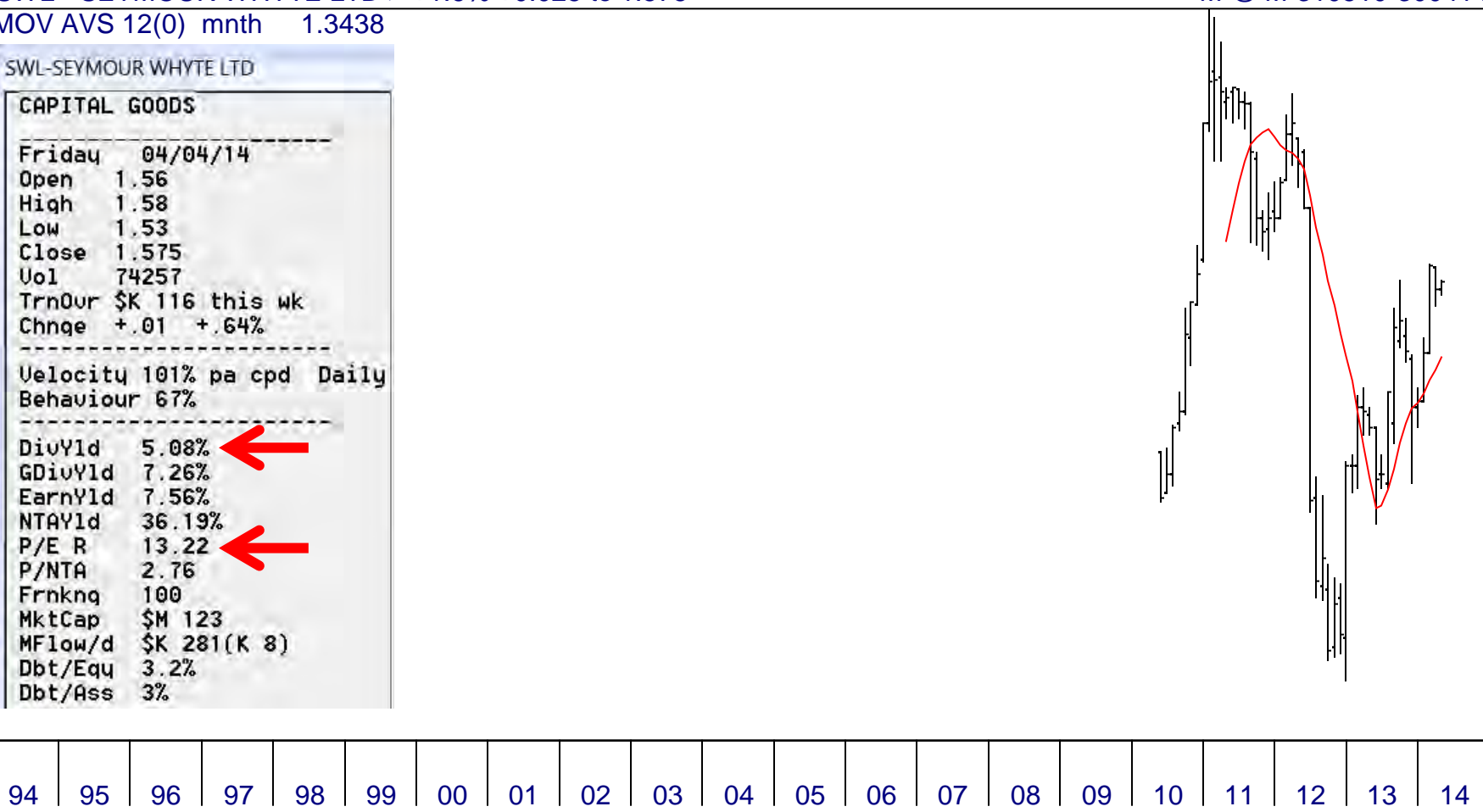
MktCap \$M 123

MFlow/d \$K 281(K 8)

Dbt/Equ 3.2%

Dbt/Ass 3%

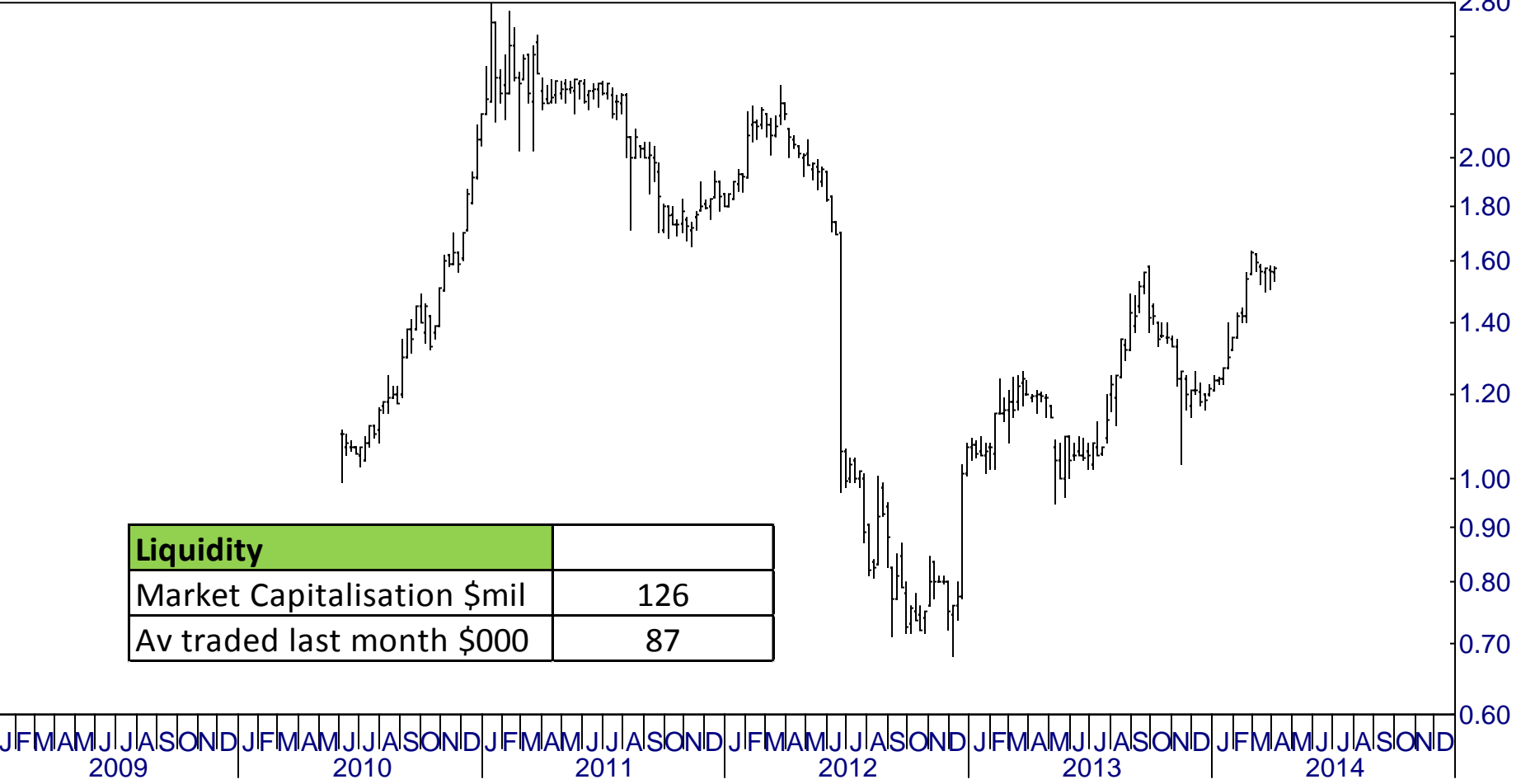
2.80
2.00
1.80
1.60
1.40
1.20
1.00
0.90
0.80
0.70
0.60



94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14

SWL - SEYMOUR WHYTE LTD > +1.6% +0.025 to 1.575

W @ W 040610-040414



Liquidity	
Market Capitalisation \$mil	126
Av traded last month \$000	87

Session Three

Company Profiles

Brierty Limited

Brierty Limited (BYL) is an Australian engineering company providing civil construction and mining services solutions to government and private industry across Western Australia and the Northern Territory. BYL has three business units namely Residential Land Development, Civil Infrastructure, and Mining Services.



Residential Land Development:

BYL provides urban and regional land development management services through its subsidiary, Bellamack Pty Ltd. The current project is Bellamack Project, which is the residential lot development in Palmerston, NT. BYL also acts as the developer and civil contractor for this project. **Construction at Bellamack was completed by October 2013 with all lots due to be sold and settled in early 2014.**

Civil Infrastructure:

BYL provides the civil construction of a range of plant and site infrastructures as well as road construction and maintenance projects to both private and public sector clients. The business focuses on mines, energy, utilities and pipelines and residential lot developments, urban and regional roads, highways, rail, port and airport infrastructure. The offered services include Bulk and detailed earthworks, Road construction, Rail formation, Airport runways and Mine development.

Mining Services:

BYL provides mining contracting solutions and mine maintenance services. The services include Bulk overburden stripping; Drill and blast; Ore haulage rehandle; Train loading; Tailings and water storage facilities; and Vegetation clearing.



- Ability to win work in competitive conditions
 - 17 projects awarded to Brierty in the first half to the approximate value of \$180M
- Work won across industries, geographies
 - Perth region Civil
 - Rural WA Civil
 - Mining projects Civil
 - Northern Territory Land Development
- Repeat business from quality clients
 - Rio Tinto • Karara
 - NT Government • BHP Billiton
 - PEET • LWP
 - Perth Airport • MRWA

(b) Operating Segments

Half-year
2013

Segment revenue

Sales to external customers

Unallocated revenue

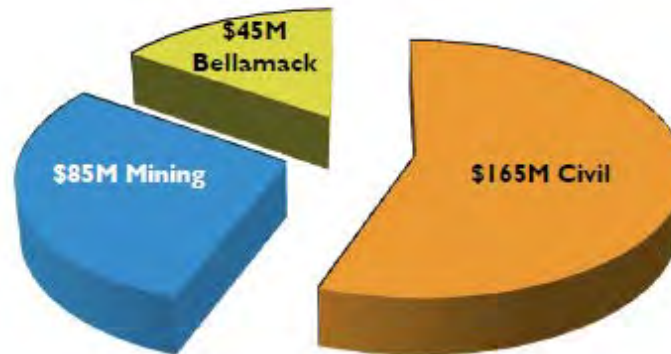
Total contract revenue

Segment profit before tax

Total profit before tax

	Civil \$	Land Development \$	Mining \$	Total Operations \$
	72,184,803	9,841,446	66,474,068	148,480,317
				246,855
				<u>148,727,172</u>
	7,587,156	229,807	5,222,269	13,039,232

Revenue Sources



FY 2012-13

PROJECTS AWARDED ≤ \$15M



TOTAL \$40.1M

PROJECTS COMPLETED ≤ \$15M

LVP
Alamos Stage 14

Alamos Stage 14-18
Earthworks

Rio Tinto
West Angelas
Brookman RP



JUL 13

Goldfields
Bellmark Stage 4B & 4C



SEP 13

Fromants Port Authority
Rous Head



NOV 13

AUG 13



LVP
Alamos Stage 15
Alamos Stage 14

OCT 13



LVP
Alamos Central
Village earthworks
Alamos Stage 17
Site of Northern
Aven Health Precinct
PEET
Lakeland Stage 60
Earthworks

DEC 13



LVP
Alamos Stage 18
Capricorn Village /
Two Rocks

TOTAL
\$53M

BELLAMACK



Before: September 2011



After: July 2013

10 BRIGHT V ANNUAL REPORT 2013

TOTAL DEVELOPMENT: 684 LOTS

- Commenced 2009
- 684 lots constructed (September 2013)
- 684 lots titled (November 2013)
- 646 lots sold
- 635 lots settled
- Very minor works remain



- Territory Life established - vehicle for future development work in the Northern Territory
- Consolidates learnings from Bellamack project
- Pursuing Zuccoli Stage 2 in Palmerston
- Assists in providing base line work for Brierty Northern Territory civil business



TerritoryLife



- Competitive contracting conditions
- Strong tender activity
- Expected strong non-mining infrastructure spend
- Expected increase in maintenance related activities in mining following the significant capacity build
- New enterprise agreement through to November 2017 in place





Seymour Whyte Limited

Seymour Whyte Limited (SWL) is an infrastructure, engineering and construction company with projects in New South Wales and Queensland. The company's activities focus on: construction of major road works; bridgework construction and associated concrete structures; major traffic management schemes; heavy industrial concrete works; and aquatic facilities and community infrastructure.



Transport:

Projects involved constructions of roads, bridges, rail and aviation.

Resources:

Projects have included the construction of reclaim tunnels, crusher, conveyor and process plant foundations, haul roads, access roads, bulk earthworks, truck wash facilities, drainage works, and mine remediation works.

Water:

SWL has been involved in the delivery of water infrastructure projects including water and sewerage reticulation projects, pump stations, stormwater pipelines and water retaining structures.

Community Infrastructure:

SWL delivers community based civil infrastructure projects including bikeways, aquatic facilities, foreshore redevelopments, town centres and other community based projects.

Projects:

Some of SWL's recent projects include: Bruce Highway (Back Creek), Warrego Highway Upgrade, Gateway Additional Lane Upgrade, Port of Brisbane Motorway Upgrade, Ipswich Motorway Upgrade - Dinmore to Goodna, Landsborough Highway Upgrade, Townsville Port Inner Harbour Expansion, Townsville Port Access Road, and Princes Highway Upgrade, Victoria Creek.

NEW WORK WON 1 H14

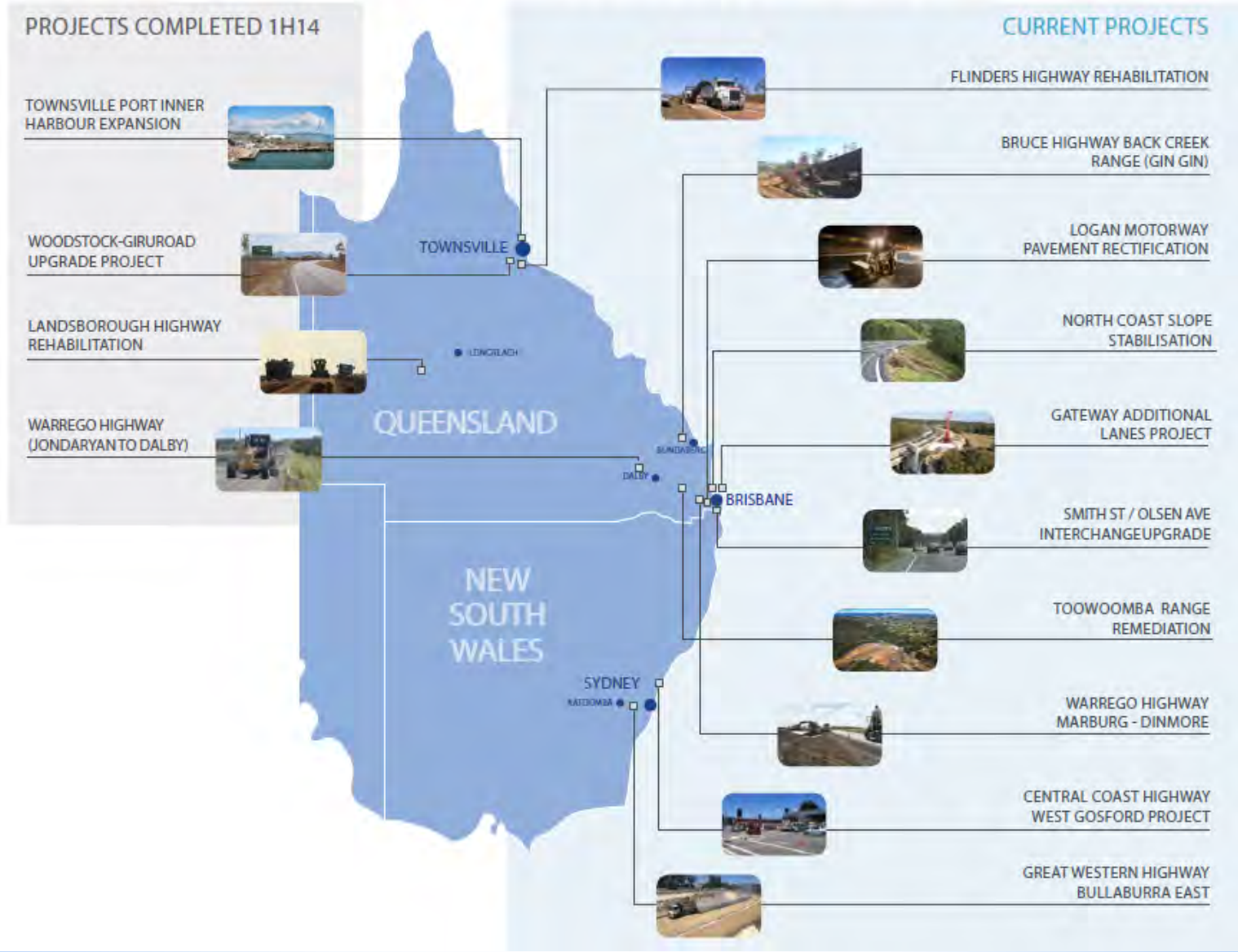
- Smith Street / Olsen Avenue Interchange Upgrade
 - \$37.5 million
 - Joint Venture with Parsons Brinckerhoff
 - Competitive ECI Contract
 - Reputation win
- North Coast Slope Stabilisation
 - \$12 million
- West Gosford CCH Upgrade
 - \$43 million
- Warrego Highway (Dinmore to Marburg)
 - \$4 million
 - Joint Venture with Boral
- Woodstock to Giru Road Upgrade
 - \$8 million
- Flinders Highway NDRRA Works
 - \$20 million

* Project values represented at Seymour Whyte's interest share in the project

ORDER BOOK

- Current year total forward Order Book \$130 million as of 31 December 2013
- FY15 current Order Book of \$94 million
- \$20 million to win and deliver to achieve guidance which we believe will come from current tendering activities

CURRENT AND 1H14 COMPLETED PROJECTS



PROJECTS OVERVIEW - CURRENT

SMITH ST / OLSEN AVE INTERCHANGE UPGRADE



VALUE (\$) \$50 million
COMPLETE 5% complete
CLIENT Old Dept. Transport and Main Roads

CENTRAL COAST HIGHWAY WEST GOSFORD



VALUE (\$) \$43 million
COMPLETE 5% complete
CLIENT NSW Roads and Maritime Services

GATEWAY ADDITIONAL LANES PROJECT



VALUE (\$) \$72.8 million
COMPLETE 75% complete
CLIENT Old Dept. Transport and Main Roads

TOOWOOMBA RANGE REMEDIATION



VALUE (\$) \$60.4 million
COMPLETE 60% complete
CLIENT Qld Dept. Transport
and Main Roads

FLINDERS HIGHWAY UPGRADE



VALUE (\$) \$20 million
COMPLETE 40% complete
CLIENT Qld Dept. Transport
and Main Roads

LOGAN MOTORWAY IMPROVEMENT STAGE 1



BRUCE HIGHWAY BACK CREEK RANGE (GIN GIN)



GREAT WESTERN HIGHWAY BULLABURRA EAST



VALUE (\$)	\$45 million
COMPLETE	52% complete
CLIENT	Queensland Motorways Limited

VALUE (\$)	\$27.3 million
COMPLETE	80% complete
CLIENT	Old Dept. Transport and Main Roads

VALUE (\$)	\$46 million
COMPLETE	34% complete
CLIENT	NSW Roads and Maritime Services

WARREGO HIGHWAY (DINMORE TO MARBURG)



VALUE (\$)	\$8 million
COMPLETE	15% complete
CLIENT	Qld Dept. Transport and Main Roads

NORTH COAST REGION PAVEMENT AND SLOPE REHABILITATION



VALUE (\$)	\$12 million
COMPLETE	2% complete
CLIENT	Qld Dept. Transport and Main Roads

TOWNSVILLE PORT INNER HARBOUR EXPANSION



VALUE (\$) \$122 million
COMPLETE 100% complete
CLIENT Port of Townsville Limited

LANDSBOROUGH HIGHWAY REHABILITATION



VALUE (\$) \$100.6 million
COMPLETE 100% complete
CLIENT Qld Dept. Transport and Main Roads

WARREGO HIGHWAY (JONDARYAN - DALBY)



VALUE (\$) \$77.2 million
COMPLETE 100% complete
CLIENT Qld Dept. Transport and Main Roads

WOODSTOCK-GIRU ROAD UPGRADE PROJECT



VALUE (\$) \$8 million
COMPLETE 100% complete
CLIENT Qld Dept. Transport and Main Roads

Session Four

Understanding Financial Statements and Key Ratios

Statement of Financial Performance (Profit and Loss)

This is a statement of the flows of income and expenses over time

The very first thing I look at is

Sales (Revenue) change

Compared to

Profit (NPAT or EBITDA) change...

HIGHLIGHTS

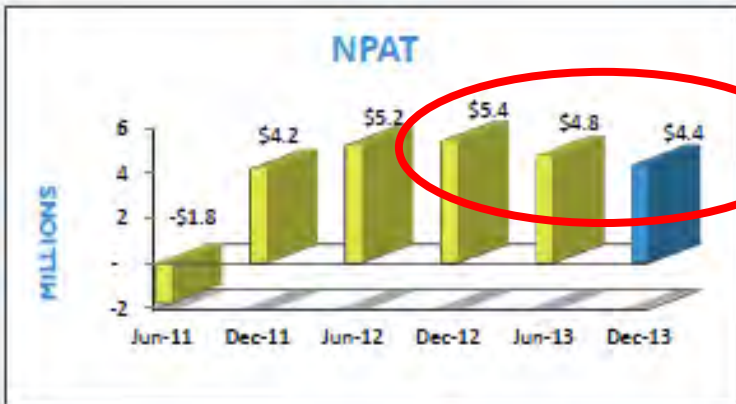
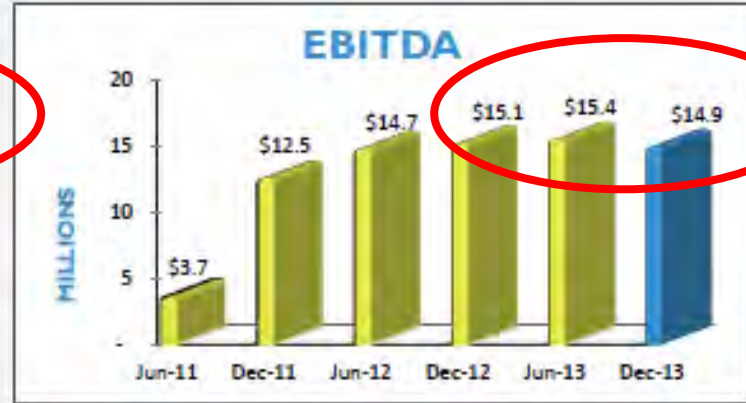


- Net Tangible Assets Per Share greater than 50¢ (Equity \$55M)
- Ongoing reduction in debt (Net debt \$13M)
- 1.25¢ fully franked dividend consistent with 2013 first half
- Safety results to industry best standards
- Continued benefit from diversified client base

Earnings????



DELIVERING RESULTS



*EBITDA calculated and disclosed as an industry standard measure of financial performance



RESULTS OVERVIEW

FINANCIAL RESULTS

- HALF YEAR RESULTS

- FINANCIAL SUMMARY

ORDER BOOK AND PIPELINE

- NEW WORK WON 1H14

- ORDER BOOK

- TENDER PIPELINE

PROJECT REVIEW

- CURRENT PROJECTS

- PROJECTS OVERVIEW

STRATEGY AND OUTLOOK

- STRATEGIC ACQUISITION

- FY14 OUTLOOK

STRONG FIRST HALF RESULTS

- ↑ Revenue of \$151M (\$131M pcp)
- ↑ NPAT \$4.9M (\$3.4M pcp)
- ↑ EBITDA \$8.2M (\$5.3M pcp)
- ↑ EPS (basic) 6.3c (4.4c pcp)

PROJECT WINS CONTINUE

- \$150M win in first half (includes project growth)
- Continued success through reputation
- Project margins maintained
- Forward Order Book of \$224M (basis 1-Jan-14)

BALANCE SHEET STRENGTHENED

- Cash \$53.6M compared to \$47.7M (FY13)
- Interim Dividend of 2.5 cps (fully franked)
- Debt / Equity < 3%

STRATEGIC GROWTH IN PLACE

- Transport sector pipeline remains strong at \$8b contestable
- Strategic acquisition complete in allied civil markets
- Forecast strong financial growth over next 5 yrs

DISCLAIMER AND TECHNICAL NOTE

RESULTS OVERVIEW

FINANCIAL RESULTS

HALF YEAR RESULTS

→ FINANCIAL SUMMARY

ORDER BOOK AND PIPELINE

NEW WORK WON 1H14

ORDER BOOK

TENDER PIPELINE

PROJECT REVIEW

CURRENT PROJECTS

PROJECTS OVERVIEW

STRATEGY AND OUTLOOK

STRATEGIC ACQUISITION

FY14 OUTLOOK

FINANCIAL SUMMARY

	SM			
	1H14	1H13		% CHANGE
Revenue	150.7	130.7	↑	15.3%
EBITDA	8.2	5.3	↑	55.1%
NPAT	4.9	3.4	↑	42.1%
EPS (cps)	6.3	4.4	↑	41.8%
Cash from Operations	11.1	8.5	↑	30.5%
Interim Dividend (cps)	2.5	1.75	↑	42.9%
	31 DEC 2013	30 JUN 2013		% CHANGE
Cash	53.6	47.7	↑	12.3%
NTA	44.9	44.4	↑	1.1%
NTA Backing (cps)	57.6	57.0	↑	1.1%
Bonding Capacity	60.0	48.0	↑	25.0%
Bonding Headroom (%)	52.8%	41.2%	↑	28.2%

Brierty Limited
Consolidated Statement of comprehensive income
For the half-year ended 31 December 2013

	Notes	Half-year ended 2013 \$	2012 \$
Revenue from services and land sales	3	148,727,172	148,892,098
Cost of providing services and land sales		<u>(134,615,706)</u>	<u>(130,496,054)</u>
Gross margin on services and land sales		<u>14,111,466</u>	18,396,044
Other income	4	250,518	323,811
Finance Costs	5	(1,500,674)	(1,717,280)
Administration		<u>(6,536,915)</u>	<u>(9,283,922)</u>
Profit from continuing operations before income tax		<u>6,324,395</u>	<u>7,718,653</u>
Income tax expense		<u>(1,945,356)</u>	<u>(2,316,422)</u>
Profit from continuing operations after income tax		<u>4,379,039</u>	<u>5,402,231</u>
Total comprehensive income for the period		<u>4,379,039</u>	<u>5,402,231</u>
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		4.0	4.9
Diluted earnings per share		4.0	4.9

Brierty Limited
Consolidated Statement of comprehensive income
For the half-year ended 31 December 2013

Revenue change

$$148,727 - 148,892 = - (165 \div 148,892 \times 100)$$

$$= - 1\%$$

Other income
 Finance Costs
 Administration

Profit change

$$4,379 - 5,402 = - (1,023 \div 5,402 \times 100)$$

$$= - 19\%$$

Total comprehensive income for the period

Notes	Half-year ended	
	2013	2012
	\$	\$
3	148,727,172	148,892,098
	(134,615,706)	(130,496,054)
	<u>14,111,466</u>	<u>18,396,044</u>
4	250,518	323,811
5	(1,500,674)	(1,717,280)
	<u>(6,536,915)</u>	<u>(9,283,922)</u>
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	Cents	Cents

Earnings per share for profit attributable to the ordinary equity holders of the company:

Basic earnings per share
 Diluted earnings per share

4.0 4.9
 4.0 4.9

Seymour Whyte Limited
Statement of Profit & Loss and Other Comprehensive Income
For the half year ended 31 December 2013

	Note	Dec 2013 \$	Consolidated Dec 2012 \$
Revenue and other income			
Revenue	2	150,665,523	130,689,911
Other income		13,033	637
Expenses			
Raw materials and consumables used		(123,026,074)	(106,835,560)
Employee benefits expense	3	(18,056,628)	(17,154,219)
Depreciation and amortisation expense	3	(944,157)	(616,467)
Finance costs		(71,444)	(69,799)
Rental expense		(469,491)	(477,851)
Share of profits of associates accounted for using the equity method		12,895	220,597
Other expenses		(948,542)	(1,163,295)
Profit before income tax		7,175,115	4,593,954
Income tax expense		(2,273,493)	(1,181,566)
Profit from continuing operations		4,901,622	3,412,388
Profit from discontinued operations		-	36,082
Profit for the half year		4,901,622	3,448,470
Other comprehensive income		-	-
Total comprehensive income for the half year attributable to owners of the parent		4,901,622	3,448,470

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Revenue change

$$150,666 - 130,690 = + (19,976 \div 130,690 \times 100)$$

$$= + 15\%$$

Profit change

$$4,902 - 3,412 = + (1,490 \div 3,412 \times 100)$$

$$= + 44\%$$

However, while an important first view,
this is very short term

A longer term picture is vital

Best done graphically...

Brierty Limited
 Consolidated Statement of comprehensive income
 For the half-year ended 31 December 2013

First, compare Sales and Profit

	Notes	Half-year ended	
		2013	2012
		\$	\$
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Brierty

Compare sales and profit trends

HISTORICAL FINANCIALS

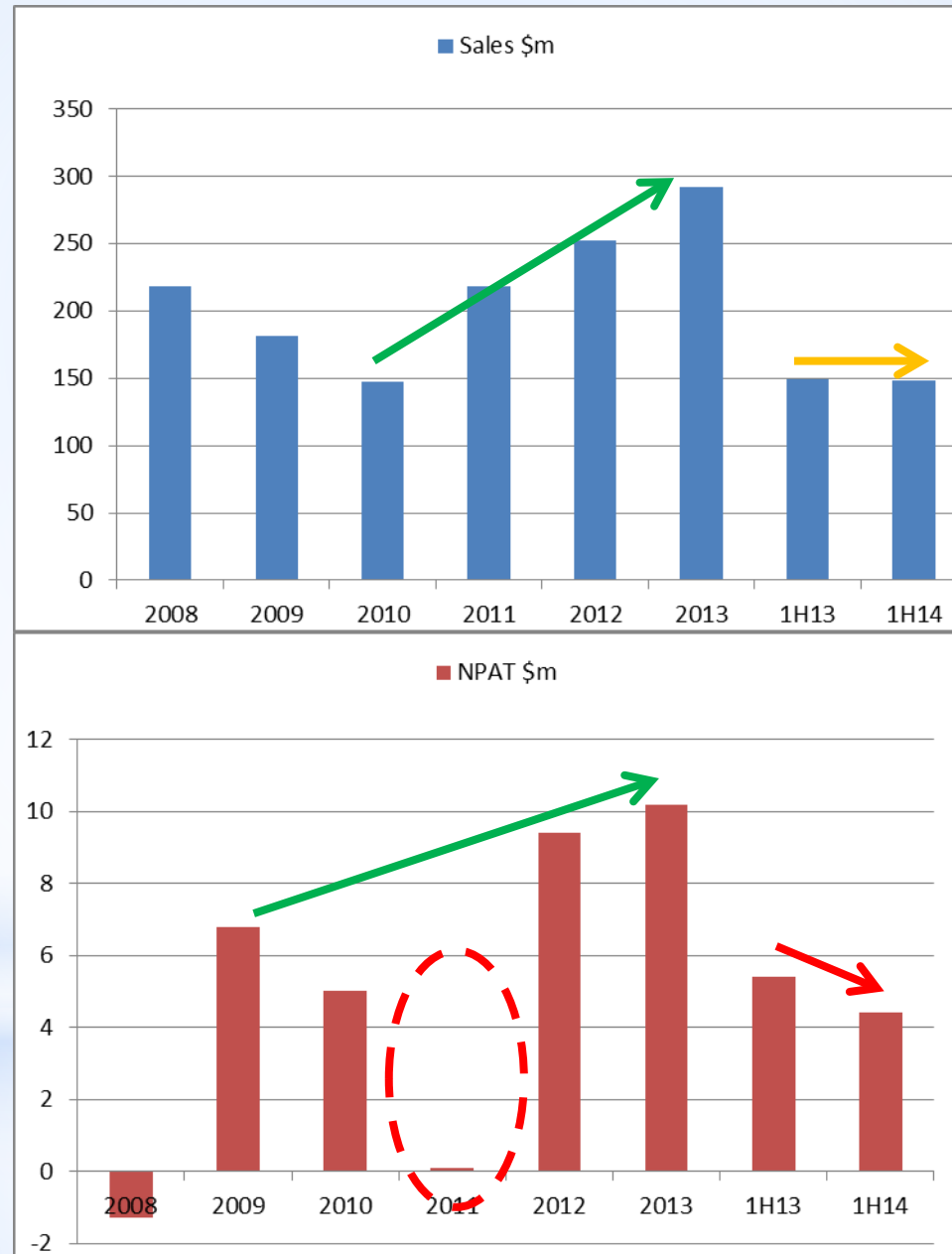
	06/08	06/09	06/10	06/11	06/12	06/13
Revenues (\$million)	218.3	181.8	147.1	218.4	252.3	292.4
Operating margin(%)	2.8	10.2	10.9	5.1	10.8	10.4
Depreciation (\$million)	-6.0	-7.1	-7.2	-7.9	-10.2	-12.6
Amortisation (\$million)	0	0	0	0	0	0
Net profit before abnormals (\$million)	-1.3	6.8	5.0	0.1	9.4	10.2
Net profit (\$million)	-1.3	6.8	5.0	0.1	9.4	10.2
Income tax rate(%)	41.6	27.5	25.9	59.9	30.6	30.3
Net profit margin(%)	-0.6	3.7	3.4	0.0	3.7	3.5
Employees (thousands)	0.3	0.2	0.3	0.3	0.5	0.5
Long term debt (\$million)	12.7	8.9	8.2	10.5	19.8	26.0
Shareholders equity (\$million)	28.9	35.2	38.6	37.0	45.6	52.5
Return on capital(%)	1	19	14	4	18	16
Return on equity(%)	-4.6	19.2	13.0	0.2	20.7	19.4
Payout ratio(%)	-146	24	33	556	32	32

Check for “abnormals” - you may need to check them out if significant

Brierty

	Sales \$m	NPAT \$m
2008	218.3	-1.3
2009	181.8	6.8
2010	147.1	5
2011	218.4	0.1
2012	252.3	9.4
2013	292.4	10.2
1H13	148.9	5.4
1H14	148.7	4.4

Brierty



Seymour Whyte Limited
 Statement of Profit & Loss and Other Comprehensive Income
 For the half year ended 31 December 2013

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Seymour Whyte

Compare sales and profit trends

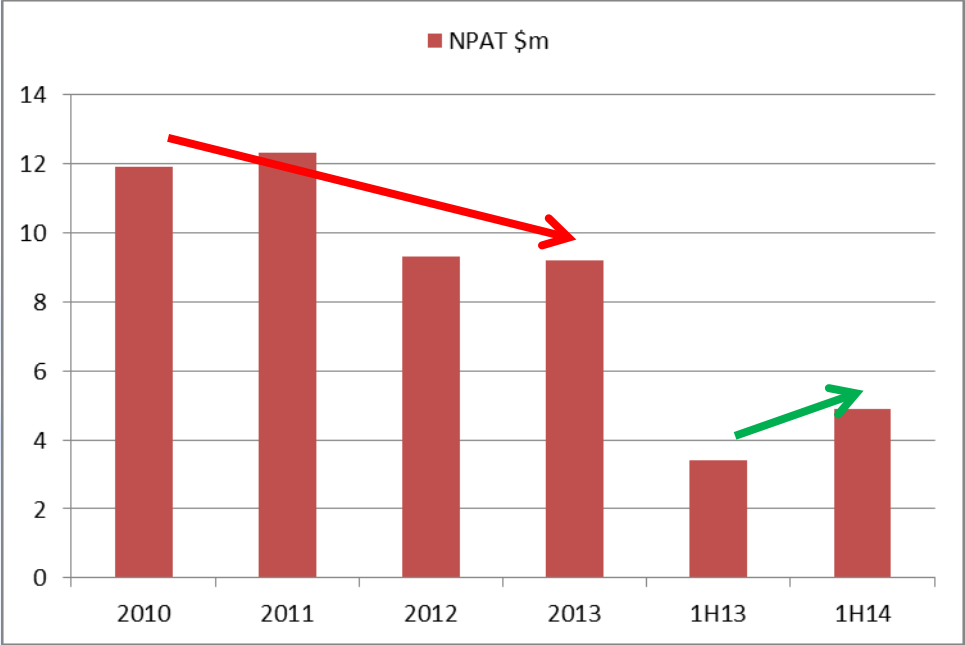
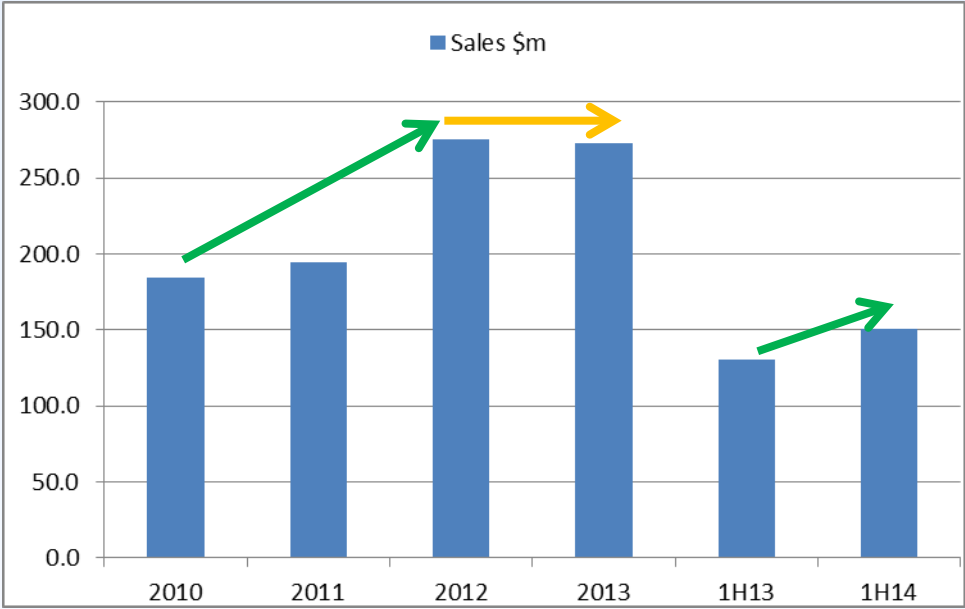
HISTORICAL FINANCIALS	06/10	06/11	06/12	06/13
Revenues (\$million)	184.6	194.6	275.4	273.1
Operating margin(%)	9.4	9.0	5.1	4.2
Depreciation (\$million)	-0.9	-1.0	-1.4	-1.3
Amortisation (\$million)	0	0	-0	-0
Net profit before abnormals (\$million)	11.9	12.3	9.3	9.2
Net profit (\$million)	11.9	12.3	8.8	9.3
Income tax rate(%)	30.5	30.2	30.2	17.9
Net profit margin(%)	6.4	6.3	3.4	3.4
Employees (thousands)	0.0	0.0	0.0	0.0
Long term debt (\$million)	0.8	0.8	1.1	0.9
Shareholders equity (\$million)	28.4	37.5	39.7	46.1
Return on capital(%)	41	32	23	20
Return on equity(%)	41.8	32.7	23.3	20.0
Payout ratio(%)	26	51	50	69

Check for “abnormals” – you may need to check them out if significant

Seymour Whyte

	Sales \$m	NPAT \$m
2010	184.6	11.9
2011	194.6	12.3
2012	275.4	9.3
2013	273.1	9.2
1H13	130.7	3.4
1H14	150.7	4.9

Seymour Whyte



While that is useful, it can conceal the true picture as far as profit margin is concerned

A better measure is

$$\text{Operating Margin} = \text{EBITDA} \div \text{Revenue} \times 100$$

Brierty Limited
Consolidated Statement of comprehensive income
For the half-year ended 31 December 2013

Operating Margin = EBITDA/Revenue

	Notes	Half-year ended 2013 \$	2012 \$
Revenue from services and land sales	3	148,727,172	148,892,098
Cost of providing services and land sales		<u>(134,615,706)</u>	<u>(130,496,054)</u>
Gross margin on services and land sales		<u>14,111,466</u>	18,396,044
Other income	4	250,518	323,811
Finance Costs	5	(1,500,674)	(1,717,280)
Administration		<u>(6,536,915)</u>	<u>(9,283,922)</u>
Profit from continuing operations before income tax		<u>6,324,395</u>	<u>7,718,653</u>
Income tax expense		<u>(1,945,356)</u>	<u>(2,316,422)</u>
Profit from continuing operations after income tax		<u>4,379,039</u>	<u>5,402,231</u>
Total comprehensive income for the period		<u>4,379,039</u>	<u>5,402,231</u>
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		4.0	4.9
Diluted earnings per share		4.0	4.9

5 Expenses

	Consolidated Half-year ended	
	2013 \$	2012 \$
Cost of providing services	124,826,595	108,838,590
Costs of land sales Bellamack	9,611,639	23,657,461
Expenses, excluding Finance costs	6,714,387	9,283,922
	<u>141,152,621</u>	<u>139,779,973</u>
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Administration plant and equipment	416,770	254,844
Operational plant and equipment	6,656,705	5,424,099
Total depreciation	7,073,475	5,678,943
<i>Employee benefits expenses</i>		
Wages and salaries	31,961,056	35,310,790
Superannuation	1,624,508	2,248,499
Share based payments	(17,348)	2,748
	<u>33,568,216</u>	<u>37,562,035</u>
<i>Finance costs</i>		
Interest and finance charges payable under the hire purchase contracts	1,249,235	1,314,223
Bank overdraft interest	31,454	161,811
Bank facility fees	219,985	241,248
	<u>1,500,674</u>	<u>1,717,280</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	1,727,031	1,372,410
Total rental expense relating to operating leases	1,727,031	1,372,410

	Brierty	
EBITDA Calculation	2013	2014
Net Profit before tax	7,719	6,324
Plus Depreciation	5,679	7,073
Plus Interest & Fees	1,717	1,501
Plus Lease Expense	1,372	1,727
EBITDA	16,487	16,625
Op. Margin Calculation	2013	2014
EBITDA	16,487	16,625
Divided by Revenue	148,892	148,727
= Op. Margin	11.07%	11.18%
Company calculation probably:		
Gross margin on servs & Sales	18,396	14,112
Divided by Revenue	148,892	148,727
= Op. Margin	12.36%	9.49%

Company commented that margin was down in 1H 2014

Brierty

HISTORICAL FINANCIALS

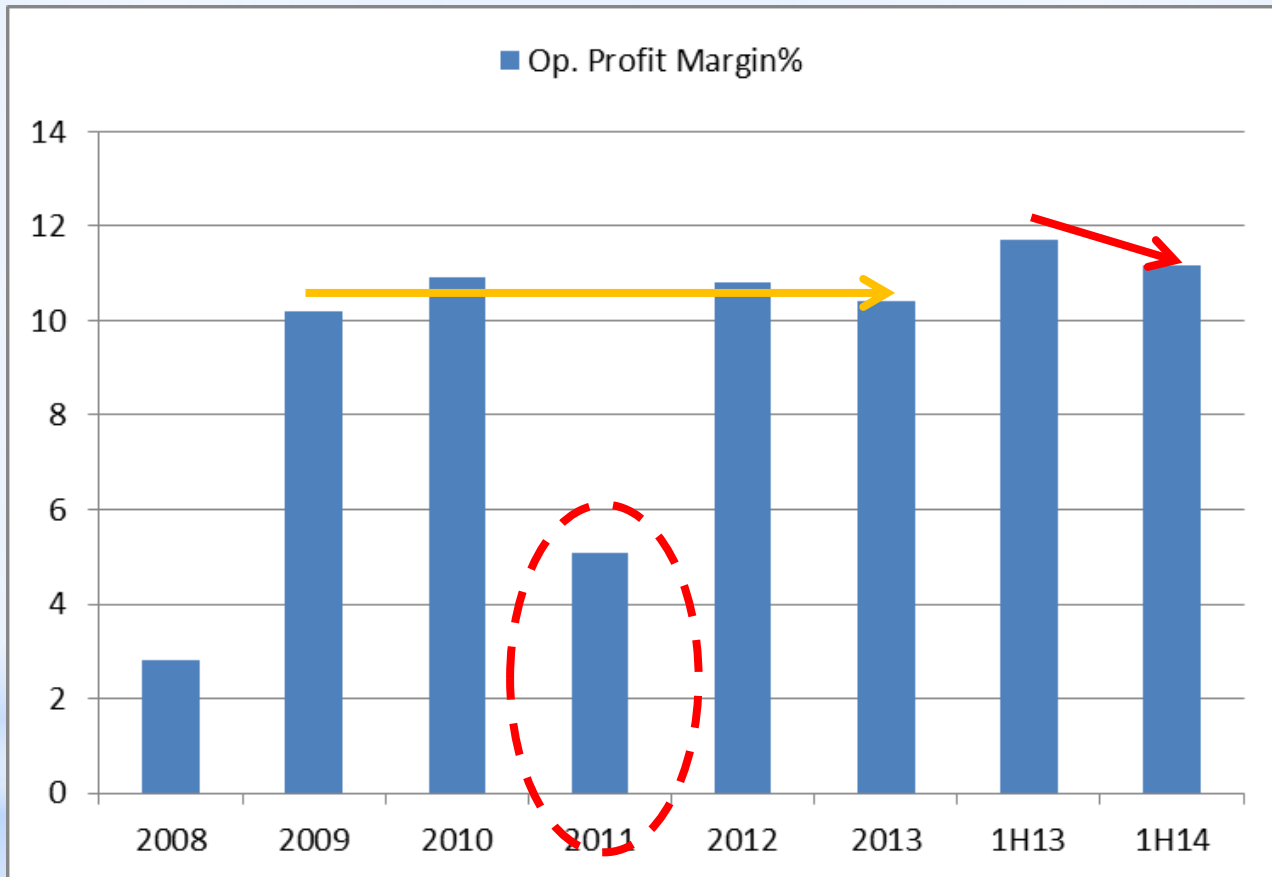
	06/08	06/09	06/10	06/11	06/12	06/13
Revenues (\$million)	218.3	181.8	147.1	218.4	252.3	292.4
Operating margin(%)	2.8	10.2	10.9	5.1	10.8	10.4
Depreciation (\$million)	-6.0	-7.1	-7.2	-7.9	-10.2	-12.6
Amortisation (\$million)	0	0	0	0	0	0
Net profit before abnormals (\$million)	-1.3	6.8	5.0	0.1	9.4	10.2
Net profit (\$million)	-1.3	6.8	5.0	0.1	9.4	10.2
Income tax rate(%)	41.6	27.5	25.9	59.9	30.6	30.3
Net profit margin(%)	-0.6	3.7	3.4	0.0	3.7	3.5
Employees (thousands)	0.3	0.2	0.3	0.3	0.5	0.5
Long term debt (\$million)	12.7	8.9	8.2	10.5	19.8	26.0
Shareholders equity (\$million)	28.9	35.2	38.6	37.0	45.6	52.5
Return on capital(%)	1	19	14	4	18	16
Return on equity(%)	-4.6	19.2	13.0	0.2	20.7	19.4
Payout ratio(%)	-146	24	33	556	32	32

Op. Margin Calculation	2013	2014
EBITDA	16,487	16,625
Divided by Revenue	148,892	148,727
= Op. Margin	11.07%	11.18%

Brierty

	Op. Profit Margin%
2008	2.8
2009	10.2
2010	10.9
2011	5.1
2012	10.8
2013	10.4
1H13	11.7
1H14	11.2

Brierty



Seymour Whyte Limited
Statement of Profit & Loss and Other Comprehensive Income
For the half year ended 31 December 2013

Operating Margin = EBITDA/Revenue

	Note	Dec 2013 \$	Consolidated Dec 2012 \$
Revenue and other income			
Revenue	2	150,665,523	130,689,911
Other income		13,033	637
Expenses			
Raw materials and consumables used		(123,026,074)	(106,835,560)
Employee benefits expense	3	(18,056,628)	(17,154,219)
Depreciation and amortisation expense	3	(944,157)	(616,467)
Finance costs		(71,444)	(69,799)
Rental expense		(469,491)	(477,851)
Share of profits of associates accounted for using the equity method		12,895	220,597
Other expenses		(948,542)	(1,163,295)
Profit before income tax		7,175,115	4,593,954
Income tax expense		(2,273,493)	(1,181,566)
Profit from continuing operations		4,901,622	3,412,388
Profit from discontinued operations		-	36,082
Profit for the half year		4,901,622	3,448,470
Other comprehensive income		-	-
Total comprehensive income for the half year attributable to owners of the parent		4,901,622	3,448,470

	Seymour Whyte	
	2013	2014
Net Profit before tax	4,594	7,175
Plus Depreciation & Amortisation	616	944
Plus Finance	70	71
Plus Lease Expense (rental)	478	5,689
EBITDA	5,758	13,879
Op. Margin Calculation	2013	2014
EBITDA	5,758	13,879
Divided by Revenue	130,690	150,665
= Op. Margin	4.41%	9.21%

Seymour Whyte

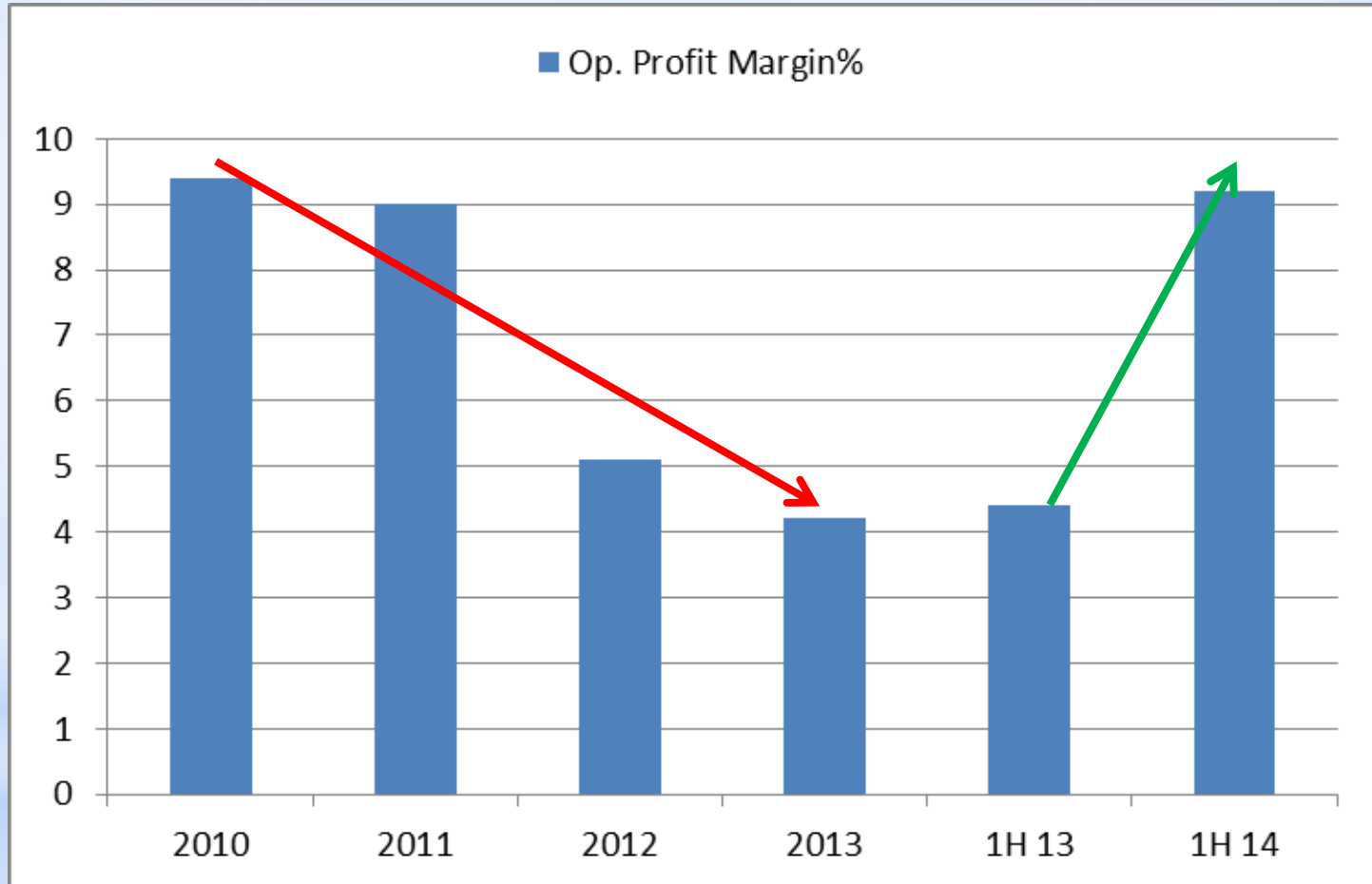
HISTORICAL FINANCIALS				
	06/10	06/11	06/12	06/13
Revenues (\$million)	184.6	194.6	275.4	273.1
Operating margin(%)	9.4	9.0	5.1	4.2
Depreciation (\$million)	-0.9	-1.0	-1.4	-1.3
Amortisation (\$million)	0	0	-0	-0
Net profit before abnormals (\$million)	11.9	12.3	9.3	9.2
Net profit (\$million)	11.9	12.3	8.8	9.3
Income tax rate(%)	30.5	30.2	30.2	17.9
Net profit margin(%)	6.4	6.3	3.4	3.4
Employees (thousands)	0.0	0.0	0.0	0.0
Long term debt (\$million)	0.8	0.8	1.1	0.9
Shareholders equity (\$million)	28.4	37.5	39.7	46.1
Return on capital(%)	41	32	23	20
Return on equity(%)	41.8	32.7	23.3	20.0
Payout ratio(%)	26	51	50	69

Op. Margin Calculation	2013	2014
EBITDA	5,758	13,879
Divided by Revenue	130,690	150,665
= Op. Margin	4.41%	9.21%

Seymour Whyte

	Op. Profit Margin%
2010	9.4
2011	9
2012	5.1
2013	4.2
1H 13	4.41
1H 14	9.2

Seymour Whyte



The other important data in the statement of financial position is
Earnings per Share

We want to look at the EPS trend
and also
Dividend per Share

Brierty Limited
Consolidated Statement of comprehensive income
For the half-year ended 31 December 2013

	Notes	Half-year ended 2013 \$	2012 \$
Revenue from services and land sales	3	148,727,172	148,892,098
Cost of providing services and land sales		<u>(134,615,706)</u>	<u>(130,496,054)</u>
Gross margin on services and land sales		<u>14,111,466</u>	18,396,044
Other income	4	250,518	323,811
Finance Costs	5	(1,500,674)	(1,717,280)
Administration		<u>(6,536,915)</u>	<u>(9,283,922)</u>
Profit from continuing operations before income tax		<u>6,324,395</u>	<u>7,718,653</u>
Income tax expense		<u>(1,945,356)</u>	<u>(2,316,422)</u>
Profit from continuing operations after income tax		<u>4,379,039</u>	<u>5,402,231</u>
Total comprehensive income for the period		<u>4,379,039</u>	<u>5,402,231</u>
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		4.0	4.9
Diluted earnings per share		4.0	4.9

Brierty

PER SHARE STATISTICS	06/08	06/09	06/10	06/11	06/12	06/13
Sales(\$)	2.24	1.65	1.34	1.99	2.29	2.66
Cash flow(cents)	2.1	18.7	-1.2	5.1	20.7	24.3
Earnings(cents)	-1.4	6.2	4.6	0.1	8.6	9.3
Dividends(cents)	2.0	1.5	1.5	0.5	2.8	3.0
Franking(%)	100	100	100	100	100	100
Capital Spending(cents)	-7.5	-2.2	-2.5	-3.9	-4.3	-1.6
Book Value(\$)	0.26	0.32	0.35	0.34	0.41	0.48

If listed longer, we need a different table...

Brierty

Dividends Per Share (cents)

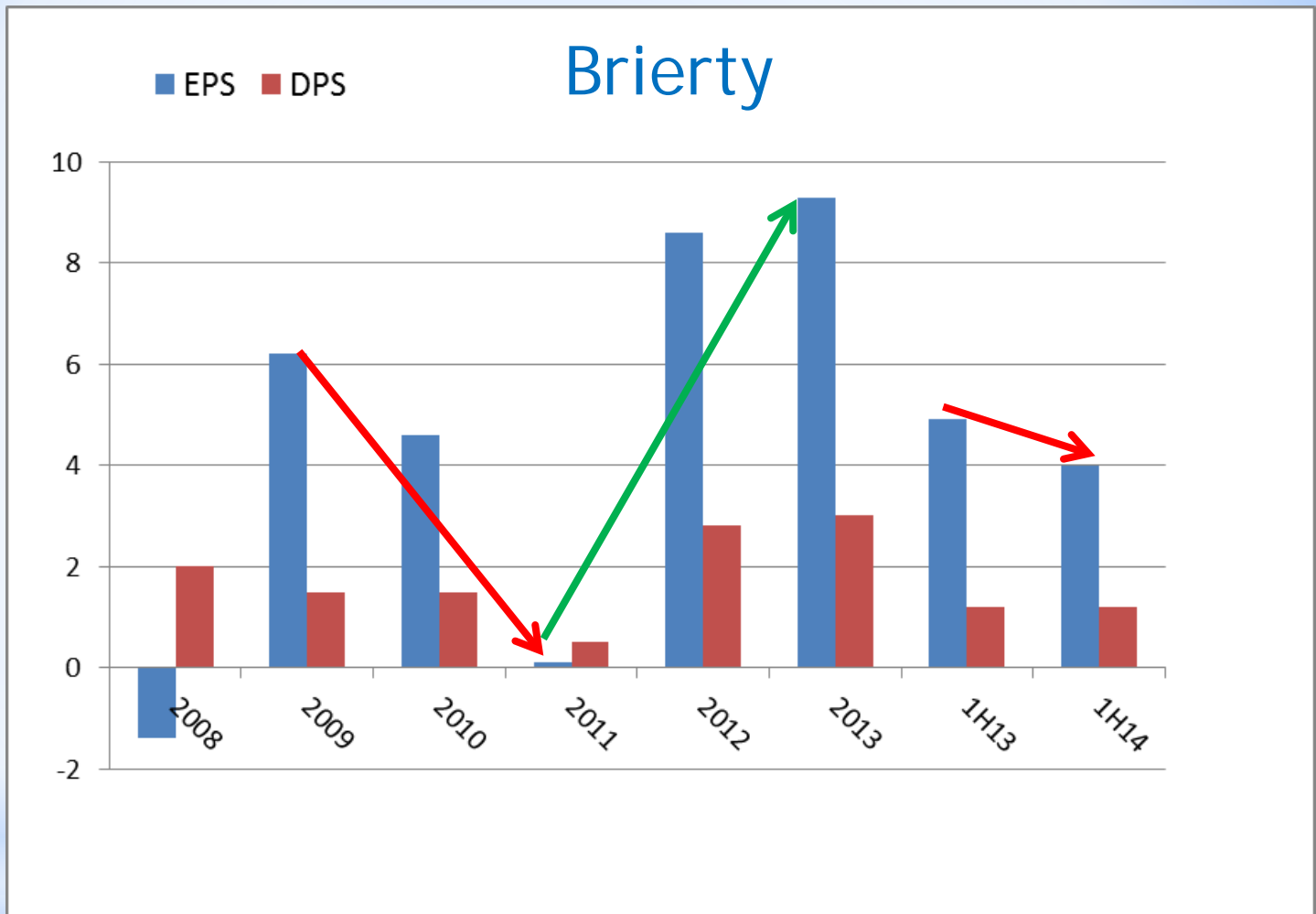
Period Ending	1st Half	2nd Half	Full Year
2014-06-30	1.2	--	--
2013-06-30	1.2	1.8	3.0
2012-06-30	1.0	1.8	2.8
2011-06-30	0.5	--	0.5
2010-06-30	0.5	1.0	1.5
2009-06-30	0.5	1.0	1.5
2008-06-30	2.0	--	2.0

Earnings Per Share (cents)

Period Ending	1st Half	2nd Half	Full Year
2014-06-30	4.0	--	--
2013-06-30	4.9	4.4	9.3
2012-06-30	3.8	4.8	8.6
2011-06-30	1.7	-1.6	0.1
2010-06-30	2.0	2.5	4.6
2009-06-30	4.2	2.0	6.2
2008-06-30	2.7	-4.0	-1.4

Brierty

Year	EPS	DPS
2008	-1.4	2
2009	6.2	1.5
2010	4.6	1.5
2011	0.1	0.5
2012	8.6	2.8
2013	9.3	3
1H13	4.9	1.2
1H14	4	1.2



Payout ratio = $DPS/EPS\%$

Seymour Whyte

Dec 2013

Dec 2012

	Cents	Cents
Basic earnings per share		
Earnings from continuing operations	6.28	4.38
Earnings from discontinued operations	-	0.05
Total	<u>6.28</u>	<u>4.43</u>
Diluted earnings per share		
Earnings from continuing operations	6.09	4.38
Earnings from discontinued operations	-	0.05
Total	<u>6.09</u>	<u>4.43</u>

Seymour Whyte

PER SHARE STATISTICS	06/10	06/11	06/12	06/13
Sales(\$)	2.40	2.50	3.54	3.41
Cash flow(cents)	6.4	12.4	16.2	29.6
Earnings(cents)	15.4	15.8	11.9	11.5
Dividends(cents)	4.0	8.0	6.0	8.0
Franking(%)	100	100	100	100
Capital Spending(cents)	-1.2	-1.3	-4.6	-5.0
Book Value(\$)	0.37	0.48	0.51	0.59

If listed longer, we need a different table...

Seymour Whyte

Dividends Per Share (cents)

Period Ending	1st Half	2nd Half	Full Year
2014-06-30	2.5	--	--
2013-06-30	1.8	6.2	8.0
2012-06-30	4.0	2.0	6.0
2011-06-30	3.5	4.5	8.0

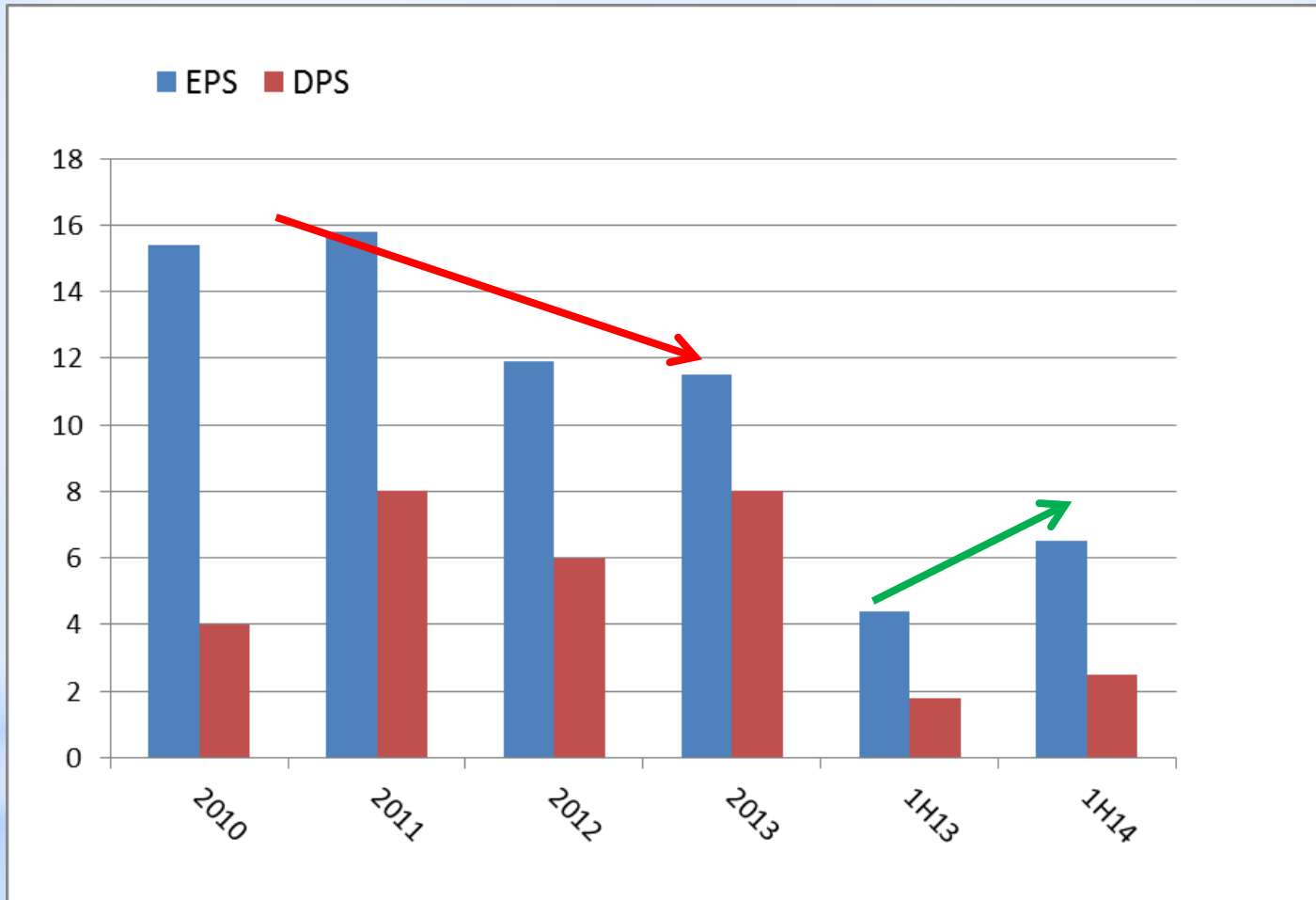
Earnings Per Share (cents)

Period Ending	1st Half	2nd Half	Full Year
2014-06-30	6.5	--	--
2013-06-30	4.4	7.1	11.5
2012-06-30	10.6	1.3	11.9
2011-06-30	6.5	9.2	15.8

Seymour Whyte

Year	EPS	DPS
2010	15.4	4
2011	15.8	8
2012	11.9	6
2013	11.5	8
1H13	4.4	1.8
1H14	6.5	2.5

Seymour Whyte



Statement of Financial Position (Balance Sheet)

This is a statement of
balances at a point in time

Brierty Limited
Consolidated Statement of financial position
As at 31 December 2013

	Notes	31 December 2013 \$	30 June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	18,138,833	13,486,334
Trade and other receivables	7	37,957,659	46,254,132
Contracts in progress and inventories	8	15,179,708	16,504,580
Prepayments		760,446	1,635,081
Current tax receivables	9	84,703	-
Land held for development and resale	10	9,991,229	10,738,964
Total current assets		82,112,578	88,619,091
Non-current assets			
Property, plant and equipment	11	55,932,695	62,735,359
Land held for development and resale	10	1,313,551	-
Total non-current assets		57,246,246	62,735,359
Total assets		139,358,824	151,354,450

		31 December 2013 \$	30 June 2013 \$
LIABILITIES			
Current liabilities			
Trade and other payables	12	47,204,610	50,780,480
Borrowings	13	10,029,634	10,496,923
Current tax liabilities		53,242	1,845,807
Provisions		2,900,403	3,244,337
Contract income in advance	8	1,453,135	4,518,490
Total current liabilities		61,641,024	70,886,037
Non-current liabilities			
Borrowings	14	21,469,568	26,018,541
Deferred tax liabilities		1,110,643	1,336,183
Provisions		185,837	598,614
Total non-current liabilities		22,766,048	27,953,338
Total liabilities		84,407,072	98,839,375
Net assets		54,951,752	52,515,075
EQUITY			
Contributed equity	15	29,170,572	29,170,572
Other reserves	16	286,831	304,179
Retained earnings		25,494,349	23,040,324
Total equity		54,951,752	52,515,075

Brierty

Basic Balance Sheet Structure

	Brierty		
	June '13	Dec'13	
Assets	151.354	139.359	↓
Less Liabilities	98.839	84.407	↓
= Equity	52.515	54.952	↑

Seymour Whyte Limited
Statement of Financial Position
As at 31 December 2013

	Note	Dec 2013 \$	Consolidated June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents		53,577,233	47,712,292
Trade and other receivables	4	23,742,766	35,844,843
Other assets		376,100	823,384
Current tax assets		498,589	-
Total current assets		<u>78,194,688</u>	<u>84,380,519</u>
Non-current assets			
Other receivables		930,534	1,048,001
Equity accounted investments		560,841	1,047,944
Property, plant and equipment		6,938,856	7,463,455
Intangibles		1,837,107	1,739,642
Deferred tax assets		4,013,712	5,254,449
Total non-current assets		<u>14,281,050</u>	<u>16,553,491</u>
TOTAL ASSETS		<u><u>92,475,738</u></u>	<u><u>100,934,010</u></u>

Seymour Whyte

	Dec 2013	June 2013
	\$	\$
LIABILITIES		
Current liabilities		
Trade and other payables	34,209,261	42,706,344
Borrowings	627,537	627,169
Current tax liabilities	-	804,964
Provisions	2,612,233	2,876,306
Total current liabilities	<u>37,449,031</u>	<u>47,014,783</u>
Non-current liabilities		
Borrowings	730,192	863,883
Deferred tax liabilities	6,770,206	5,848,931
Provisions	793,594	1,058,741
Total non-current liabilities	<u>8,293,992</u>	<u>7,771,555</u>
TOTAL LIABILITIES	<u><u>45,743,023</u></u>	<u><u>54,786,338</u></u>
NET ASSETS	<u>46,732,715</u>	<u>46,147,672</u>
EQUITY		
Issued capital	5 7,436,717	7,215,712
Share options reserve	395,065	68,331
Retained earnings	38,900,933	38,863,629
TOTAL EQUITY	<u>46,732,715</u>	<u>46,147,672</u>

Seymour Whyte

Basic Balance Sheet Structure

	Seymour Whyte		
	June '13	Dec'13	
Assets	100.934	92.476	↓
Less Liabilities	54.786	45.743	↓
= Equity	46.148	46.733	↑

The next thing I look at is

Current assets

compared to


Current liabilities

(the current ratio) ...

Brierty Limited
Consolidated Statement of financial position
As at 31 December 2013

	Notes	31 December 2013 \$	30 June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	18,138,833	13,488,334
Trade and other receivables	7	37,957,659	46,254,132
Contracts in progress and inventories	8	15,179,708	16,504,580
Prepayments		760,446	1,835,081
Current tax receivables	9	84,703	-
Land held for development and resale	10	9,991,229	10,738,064
Total current assets		82,112,578	88,819,091
Non-current assets			
Property, plant and equipment	11	55,932,695	62,735,359
Land held for development and resale	10	1,313,551	-
Total non-current assets		57,246,246	62,735,359
Total assets		139,358,824	151,554,450
LIABILITIES			
Current liabilities			
Trade and other payables	12	47,204,610	50,780,480
Borrowings	13	10,029,634	10,496,923
Current tax liabilities		53,242	1,845,807
Provisions		2,900,403	3,244,337
Contract income in advance	8	1,453,135	4,518,490
Total current liabilities		61,641,024	70,886,037


Current Ratio

	Brierty	
	June '13	Dec'13
Current Assets	88.619	82.113
Current Liabilities	70.886	61.641
Current Ratio (CA/CL)	1.25	1.33 

Seymour Whyte Limited
Statement of Financial Position
As at 31 December 2013

	Note	Dec 2013 \$	Consolidated June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents		53,577,233	47,712,292
Trade and other receivables	4	23,742,766	35,844,843
Other assets		376,100	823,384
Current tax assets		498,589	-
Total current assets		78,194,688	84,380,519
Non-current assets			
Other receivables		930,534	1,048,001
Equity accounted investments		560,841	1,047,944
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Intangibles		1,837,107	1,739,642
Deferred tax assets		4,013,712	5,254,449
Total non-current assets		14,281,050	16,553,491
TOTAL ASSETS		92,475,738	100,934,010
LIABILITIES			
Current liabilities			
Trade and other payables		34,209,261	42,706,344
Borrowings		627,537	627,169
Current tax liabilities		-	804,964
Provisions		2,612,233	2,876,306
Total current liabilities		37,449,031	47,014,783

Current Ratio

	Seymour Whyte	
	June '13	Dec'13
Current Assets	84.381	78.195
Current Liabilities	47.015	37.449
Current Ratio (CA/CL)	1.79	2.09 

The current ratio is only a first check

It is important to look at what is in the numbers

Is there anything you don't understand?

Is there anything that could be a problem?

Brierty Limited
Consolidated Statement of financial position
As at 31 December 2013

	Notes	31 December 2013 \$	30 June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	18,138,833	13,486,334
Trade and other receivables	7	37,957,659	46,254,132
Contracts in progress and inventories ←	8	15,179,708	16,504,580
Prepayments		760,446	1,635,081
Current tax receivables	9	84,703	-
Land held for development and resale ←	10	9,991,229	10,738,964
Total current assets		82,112,578	88,619,091
Non-current assets			
Property, plant and equipment	11	55,932,695	62,735,359
Land held for development and resale	10	1,313,551	-
Total non-current assets		57,246,246	62,735,359
Total assets		139,358,824	151,354,450

Brierty

8 Current assets - Contracts in progress and inventories

	Consolidated	
	31 December 2013	30 June 2013
	\$	\$
Construction work in progress	8,480,070	11,089,330
Inventories of materials and spares*	6,699,638	5,415,250
	<u>15,179,708</u>	<u>16,504,580</u>

*Inventories of materials and spares include major component spares totalling \$1,954,262 (June 2013: \$1,509,359) that are measured at Net Realisable Value.

8 Current assets - Contracts in progress and inventories (continued)

(a) Construction work in progress

Contract costs incurred and recognised profits less recognised losses	299,074,552	222,705,489
Less progress billing	<u>(292,047,617)</u>	<u>(216,134,649)</u>
	7,026,935	6,570,840
Represented by:		
Gross amounts due by customers under construction contracts included in:		
Construction work in progress	8,480,070	11,089,330
Gross amounts due by customers under construction contracts included in:		
Construction income in advance	<u>(1,453,135)</u>	<u>(4,518,490)</u>
	<u>7,026,935</u>	<u>6,570,840</u>

Brierty

10) Current assets - Land held for Development

	Consolidated	
	31 December 2013	30 June 2013
	\$	\$
Land Development Darwin	11,304,780	10,738,964
(a) Total land held for Development (current and non-current)		
At beginning of year	10,738,964	17,912,095
Additions	10,182,959	34,199,783
Less sales	(9,617,143)	(41,372,914)
At end of year	<u>11,304,780</u>	<u>10,738,964</u>
Disclosed as:		
Current	9,991,229	10,738,964
Non-current	<u>1,313,551</u>	<u>-</u>
	<u>11,304,780</u>	<u>10,738,964</u>

(b) Property held for development and resale

Title on the residential housing blocks transfer from the Crown to the Group prior to Settlement.

Seymour Whyte Limited
Statement of Financial Position
As at 31 December 2013

	Note	Dec 2013 \$	Consolidated June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents		53,577,233	47,712,292
Trade and other receivables	4	23,742,766	35,844,843
Other assets		376,100	823,384
Current tax assets		498,589	-
Total current assets		78,194,688	84,380,519
Non-current assets			
Other receivables		930,534	1,048,001
Equity accounted investments		560,841	1,047,944
Property, plant and equipment		6,938,856	7,463,455
Intangibles		1,837,107	1,739,642
Deferred tax assets		4,013,712	5,254,449
Total non-current assets		14,281,050	16,553,491
TOTAL ASSETS		92,475,738	100,934,010

Nothing to query

It is also desirable to calculate

Quick Ratio

$$QR = (\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$$

Brierty Limited
Consolidated Statement of financial position
As at 31 December 2013

	Notes	31 December 2013 \$	30 June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	18,138,833	13,488,334
Trade and other receivables	7	37,957,659	46,254,132
Contracts in progress and inventories	8	15,179,708	16,504,580
Prepayments		760,446	1,039,081
Current tax receivables	9	84,703	-
Land held for development and resale	10	9,991,229	10,738,964
Total current assets		82,112,578	88,619,091
Non-current assets			
Property, plant and equipment	11	55,932,695	62,735,359
Land held for development and resale	10	1,313,551	-
Total non-current assets		57,246,246	62,735,359
Total assets		139,358,824	151,354,450
LIABILITIES			
Current liabilities			
Trade and other payables	12	47,204,610	50,780,480
Borrowings	13	10,029,634	10,498,923
Current tax liabilities		53,242	1,845,807
Provisions		2,900,403	3,244,337
Contract income in advance	8	1,453,135	1,518,400
Total current liabilities		61,641,024	76,888,037

	Brierty	
	June '13	Dec'13
Current Assets	88.619	82.113
less Inventory	16.505	15.180
CA - Inventory	72.114	66.933
Current Liabilities	70.886	61.641
Quick Ratio	1.02	1.09



Seymour Whyte Limited
Statement of Financial Position
As at 31 December 2013

	Note	Dec 2013 \$	Consolidated June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents		53,577,233	47,712,292
Trade and other receivables	4	23,742,766	35,844,843
Other assets		376,100	823,384
Current tax assets		498,589	-
Total current assets		78,194,688	84,380,519
Non-current assets			
Other receivables		930,534	1,048,001
Equity accounted investments		560,841	1,047,944
Property, plant and equipment		6,938,856	7,463,455
Intangibles		1,837,107	1,739,642
Deferred tax assets		4,013,712	5,254,449
Total non-current assets		14,281,050	16,553,491
TOTAL ASSETS		92,475,738	100,934,010
LIABILITIES			
Current liabilities			
Trade and other payables		34,209,261	42,706,344
Borrowings		627,537	627,169
Current tax liabilities		-	804,964
Provisions		2,612,233	2,876,306
Total current liabilities		37,449,031	47,014,783

No inventory, so Quick Ratio
same as Current Ratio

The next thing I look at is

How the business is financed

Two key ratios

Debt to Equity or Gearing (from BS)

Interest Cover (from P&L)...

Brierty

		31 December 2013 \$	30 June 2013 \$
LIABILITIES			
Current liabilities			
Trade and other payables	12	47,204,610	50,780,480
Borrowings	13	10,029,634	10,496,923
Current tax liabilities		53,242	1,845,807
Provisions		2,900,403	3,244,337
Contract income in advance	8	1,453,135	4,518,490
Total current liabilities		61,641,024	70,886,037
Non-current liabilities			
Borrowings	14	21,469,568	26,018,541
Deferred tax liabilities		1,110,643	1,336,183
Provisions		185,837	598,614
Total non-current liabilities		22,766,048	27,953,338
Total liabilities		84,407,072	98,839,375
Net assets		54,951,752	52,515,075
EQUITY			
Contributed equity	15	29,170,572	29,170,572
Other reserves	16	286,831	304,179
Retained earnings		25,494,349	23,040,324
Total equity		54,951,752	52,515,075

	Brierty	
	June '13	Dec'13
Debt	26.019	21.470
Equity	52.515	54.952
Debt/Equity	50%	39%
Gearing (D/D+E)	33%	28%



Brierty

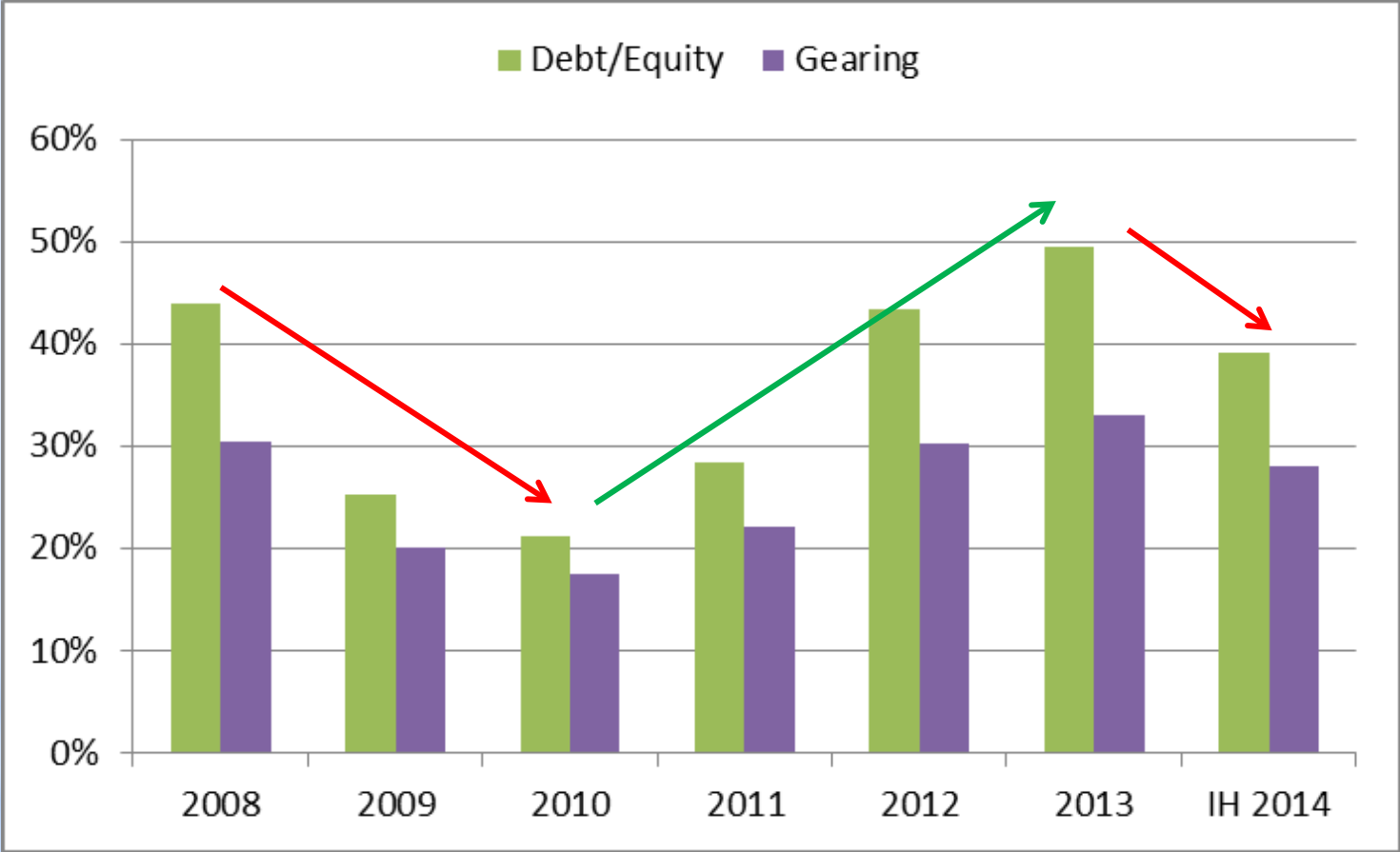
HISTORICAL FINANCIALS

	06/08	06/09	06/10	06/11	06/12	06/13
Revenues (\$million)	218.3	181.8	147.1	218.4	252.3	292.4
Operating margin(%)	2.8	10.2	10.9	5.1	10.8	10.4
Depreciation (\$million)	-6.0	-7.1	-7.2	-7.9	-10.2	-12.6
Amortisation (\$million)	0	0	0	0	0	0
Net profit before abnormals (\$million)	-1.3	6.8	5.0	0.1	9.4	10.2
Net profit (\$million)	-1.3	6.8	5.0	0.1	9.4	10.2
Income tax rate(%)	41.6	27.5	25.9	59.9	30.6	30.3
Net profit margin(%)	-0.6	3.7	3.4	0.0	3.7	3.5
Employees (thousands)	0.3	0.2	0.3	0.3	0.5	0.5
Long term debt (\$million)	12.7	8.9	8.2	10.5	19.8	26.0
Shareholders equity (\$million)	28.9	35.2	38.6	37.0	45.6	52.5
Return on capital(%)	1	19	14	4	18	16
Return on equity(%)	-4.6	19.2	13.0	0.2	20.7	19.4
Payout ratio(%)	-146	24	33	556	32	32

Brierty

	Debt	Equity	Debt/Equity	Gearing
2008	12.7	28.9	44%	31%
2009	8.9	35.2	25%	20%
2010	8.2	38.6	21%	18%
2011	10.5	37	28%	22%
2012	19.8	45.6	43%	30%
2013	26.0	52.5	50%	33%
IH 2014	21.5	55	39%	28%

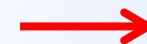
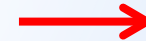
Brierty



Seymour Whyte

	Dec 2013	June 2013
	\$	\$
LIABILITIES		
Current liabilities		
Trade and other payables	34,209,261	42,706,344
Borrowings	627,537	627,169
Current tax liabilities	-	804,964
Provisions	2,612,233	2,876,306
Total current liabilities	<u>37,449,031</u>	<u>47,014,783</u>
Non-current liabilities		
Borrowings	730,192	863,883
Deferred tax liabilities	6,770,206	5,848,931
Provisions	793,594	1,058,741
Total non-current liabilities	<u>8,293,992</u>	<u>7,771,555</u>
TOTAL LIABILITIES	<u>45,743,023</u>	<u>54,786,338</u>
NET ASSETS	<u>46,732,715</u>	<u>46,147,672</u>
EQUITY		
Issued capital	5 7,436,717	7,215,712
Share options reserve	395,065	68,331
Retained earnings	38,900,933	38,863,629
TOTAL EQUITY	<u>46,732,715</u>	<u>46,147,672</u>

	Seymour Whyte	
	June '13	Dec'13
Debt	0.864	0.730
Equity	46.148	46.733
Debt/Equity	2%	2%
Gearing (D/D+E)	2%	2%



Seymour Whyte

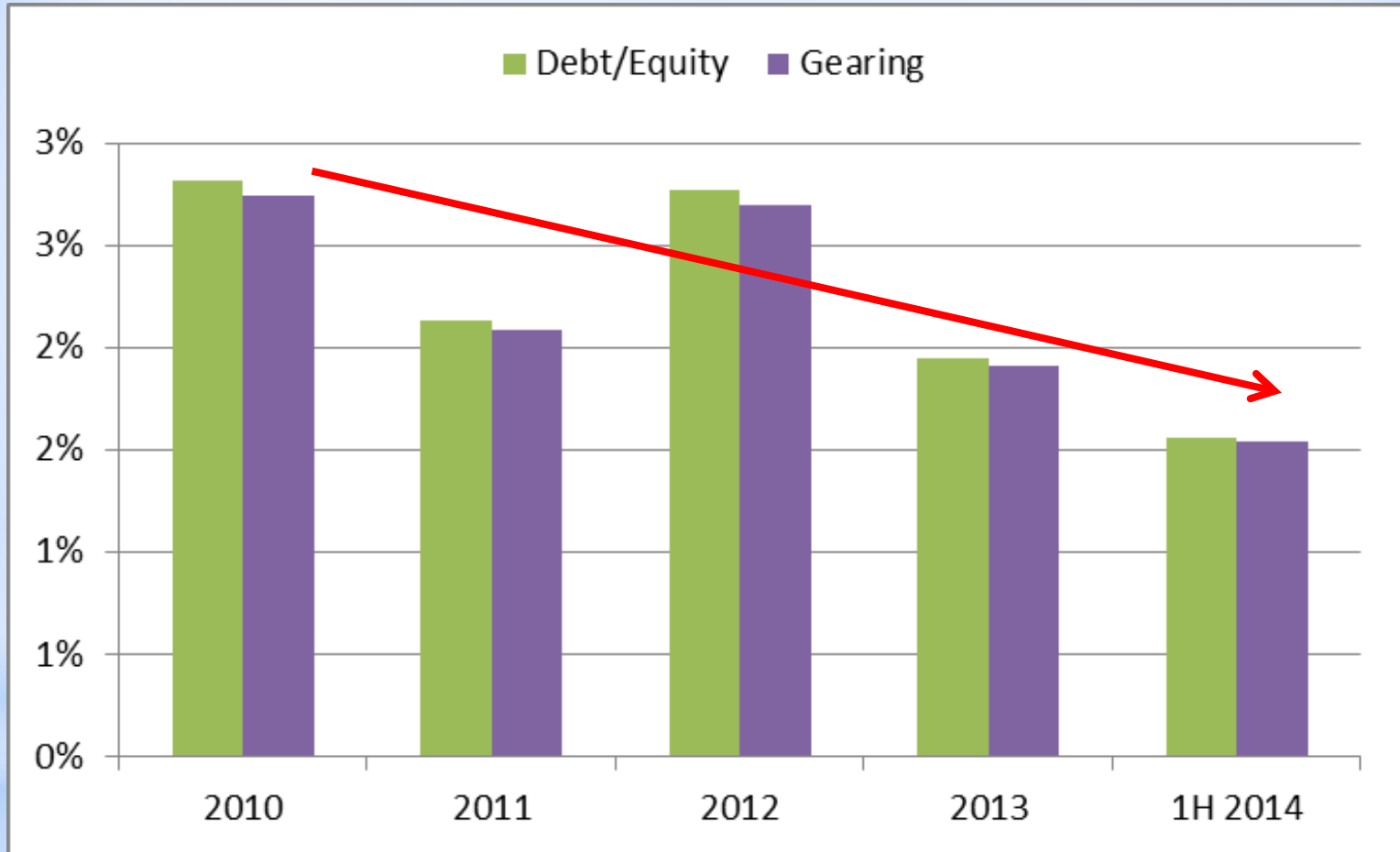
HISTORICAL FINANCIALS

	06/10	06/11	06/12	06/13
Revenues (\$million)	184.6	194.6	275.4	273.1
Operating margin(%)	9.4	9.0	5.1	4.2
Depreciation (\$million)	-0.9	-1.0	-1.4	-1.3
Amortisation (\$million)	0	0	-0	-0
Net profit before abnormals (\$million)	11.9	12.3	9.3	9.2
Net profit (\$million)	11.9	12.3	8.8	9.3
Income tax rate(%)	30.5	30.2	30.2	17.9
Net profit margin(%)	6.4	6.3	3.4	3.4
Employees (thousands)	0.0	0.0	0.0	0.0
Long term debt (\$million)	0.8	0.8	1.1	0.9
Shareholders equity (\$million)	28.4	37.5	39.7	46.1
Return on capital(%)	41	32	23	20
Return on equity(%)	41.8	32.7	23.3	20.0
Payout ratio(%)	26	51	50	69

Seymour Whyte

	Debt	Equity	Debt/Equity	Gearing
2010	0.8	28.4	3%	3%
2011	0.8	37.5	2%	2%
2012	1.1	39.7	3%	3%
2013	0.9	46.1	2%	2%
1H 2014	0.7	46.733	2%	2%

Seymour Whyte



Brierty D/E is high enough

to warrant looking at interest cover...

Brierty Limited
Consolidated Statement of comprehensive income
For the half-year ended 31 December 2013

Interest cover = NPBT + Interest / Interest

	Notes	Half-year ended	
		2013	2012
		\$	\$
Revenue from services and land sales	3	148,727,172	148,892,098
Cost of providing services and land sales		<u>(134,615,706)</u>	<u>(130,496,054)</u>
Gross margin on services and land sales		<u>14,111,466</u>	18,396,044
Other income	4	250,518	323,811
Finance Costs	5	<u>(1,500,674)</u>	<u>(1,717,280)</u>
Administration		<u>(6,536,915)</u>	<u>(9,283,922)</u>
Profit from continuing operations before income tax		<u>6,324,395</u>	<u>7,718,653</u>
Income tax expense		<u>(1,945,356)</u>	<u>(2,316,422)</u>
Profit from continuing operations after income tax		<u>4,379,039</u>	<u>5,402,231</u>
Total comprehensive income for the period		<u>4,379,039</u>	<u>5,402,231</u>
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		4.0	4.9
Diluted earnings per share		4.0	4.9

	Brierty	
	1H 2013	1H 2014
NPBT	7.719	6.324
Interest	1.717	1.501
Interest cover	8.7	7.3

↓ But healthy

Buffett interest cover = NPBT / Interest

2014 above would be 4.2 - not so strong

Seymour Whyte D/E is so low

Interest cover is not an issue

However, there is something to consider...

Seymour Whyte

	Dec 2013	June 2013
	\$	\$
LIABILITIES		
Current liabilities		
Trade and other payables	34,209,261	42,706,344
Borrowings	627,537	627,169
Current tax liabilities	-	804,964
Provisions	2,612,233	2,876,306
Total current liabilities	37,449,031	47,014,783
Non-current liabilities		
Borrowings	730,192	863,883
Deferred tax liabilities	6,770,206	5,848,931
Provisions	793,594	1,058,741
Total non-current liabilities	8,293,992	7,771,555
TOTAL LIABILITIES	45,743,023	54,786,338
NET ASSETS	46,732,715	46,147,672
EQUITY		
Issued capital	5 7,436,717	7,215,712
Share options reserve	395,065	68,331
Retained earnings	38,900,933	38,863,629
TOTAL EQUITY	46,732,715	46,147,672

Deferred tax liability is a potential, but uncertain debt. It is growing, so may need watching

It would not be usual to class it as debt for the debt to equity ratio, but keep it in mind.

Next we must look at

Return on Equity (ROE)

or return on the shareholders' funds

$$\text{ROE} = \text{NPAT} / \text{Equity} \% \dots$$

Brierty

	Notes	Half-year ended	
		2013	2012
		\$	\$
Revenue from services and land sales	3	148,727,172	148,892,098
Cost of providing services and land sales		<u>(134,615,706)</u>	<u>(130,496,054)</u>
Gross margin on services and land sales		<u>14,111,466</u>	<u>18,396,044</u>
Other income	4	250,518	323,811
Finance Costs	5	(1,500,674)	(1,717,280)
Administration		<u>(6,536,915)</u>	<u>(9,283,922)</u>
Profit from continuing operations before income tax		<u>6,324,395</u>	<u>7,718,653</u>
Income tax expense		<u>(1,945,356)</u>	<u>(2,316,422)</u>
Profit from continuing operations after income tax		<u>4,379,039</u>	<u>5,402,231</u>

EQUITY			
Contributed equity	15	29,170,572	29,170,572
Other reserves	16	286,831	304,179
Retained earnings		<u>25,494,349</u>	<u>23,040,324</u>
Total equity		<u>54,951,752</u>	<u>52,515,075</u>

	Brierty	
	1H 2013	1H 2014
NPAT	5.402	4.379
Equity/2	26.2575	27.476
ROE	20.57%	15.94%

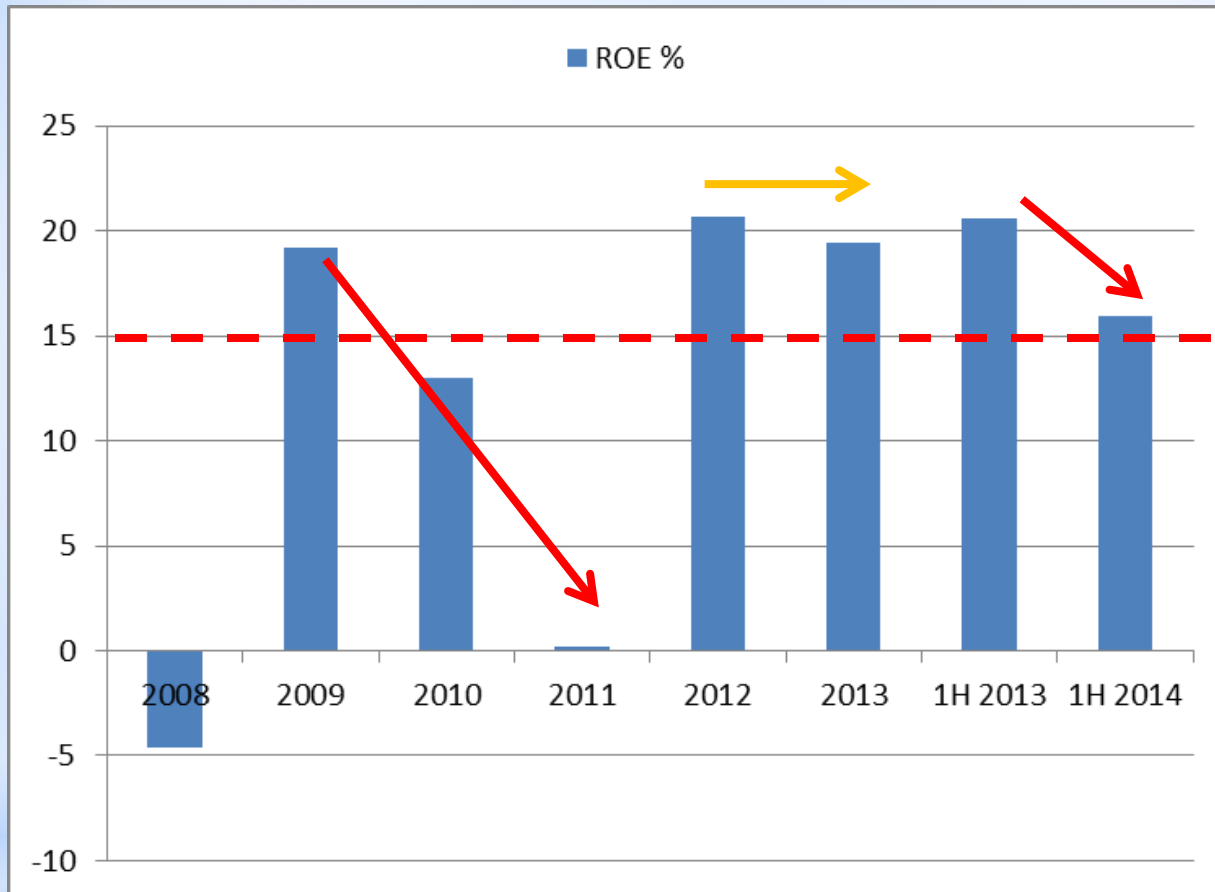
Brierty

HISTORICAL FINANCIALS						
	06/08	06/09	06/10	06/11	06/12	06/13
Revenues (\$million)	218.3	181.8	147.1	218.4	252.3	292.4
Operating margin(%)	2.8	10.2	10.9	5.1	10.8	10.4
Depreciation (\$million)	-6.0	-7.1	-7.2	-7.9	-10.2	-12.6
Amortisation (\$million)	0	0	0	0	0	0
Net profit before abnormals (\$million)	-1.3	6.8	5.0	0.1	9.4	10.2
Net profit (\$million)	-1.3	6.8	5.0	0.1	9.4	10.2
Income tax rate(%)	41.6	27.5	25.9	59.9	30.6	30.3
Net profit margin(%)	-0.6	3.7	3.4	0.0	3.7	3.5
Employees (thousands)	0.3	0.2	0.3	0.3	0.5	0.5
Long term debt (\$million)	12.7	8.9	8.2	10.5	19.8	26.0
Shareholders equity (\$million)	28.9	35.2	38.6	37.0	45.6	52.5
Return on capital(%)	1	19	14	4	18	16
Return on equity(%)	-4.6	19.2	13.0	0.2	20.7	19.4
Payout ratio(%)	-146	24	33	556	32	32

Brierty

Year	ROE %
2008	-4.6
2009	19.2
2010	13
2011	0.2
2012	20.7
2013	19.4
1H 2013	20.57
1H 2014	15.94

Brierty



My hurdle rate

Seymour Whyte

	Note	Dec 2013 \$	Consolidated Dec 2012 \$
Revenue and other income			
Revenue	2	150,665,523	130,689,911
Other income		13,033	637
Expenses			
Raw materials and consumables used		(123,026,074)	(106,835,560)
Employee benefits expense	3	(18,056,628)	(17,154,219)
Depreciation and amortisation expense	3	(944,157)	(616,467)
Finance costs		(71,444)	(69,799)
Rental expense		(469,491)	(477,851)
Share of profits of associates accounted for using the equity method		12,895	220,597
Other expenses		(948,542)	(1,163,295)
Profit before income tax		7,175,115	4,593,954
Income tax expense		(2,273,493)	(1,181,566)
Profit from continuing operations		4,901,622	3,412,388
Profit from discontinued operations		-	36,082
Profit for the half year		4,901,622	3,448,470
EQUITY			
Issued capital	5	7,436,717	7,215,712
Share options reserve		395,065	68,331
Retained earnings		38,900,933	38,863,629
TOTAL EQUITY		46,732,715	46,147,672

	Seymour Whyte	
	1H 2013	1H 2014
NPAT	3.448	4.902
Equity/2	23.074	23.3665
ROE	14.94%	20.98%

Seymour Whyte

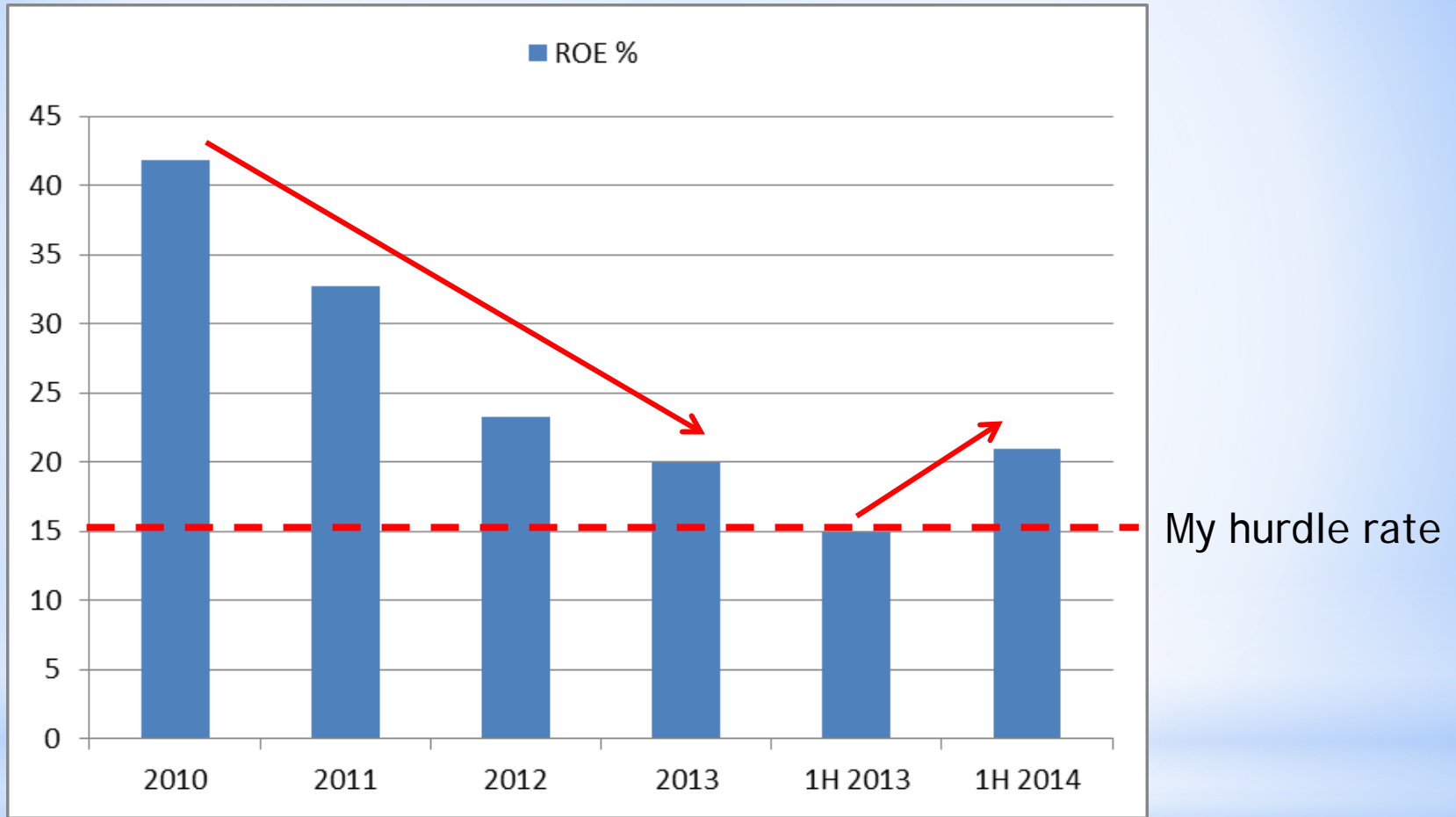
HISTORICAL FINANCIALS

	06/10	06/11	06/12	06/13
Revenues (\$million)	184.6	194.6	275.4	273.1
Operating margin(%)	9.4	9.0	5.1	4.2
Depreciation (\$million)	-0.9	-1.0	-1.4	-1.3
Amortisation (\$million)	0	0	-0	-0
Net profit before abnormals (\$million)	11.9	12.3	9.3	9.2
Net profit (\$million)	11.9	12.3	8.8	9.3
Income tax rate(%)	30.5	30.2	30.2	17.9
Net profit margin(%)	6.4	6.3	3.4	3.4
Employees (thousands)	0.0	0.0	0.0	0.0
Long term debt (\$million)	0.8	0.8	1.1	0.9
Shareholders equity (\$million)	28.4	37.5	39.7	46.1
Return on capital(%)	41	32	23	20
Return on equity(%)	41.8	32.7	23.3	20.0
Payout ratio(%)	26	51	50	69

Seymour Whyte

Year	ROE %
2010	41.8
2011	32.7
2012	23.3
2013	20
1H 2013	14.94
1H 2014	20.98

Seymour Whyte



Next I calculate the

Earnings Yield

$$\text{Earnings Yield} = \text{EPS} / \text{Price} \%$$

(or Earnings Yield = 100 / Price Earnings Ratio)

Brierty

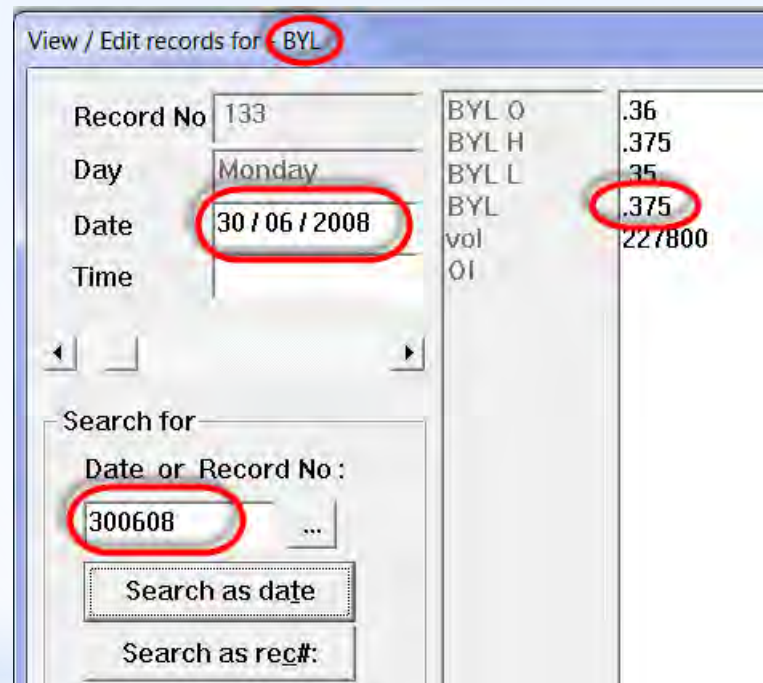
PER SHARE STATISTICS	06/08	06/09	06/10	06/11	06/12	06/13
Sales(\$)	2.24	1.65	1.34	1.99	2.29	2.66
Cash flow(cents)	2.1	18.7	-1.2	5.1	20.7	24.3
Earnings(cents)	-1.4	6.2	4.6	0.1	8.6	9.3
Dividends(cents)	2.0	1.5	1.5	0.5	2.8	3.0
Franking(%)	100	100	100	100	100	100
Capital Spending(cents)	-7.5	-2.2	-2.5	-3.9	-4.3	-1.6
Book Value(\$)	0.26	0.32	0.35	0.34	0.41	0.48

Half year EPS must be annualised
(multiplied by 2)

	Half-year ended 2013	Half-year ended 2012
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	4.0	4.9
Diluted earnings per share	4.0	4.9

Brierty

I look up the prices on those dates in my charting software



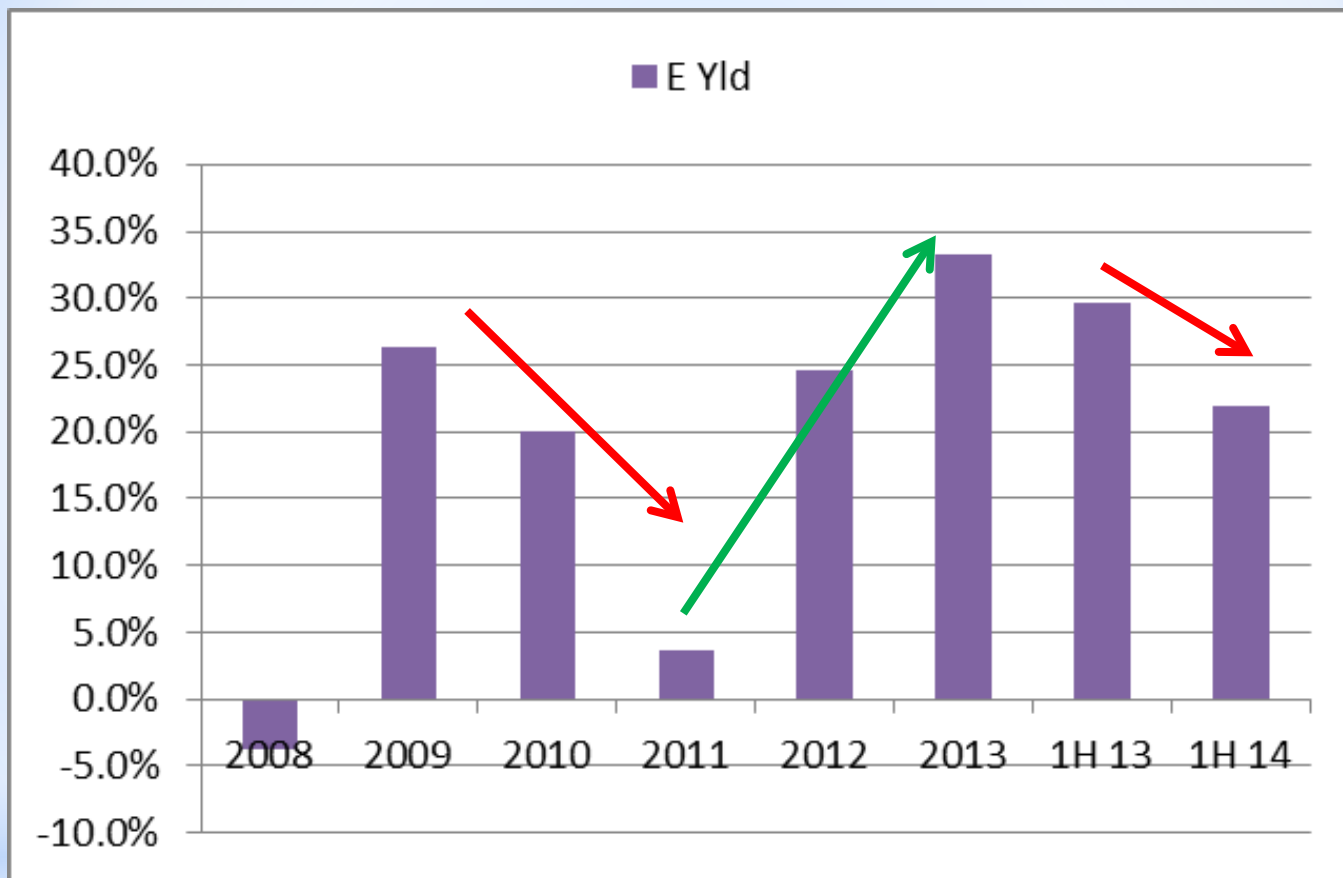
(I think historical prices can also be found on Yahoo/Finance)

Brierty

Year	EPS	Price	E Yld
2008	-0.014	0.375	-3.7%
2009	0.062	0.235	26.4%
2010	0.046	0.230	20.0%
2011	0.010	0.275	3.6%
2012	0.086	0.35	24.6%
2013	0.093	0.28	33.2%
1H 13	0.098	0.33	29.7%
1H 14	0.080	0.365	21.9%

Note both EPS and Price are in dollars

Brierty



Despite 2008 and 2011, and trends, these earnings yields are very high

Another way to calculate Earnings Yield

Because Earnings yield is the inverse of the Price Earnings ratio

Price Earnings Ratio = Price/Earnings

Earnings Yield = Earnings/Price %

We can calculate Earnings Yield:

Earnings Yield = 100 / Price Earnings Ratio

Stock Doctor - [Company Summary for Brierty Limited (BYL)]													
Database View Printing Tools Download Window Help													
	Jun 08 Annual	Dec 08 Interim	Jun 09 Annual	Dec 09 Interim	Jun 10 Annual	Dec 10 Interim	Jun 11 Annual	Dec 11 Interim	Jun 12 Annual	Dec 12 Interim	Jun 13 Annual	Dec 13 Interim	03 Apr 14 Last Trade
Financial Health	E.Warn (.50)	Satis. (.29)	Strong (.07)	Satis. (.12)	Marg (.57)	E.Warn (.45)	Satis. (.29)	Satis. (.16)	Satis. (.15)	Strong (.08)	Satis. (.13)	Satis. (.13)	
Annualised ROA	-2.74%	1.54%	12.7%	7.14%	8.25%	6.58%	0.23%	2.97%	10.3%	10.9%	9.67%	9.51%	
Annualised ROE	-7.90%	4.04%	26.5%	15.2%	17.5%	17.1%	0.63%	8.70%	29.9%	31.1%	27.9%	24.1%	
EPS (cents)	-1.33	4.05	5.97	1.95	4.42	1.64	0.08	3.71	8.58	4.91	9.28	3.98	
1 Year EPS Growth (%)		-83.5%		351%	-26.1%	5.82%	-98.1%	-47.4%	10,293%	356%	8.14%	-15.0%	
2 Year EPS Growth (% pa)				-13.7%		118%	-88.2%	-25.4%	39.4%	54.8%	960%	96.9%	
Revenue (\$000)	\$218,287	\$104,660	\$181,724	\$61,641	\$146,691	\$100,525	\$218,425	\$105,622	\$251,862	\$148,892	\$292,363	\$148,727	
Adj. Profit Pre Tax (\$000)	-\$2,285	\$6,558	\$9,325	\$2,761	\$6,755	\$2,710	\$233	\$6,075	\$13,611	\$7,719	\$14,641	\$6,324	
Ex Dividend Date		26/02/2009	10/09/2009	9/03/2010	10/09/2010	8/03/2011		13/03/2012	14/09/2012	13/03/2013	13/09/2013	13/03/2014	
Franking		100%	100%	100%	100%	100%		100%	100%	100%	100%	100%	
DPS (cents)		0.48	0.94	0.48	0.94	0.48		0.97	1.75	1.25	1.75	1.25	
Dividend Yield	5.33%	3.15%	6.40%	3.96%	6.54%	4.56%	1.84%	4.38%	9.17%	9.09%	14.0%	8.00%	8.33%
PE		18.1	3.82	9.52	5.06	7.82	323.3	10.6	3.49	3.36	2.32	4.49	4.31
Industry Average PE	12.9	8.56	11.3	20.9	29.3	26.0	25.6	20.4	30.7	18.8	18.0	19.7	23.6
PEG				0.03		1.34			0.000	0.009	0.28		
Market Cap (\$000)	\$41,250	\$17,600	\$25,850	\$41,800	\$25,300	\$36,300	\$30,250	\$25,850	\$33,000	\$36,300	\$23,650	\$41,250	\$39,600
Ordinary Shares ('000's)	113,285	113,285	113,285	113,285	113,285	113,285	113,285	113,285	110,000	110,000	110,000	110,000	110,000
Last Month Avg Daily Volume	234,351	21,842	70,171	103,250	40,193	80,217	70,000	2,964	22,250	50,000	131,925	98,296	91,008
Month Avg Daily Trade (\$)	\$79,265	\$3,608	\$14,640	\$39,458	\$11,108	\$22,137	\$20,750	\$744	\$6,312	\$16,650	\$28,179	\$36,202	\$33,331
Price	\$0.364	\$0.155	\$0.228	\$0.369	\$0.223	\$0.320	\$0.267	\$0.228	\$0.300	\$0.330	\$0.215	\$0.375	\$0.360

The earlier calculation from EPS and Price can also be made from here

Note different sources have different definitions of earnings

Seymour Whyte

PER SHARE STATISTICS				
	06/10	06/11	06/12	06/13
Sales(\$)	2.40	2.50	3.54	3.41
Cash flow(cents)	6.4	12.4	16.2	29.6
Earnings(cents)	15.4	15.8	11.9	11.5
Dividends(cents)	4.0	8.0	6.0	8.0
Franking(%)	100	100	100	100
Capital Spending(cents)	-1.2	-1.3	-4.6	-5.0
Book Value(\$)	0.37	0.48	0.51	0.59

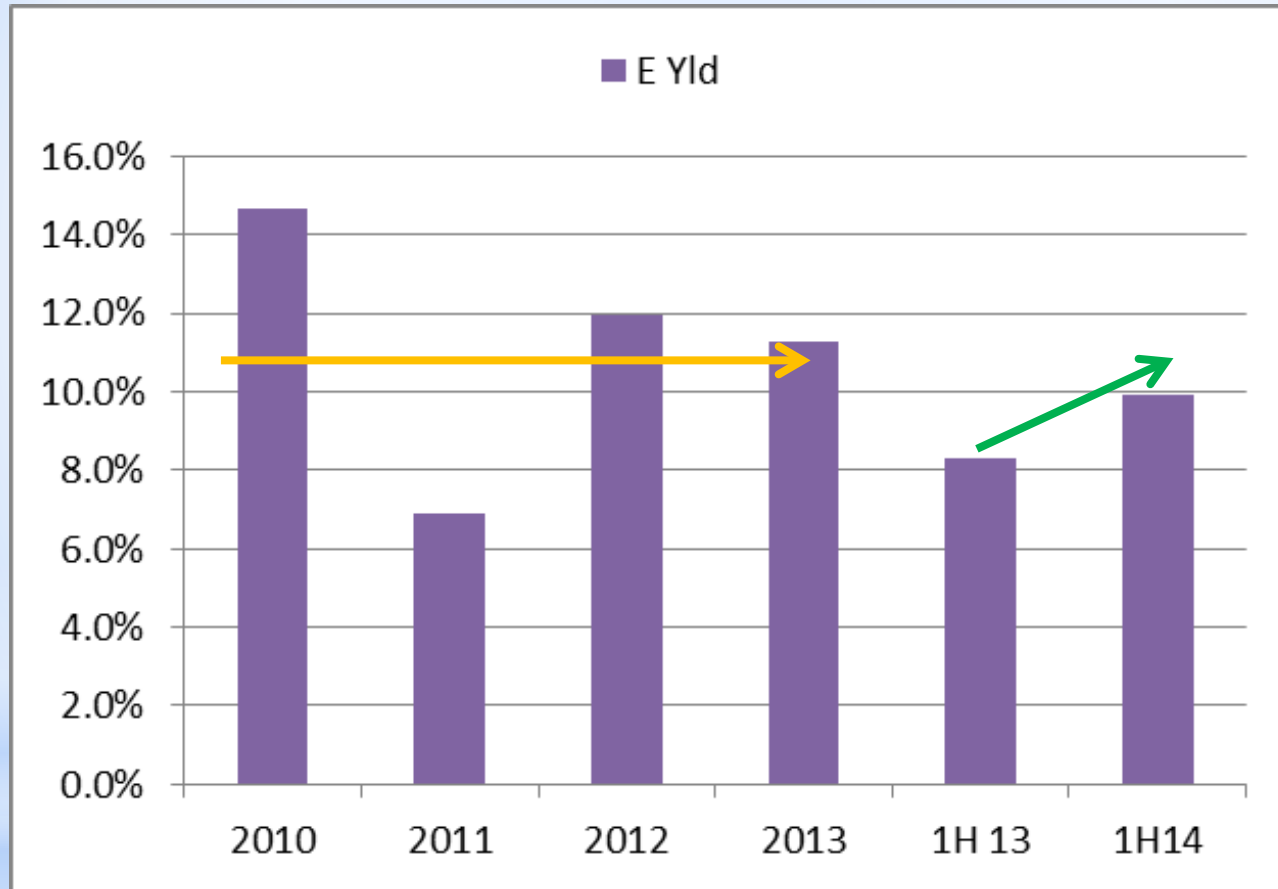
	Dec 2013	Dec 2012
	Cents	Cents
Basic earnings per share		
Earnings from continuing operations	6.28	4.38
Earnings from discontinued operations	-	0.05
Total	6.28	4.43
Diluted earnings per share		
Earnings from continuing operations	6.09	4.38
Earnings from discontinued operations	-	0.05
Total	6.09	4.43

Seymour Whyte

Year	EPS	Price	E Yld
2010	0.154	1.050	14.7%
2011	0.158	2.300	6.9%
2012	0.119	0.995	12.0%
2013	0.115	1.020	11.3%
1H 13	0.089	1.070	8.3%
1H14	0.122	1.225	9.9%

Note both EPS and Price are in dollars

Seymour Whyte



Statement of Cash Flows

This is a statement of cash movements (flows) over time

Compare NPAT to Operating Cash Flow - Capital Expenditure

	Notes	Half-year ended 2013 \$	2012 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		162,021,235	147,074,473
Payments to suppliers and employees (inclusive of goods and services tax)		(146,004,567)	(126,235,975)
Receipts from land sales - Bellamack		10,551,249	27,739,834
Payments for development of Bellamack		(9,617,143)	(23,657,461)
Other revenue		229,100	249,233
Interest received		125,639	39,509
Finance costs		(1,500,674)	(1,717,260)
Income taxes received/(paid)		(4,048,164)	-
Net cash inflow from operating activities		11,756,675	23,492,353
Cash flows from investing activities			
Payments for property, plant and equipment	11	(439,635)	(2,178,716)
Proceeds from sale of property, plant and equipment		673,286	637,242
Net cash inflow (outflow) from investing activities		233,651	(1,541,474)
Cash flows from financing activities			
Repayment of borrowings		(5,412,827)	(4,862,063)
Dividends paid to company's shareholders	17	(1,925,000)	(1,925,000)
Net cash (outflow) from financing activities		(7,337,827)	(6,787,063)
Net increase in cash and cash equivalents		4,652,499	15,163,816
Cash and cash equivalents at the beginning of the financial year		13,486,334	1,577,268
Cash and cash equivalents at end of period	6	18,138,833	16,741,084

Note: Non-cash financing and investing activities

During the half-year \$396,565 (2012; \$17,381,845) of Plant and Equipment were acquired by means of hire purchase contracts.

Brierty

		Half-year ended	
	Notes	2013 \$	2012 \$
Revenue from services and land sales	3	148,727,172	148,892,098
Cost of providing services and land sales		<u>(134,615,706)</u>	<u>(130,496,054)</u>
Gross margin on services and land sales		<u>14,111,466</u>	<u>18,396,044</u>
Other income	4	250,518	323,811
Finance Costs	5	(1,500,674)	(1,717,280)
Administration		<u>(6,536,915)</u>	<u>(9,283,922)</u>
Profit from continuing operations before income tax		<u>6,324,395</u>	<u>7,718,653</u>
Income tax expense		<u>(1,945,356)</u>	<u>(2,316,422)</u>
Profit from continuing operations after income tax		<u>4,379,039</u>	<u>5,402,231</u>

	Brierty		
	1H 2013	1H 2014	
Operating Cash Flow	23,492	11,757	
Less Capital Expenditure	2,179	440	
Op Cash Flow - Capex	21,313	11,317	-47%
NPAT	5,402	4,379	-19%

Brierty Limited
Consolidated Statement of cash flows
For the half-year ended 31 December 2013

Compare NPAT to Operating Cash Flow - Capital Expenditure

	Notes	Half-year ended	
		2013	2012
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		162,021,235	147,074,473
Payments to suppliers and employees (inclusive of goods and services tax)		(146,004,567)	(126,235,975)
Receipts from land sales - Bellamack		10,551,249	27,739,834
Payments for development of Bellamack		(9,617,143)	(23,657,461)
Other revenue		229,100	249,233
Interest received		125,639	39,509
Finance costs		(1,500,674)	(1,717,260)
Income taxes received/(paid)		(4,048,164)	-
Net cash inflow from operating activities		11,756,675	23,492,353

Seymour Whyte Limited
Statement of Cash Flows
For the half year ended 31 December 2013

	Note	Dec 2013 \$	Consolidated Dec 2012 \$
Cash flows from operating activities			
Receipts from customers		166,130,024	158,580,170
Payments to suppliers and employees		(153,948,451)	(150,163,814)
Net receipts from operations		12,181,573	8,416,356
Interest received		435,874	300,285
Interest and other finance costs paid		(71,444)	(69,799)
Income taxes paid		(1,415,034)	(114,862)
Net cash from operating activities	13	11,130,969	8,531,980
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		44,550	58,344
Capital distribution from investments in associates		500,000	-
Payments for property, plant and equipment		(1,151,407)	(1,610,692)
Net cash used in investing activities		(606,857)	(1,552,348)
Cash flows from financing activities			
Proceeds from borrowings		218,817	251,081
Repayment of borrowings		(352,142)	(393,409)
Proceeds from employee repayment of partly paid share loans		117,467	25,800
Dividends paid	7	(4,643,313)	(1,556,582)
Net cash used in financing activities		(4,659,171)	(1,673,110)
Net increase in cash and cash equivalents		5,864,941	5,306,522
Cash and cash equivalents at the beginning of the half year		47,712,292	31,126,270
Cash and cash equivalents at the end of the half year		53,577,233	36,432,792

Seymour Whyte

	Note	Dec 2013 \$	Consolidated Dec 2012 \$
Revenue and other income			
Revenue	2	150,665,523	130,689,911
Other income		13,033	637
Expenses			
Raw materials and consumables used		(123,026,074)	(106,835,560)
Employee benefits expense	3	(18,056,628)	(17,154,219)
Depreciation and amortisation expense	3	(944,157)	(616,467)
Finance costs		(71,444)	(69,799)
Rental expense		(469,491)	(477,851)
Share of profits of associates accounted for using the equity method		12,895	220,597
Other expenses		(948,542)	(1,163,295)
Profit before income tax		7,175,115	4,593,954
Income tax expense		(2,273,493)	(1,181,566)
Profit from continuing operations		4,901,622	3,412,388
Profit from discontinued operations		-	36,082
Profit for the half year		4,901,622	3,448,470

	Seymour Whyte		
	1H 2013	1H 2014	
Operating Cash Flow	8,532	11,131	
Less Capital Expenditure	1,553	1,106	
Op Cash Flow - Capex	6,979	10,025	44%
NPAT	3,448	4,901	42%

Session Five

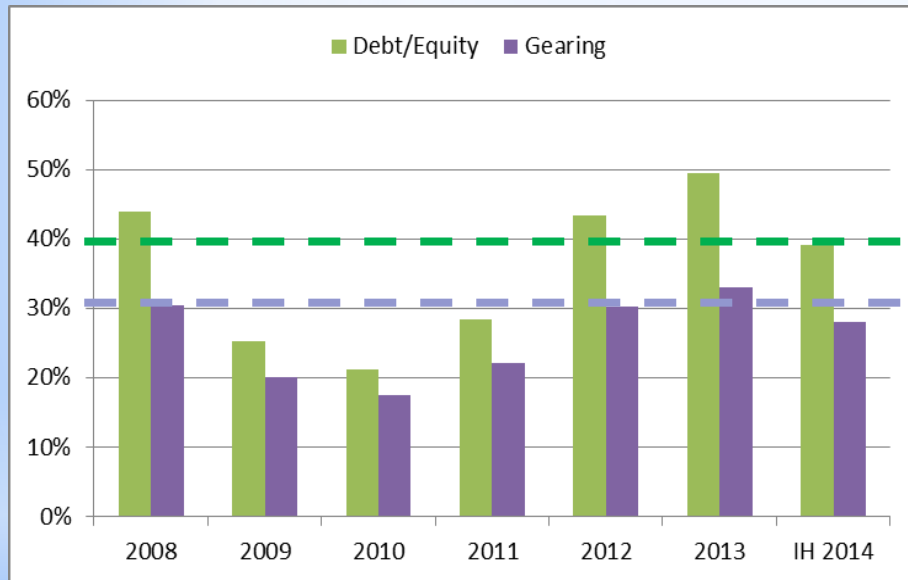
Addressing the Three Key Questions

Question One

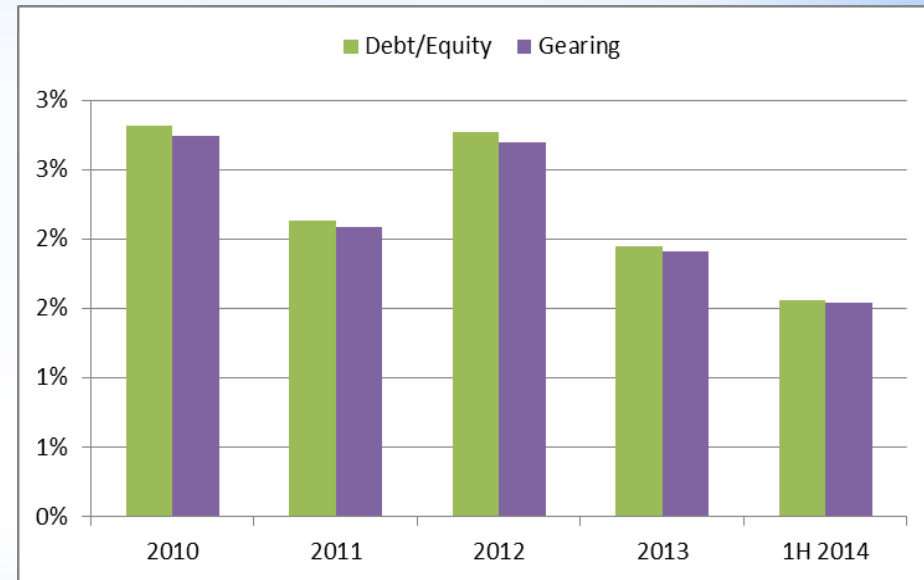
Will the company stay in business?

Q1(a) Is the Company conservatively financed?

Brierty



Seymour Whyte



Dashed lines = my rule of thumb, but this business is cyclical -prefer very low debt

Effectively no debt

Q1(a) Is the Company conservatively financed?

Brierty

	June '13	Dec'13
Current Assets	88.619	82.113
Current Liabilities	70.886	61.641
Current Ratio (CA/CL)	1.25	1.33

Seymour Whyte

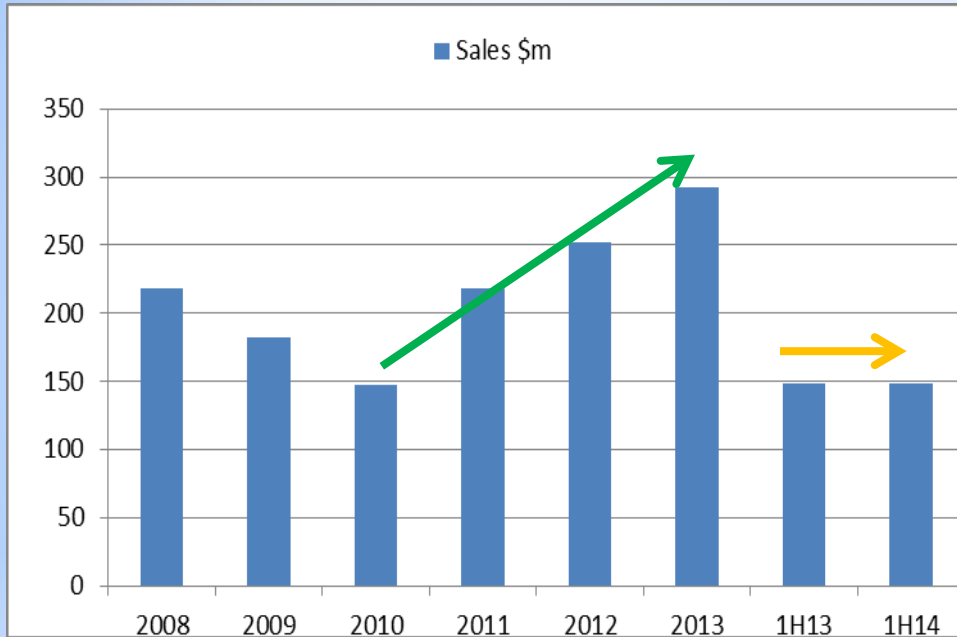
	June '13	Dec'13
Current Assets	84.381	78.195
Current Liabilities	47.015	37.449
Current Ratio (CA/CL)	1.79	2.09

	June '13	Dec'13
Current Assets	88.619	82.113
less Inventory	16.505	15.180
CA - Inventory	72.114	66.933
Current Liabilities	70.886	61.641
Quick Ratio	1.02	1.09

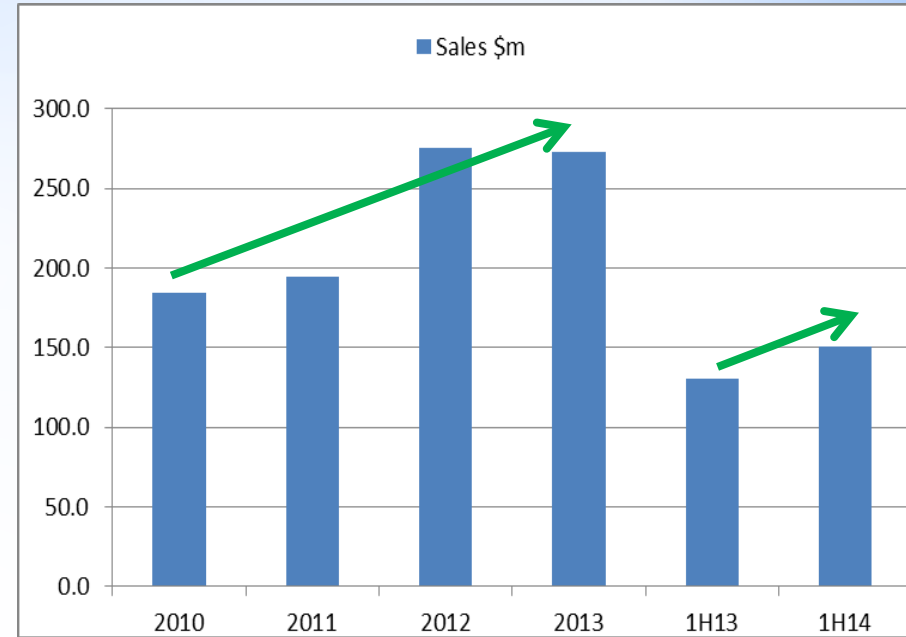
No inventory

Q1(b) Is it industry expanding or contracting?

Brierty



Seymour Whyte



Talk of increased infrastructure spending - great need

But state governments have budget restraints

Housing construction picking up - land development and infrastructure

Resources development contracting significantly

Q1(c) How intense is competition and barriers to entry?

Very competitive industry

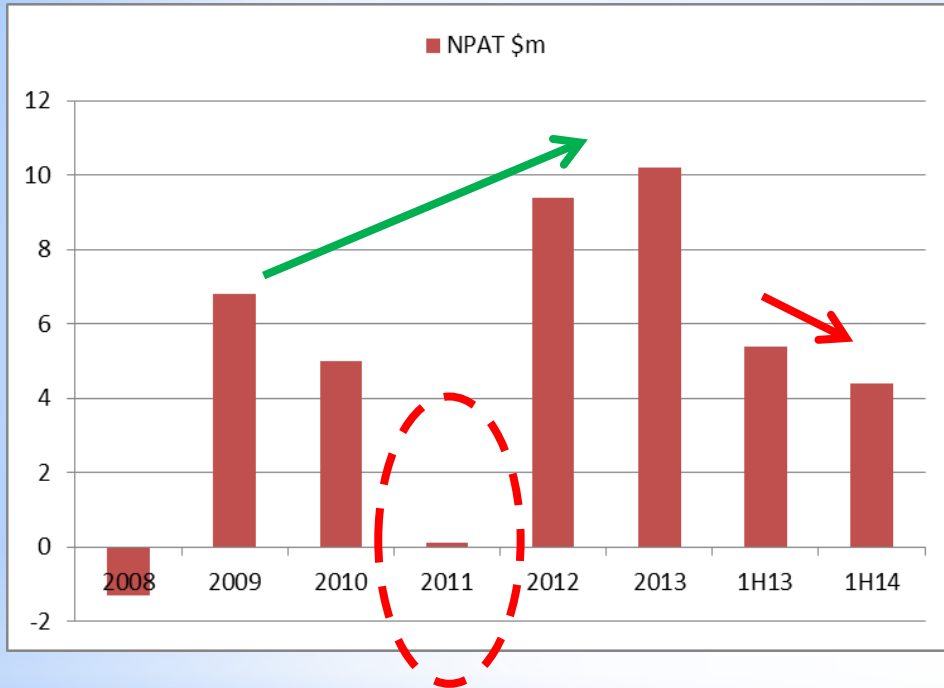
Large and many small competitors

Resources development contractors likely to look to infrastructure

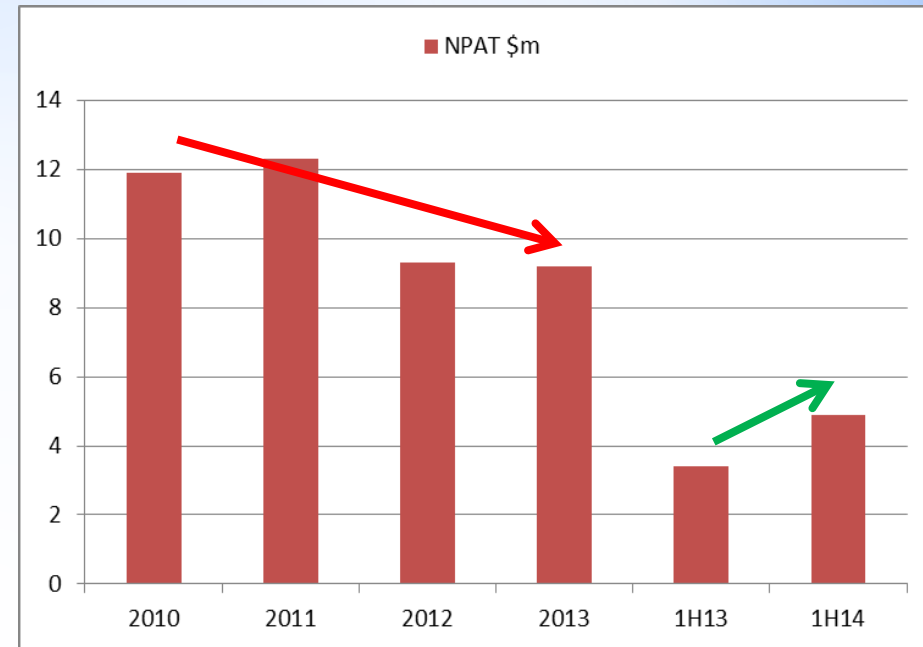
Relatively low barriers to entry

Q1(d) Is the company well managed?

Brierty



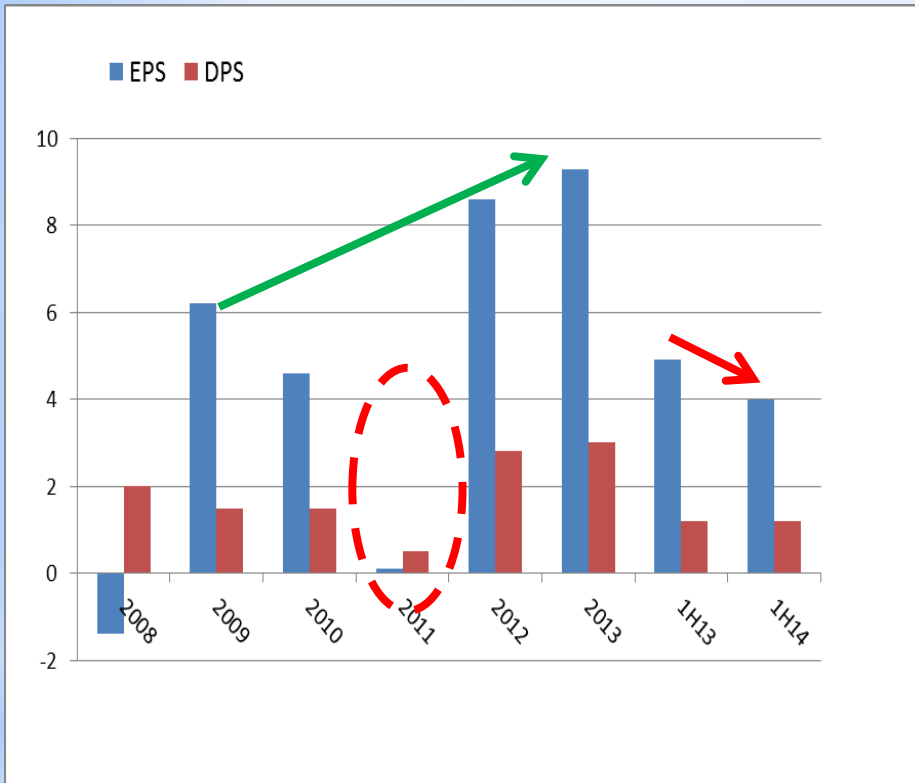
Seymour Whyte



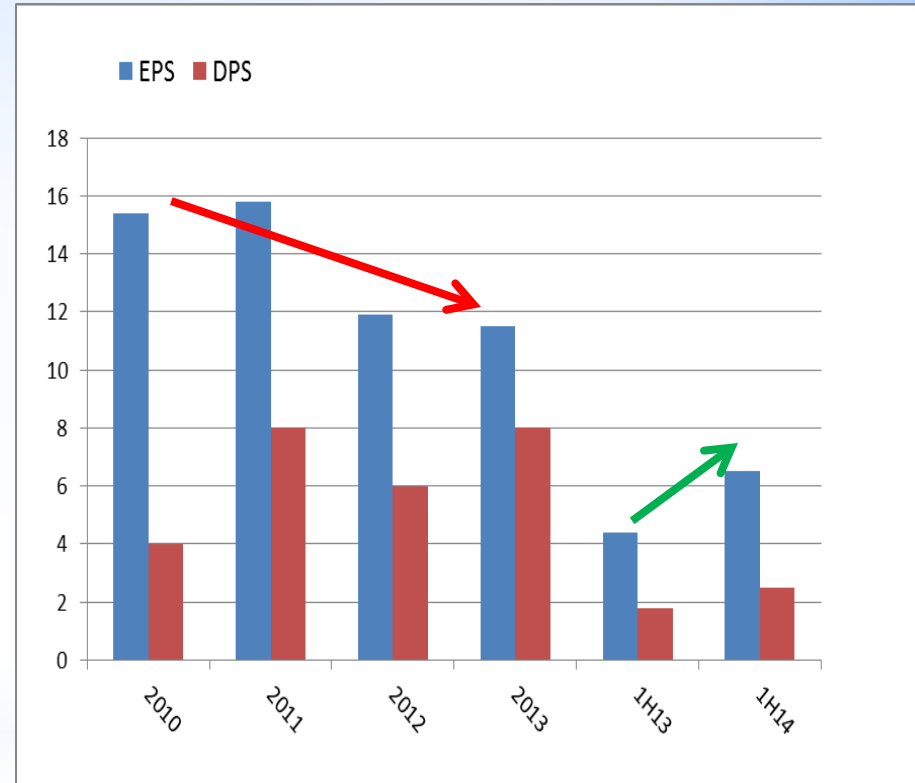
Neither looks outstanding
Note only a few years and cyclical business

Q1(d) Is the company well managed?

Brierty



Seymour Whyte



Neither looks outstanding
Note only a few years and cyclical business

Q1(e) Is it in a cyclical industry?

Yes, all areas of operations are cyclical

Also, beholden by government spending policy changes

Q1(f) Is reliant on many or only a few customers?

Yes moderately to heavily, depending on sector of operation

Brierty may operate in more sectors than Seymour White

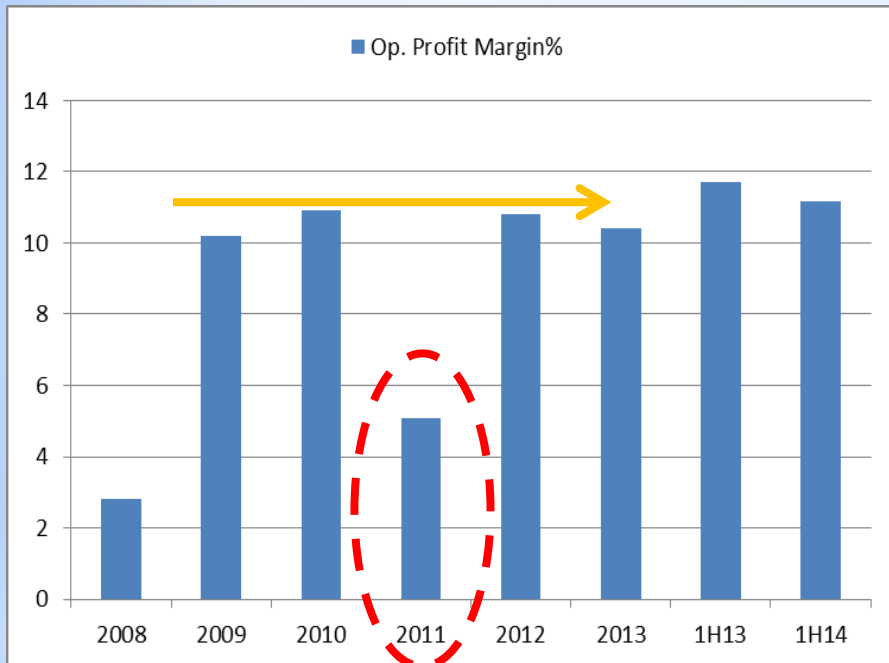
Seymour White diversifying into tunnelling - somewhat wider geography

Q1(g) Is the business a price maker or a price taker?

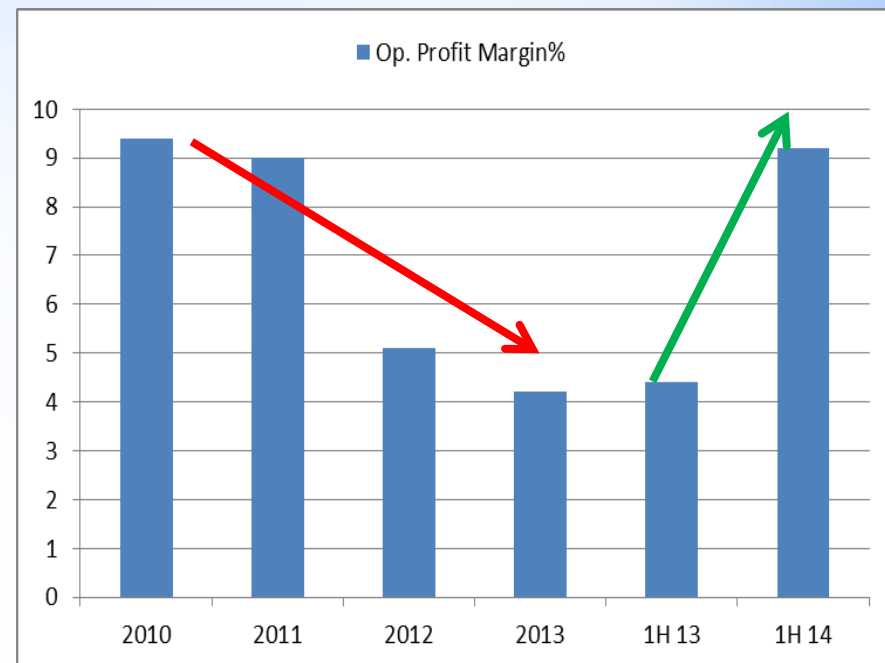
My impression is that both a very much price takers because of competitive nature of tendering processes

Q1(h) Is its profit margin rising, steady or falling?

Brierty



Seymour Whyte



Q1(i) What is its history of acquisitions or expansions?

Brierty - no information

Q1(i) What is its history of acquisitions or expansions?

Seymour Whyte - Just made first acquisition

ROB CARR PTY LTD

ABOUT

- Established in 1989
- Privately Owned
- Offices in Queensland, New South Wales and Western Australia
- Projects and opportunities in Queensland, New South Wales, Western Australia and Victoria

LEADERS IN:

- Micro-tunnelling
- Pump stations
- Deep excavation and caisson construction
- Pipeline construction



SECTORS AND CUSTOMERS

WATER & WASTEWATER

- Mt Isa Sewerage Augmentation Stage 1
- Auchenflower Branch Sewer Upgrade
- Liverpool to Ashfield Pipeline
- Northern Pipeline Interconnector Stage 2
- Dawesville Infill Sewerage
- Hyden Infill Sewerage
- Airport Link Toombul Sewer Diversion
- Sparkes Hill Reservoir Rehabilitation No. 2

CUSTOMERS:

- Qld Urban Utilities
- Mt Isa City Council
- Leighton Contractors
- Northern Network Alliance
- WA Water Corp

RESOURCES

- Marandoo Water Pipeline Stage II
- Finucane Island Under Live Rail Tunnelling Works Project

CUSTOMERS:

- Georgiou Group (for BHP Billiton)
- Ertec Pty Ltd (for Rio Tinto)



Question Two

Will the business generate a good return on shareholders funds?

Two key requirements

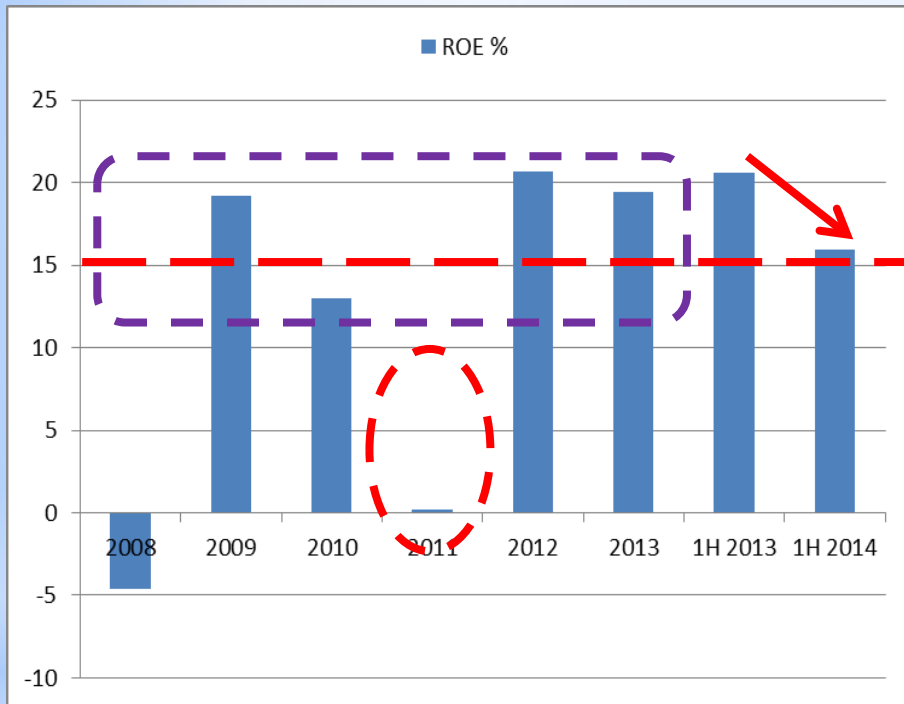
A return on equity above your cost of capital

$$\textit{Return on Equity} \text{ (ROE)} = \text{NPAT/Equity}\%$$

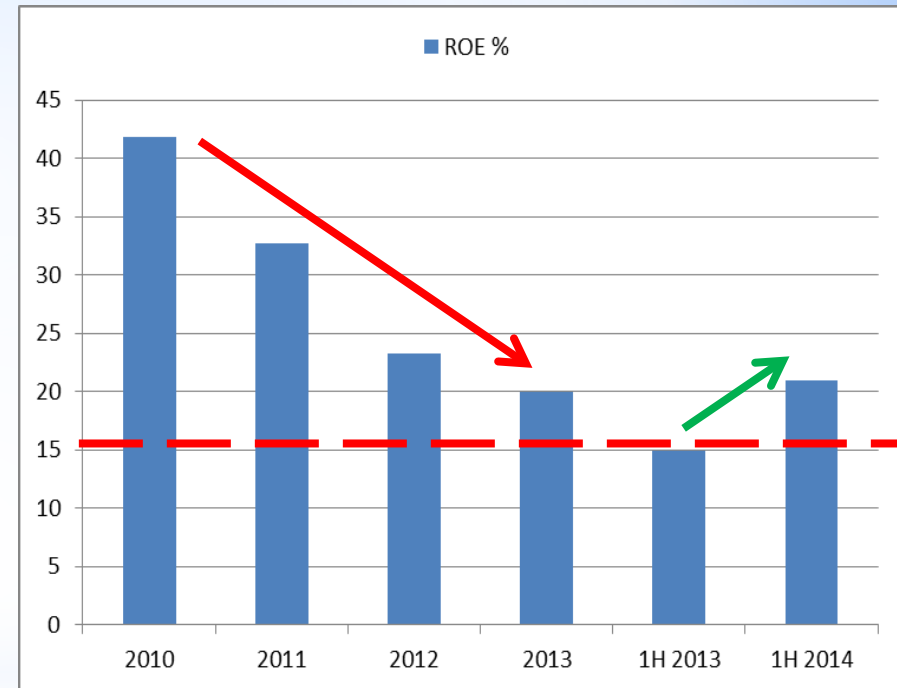
Your *cost of capital* is the return you require as a reward for assuming investment risk

Return on equity rising (or stable at a high level)

Brierty



Seymour Whyte



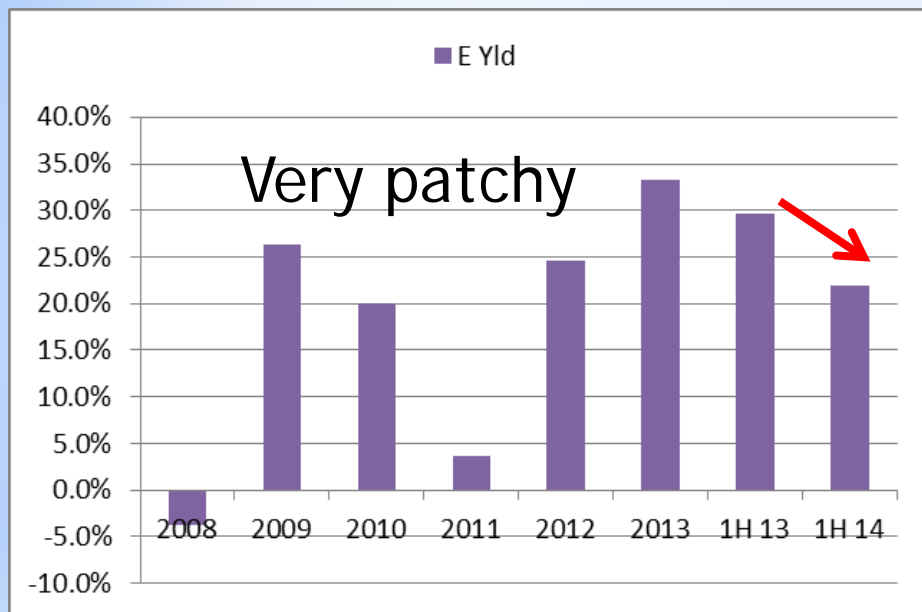
----- My hurdle rate

Question Three

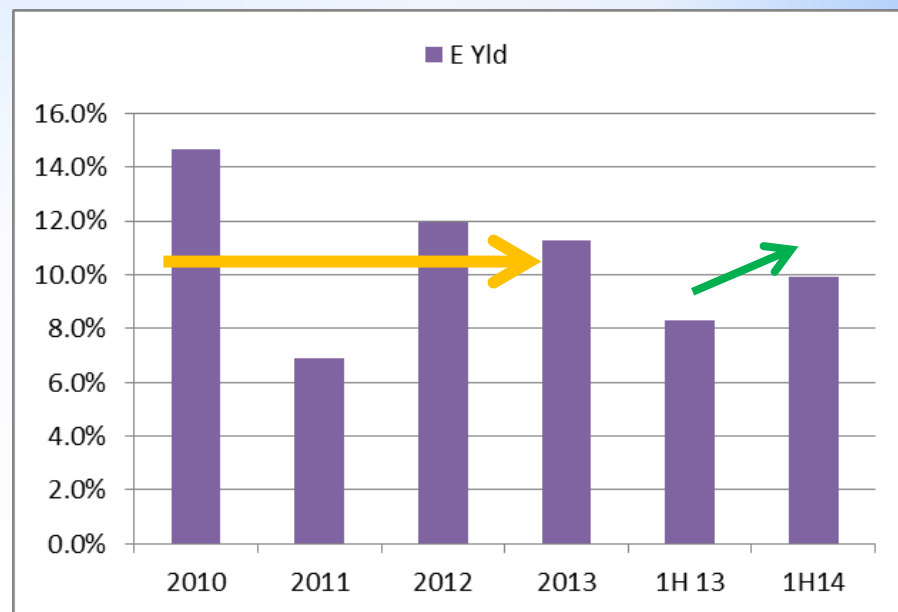
Can we buy shares in the company at a reasonable price?

Start with the earnings yield trend

Brierty



Seymour Whyte



Brierty

Model: Value Phase: Accumulation	Price Earnings Ratio	Earnings/Bond Yield
Brierty	4.31	23.20%
Current Price: \$0.36		
All Ordinaries Average	15.81	6.33%
10-year Govt. Bond		4.18%
10-year Govt. Bond X 1.5	15.95	6.27%
10-year NF Corp. Bond	17.99	5.56%
All Ords. Av. Dividend Yield	4.29%	
Assume franked	90%	
Grossed up Dividend Yield	5.94%	
Dividend Yield	8.33%	
Franking	100%	
Grossed up Dividend Yield	11.90%	

Seymour Whyte

Model: Value Phase: Uptrend	Price Earnings Ratio	Earnings/Bond Yield
Seymour Whyte	12.10	8.26%
Current Price: \$1.62		
All Ordinaries Average	15.81	6.33%
10-year Govt. Bond		4.18%
10-year Govt. Bond X 1.5	15.95	6.27%
10-year NF Corp. Bond	17.99	5.56%
All Ords. Av. Dividend Yield	4.29%	
Assume franked	90%	
Grossed up Dividend Yield	5.94%	
Dividend Yield	5.40%	
Franking	100%	
Grossed up Dividend Yield	7.71%	

Benjamin Graham rule of thumb 15 PER (Earnings Yield 7.3%)

Brierty

Model: Value			
Phase: Accumulation	\$ mil	PER	Yield
Brierty		4.31	23.20%
Current Price: \$0.36			
EBIT	7.825		
EBITDA	14.899		
EBLITDA	16.625		
Market Cap	39.600		
EBIT Yield			19.76%
EBITDA Yield			37.62%
EBLITDA Yield			41.98%
My cost of capital			12.50%

Seymour Whyte

Model: Value			
Phase: Uptrend	\$ mil	PER	Yield
Seymour Whyte		12.10	8.26%
Current Price: \$1.62			
EBIT	7.073		
EBITDA	8.007		
EBLITDA	13.879		
Market Cap	126.354		
EBIT Yield			5.60%
EBITDA Yield			6.34%
EBLITDA Yield			10.98%
My cost of capital			12.50%

Benjamin Graham

Can we make a reasonable estimate of the RANGE of likely earnings for the next five years?

If NO - don't buy

If YES - buy if the price is reasonable for the BOTTOM of the RANGE

This requires

- Very good understanding of the business
- Financial modelling skills

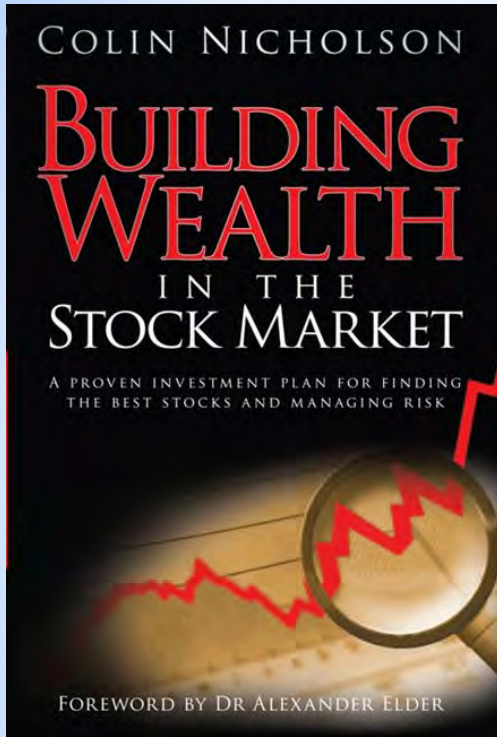
probably beyond ability of most private investors

Session Six

Questions

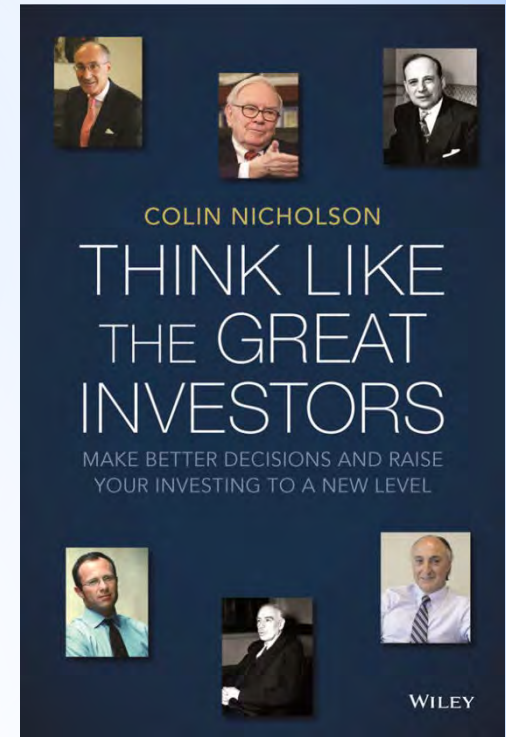
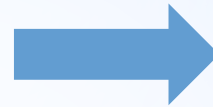
The slides used for the Masterclass
may be requested by emailing me

colin@bwts.com.au



My complete investment plan

How to make better investment decisions



Normally \$65 (incl. Postage)

Tonight \$55 cash

**Buy
both
\$90**

Normally \$50 (incl. Postage)

Tonight \$40 cash

If you need a tax invoice, email colin@bwts.com.au