PG p.l.c.

Executive Summary:

"We have reviewed our model and maintain our Buy recommendation on PG plc ("PG" or the "Group"). After updating our expectations, we increased our 12-month price target from €1.52 to €1.90.

The rebound in the share price since IPO, is attributable to the fact that the performance of the Group over recent years exceeded market expectations.

The current P/E level (21.1x) at which the Group is trading at, is considered to be relatively attractive in comparison to other international industry peers. In arriving at our price target, we utilised a P/E ratio of 23x, in which we deem to be in line with the foreign industry average, (P/E Sainsbury plc: 22.9x and P/E Walmart Inc: 23.91x) therefore we expect the share price to reflect such reality moving forward. This, coupled with the fact that PG is considered as a defensive stock, solidifies our Buy recommendation given the strong demand we are seeing for this sector.

Over recent years the Group went from strength to strength in terms of profitability, whereby PG's net income over the last three financial periods increased by a significant 21.4%, in line with Pavi and Pama operating at full capacity. However, we are of the opinion that both of the Group's supermarkets are collectively approaching maturity stage, and as a result, we do not see any catalysts for abnormal growth in revenue in the near future.

In terms of the Group's franchise operations we are anticipating further growth given that the Zara® outlet in Sliema will now operate in a much larger store. Despite the five month closure period, year-on-year sales were comparable to the previous financial year (-8.3%).

Given the strong cash position and capital structure of the Group, we see the current level of dividend pay-out ratio as sustainable. The share currently offer a relatively attractive net dividend yield of 2.5%."

Company Overview:

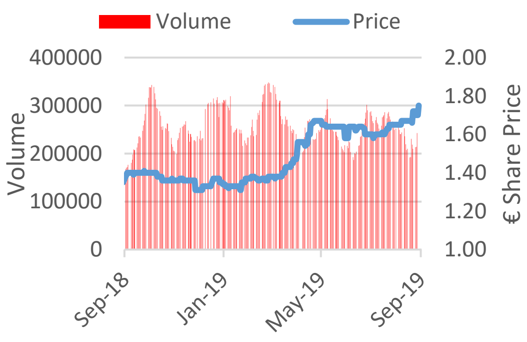
PG plc is engaged in the retailing of food, household goods and other ancillary products through the Pavi Shopping Complex and Pama Shopping Village, and the selling of Zara® clothing and Zara Home® household goods as a franchisee of the Inditex Group. The Group also leases a number of retail outlets within Pavi Shopping Complex and Pama Shopping Village to third parties.

The Pavi operation consists of the operation of the Pavi Shopping Complex in Qormi. The complex includes a large supermarket together with various catering and retail outlets, supported by car parking facilities. Likewise, the Pama operations consists of the operation of the Pama Shopping Village in Mosta. This shopping village includes a large supermarket, a retail mall and various catering and retail outlets.

Stock Rating	**Buy**
Price target (1Yr)	**€1.90**
Country	Malta
Industry	Retail
Ticker Symbol	PG
Price (as at 13/09/2019)	€1.75
Price Target (1 Year)	€1.90
Upside / downside to PT	+8.6%
Market Cap	€189.0 million
Shares Outstanding	108 million
Free Float	25%
Net Dividend Yield	2.4%
Current P/E*	21.1x
Forward P/E	20.2x

* Based on the results for April 19

1-Year Range:	Exchange: Malta Stock Exchange ("MSE")
Price Movement and Volume Movement (20 day moving average)	Lowest Price: €1.31 Highest Price: €1.75



Source: Bloomberg

Market Research

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Car parking facilities operated at both Pavi Shopping Complex and at no additional cost. The free of charge car parking offering constitutes an integral part of the Group's business model. The Franchise Operations division consists of the operation of the Zara® outlet in Sliema and two Zara Home® outlets in Sliema and Mosta.

Company Update:

- *Dividends*

During FY 2019, the Board declared the payment of an interim net dividend of €1,700,000 or €0.015 per share together with a final net dividend of €2,800,000 or €0.0259 per share. These collectively amount to a total net dividend of €4,500,000 or €0.042 per share. (2018: €4,200,000 or €0.039 per share).

- *Zara® Sliema outlet refurbishment*

The Group's Zara® and Zara® Home outlet in Sliema was refurbished and significantly expanded during the year under review. As a result, operations at this outlet ceased between July and November 2018 and the income and cash flow statements for FY 2019 do not reflect a full year's operations of this facility.

- *Pavi refurbishment*

During FY 2019, the Group concluded the refurbishment of several outlets (Chinese shop and bakery) within the Pavi Shopping Complex.

- *Pama Extension*

Management confirmed that the MEPA application on adjacent side to the Pama Shopping Village is on hold, albeit this project is still too uncertain given that the land in question is designated as an ODZ area (12,543sqm).

The proposed Pama extension includes the development of three underground storeys. The ground level is embarked to be converted into an agricultural and recreational area available to the public. Planned development for lower levels include retail shops at level -1, additional 500 car parking spaces at level -2, whereby level -3 is intended to be used as storage space for the Group.

- *Ex-pasta factory acquisition*

During FY 2018, the Group acquired an ex-pasta factory in Qormi for €3.5 million. As at August 2019, management confirmed that currently there is no immediate development plans beyond preparatory processes such as excavation works.

Upcoming projects:

As part of PG's focus on improving its overall operational efficiency, the following developments have been identified to be implemented by the Group going forward:

- Replacing existing IT infrastructure and replace it with a modern, robust, multi-store IT system. Management confirmed that supplier selection and contracts are to be concluded in early 2020, whereby implementation is intended to commence in FY 2021
- Further refurbishment together with the addition of another car parking level at Pavi Shopping Complex

The degree of capital expenditure required to fund these developments has not been disclosed by the Group.

SWOT Analysis

Strengths

- ✓ Malta's positive economic trend together with the sustained growth of the tourism industry all have contributed positively to the performance of the retail segment
- ✓ The Group has relatively low gearing, giving ample margin to increase debt for growth purposes, thus not impacting dividend payments
- ✓ The Group has ownership of the Pavi and Alhambra properties it operates in, both being considered as prime locations
- ✓ Strong year-on-year performances achieved both at Pama and Pavi
- ✓ The Group's franchise operation is supported by one of the largest textile companies in the world – Inditex SA
- ✓ The refurbishment at the Zara outlet in Sliema, proved to be successful. Post refurbishment, sales were 39% higher than in the corresponding period before the project was undertaken, exceeding managements' target of 30%
- ✓ Cash healthy business
- ✓ Both net profit and dividends paid to shareholders have constantly increased during the last three years
- ✓ The initiation of operations of Sunday trading at Pama and Pavi, together with the commencement of online shopping, have all contributed towards an increase in revenue and profitability

Weaknesses

- ✗ High dependency on the Maltese economy
- ✗ The retail industry is highly competitive, thus increasing pressure on margins
- ✗ PG's franchise operation is considered to be a cyclical industry which can be materially impacted in a down cycle and by consumer trends
- ✗ The lease at Pama is for 30 years (27 years remaining), meaning that the Group will need to either cease operations or negotiate a new contract going forward
- ✗ From a clients' perspective, switching costs to other products are low

Opportunities

- o The positive economic performance of the Maltese market is expected to continue to positively impact the Group's profitability and growth potential
- o The Group is backed by world renowned brand values both in the brands they manage (Zara®) and the shop-in-shop concepts, including Burger King, KFC, The Body Shop and Pizza Hut; as well as locally known companies such as GO, Atlas, Agenda, Sterling, Gasan Mamo and more
- o The Group's management expect the replacement of their existing IT infrastructure to boost efficiency
- o The proposed development of the Pama extension together with the development of the old pasta factory might increase the profitability potential of the Group

Threats

- ! Aggressive competition experienced in the retail market
- ! Changes in consumer trends
- ! A potential downturn in the Maltese economy, especially the tourism industry might hinder the Group's revenues and underlying profits

Investment Stance

We have reviewed our model and maintain our Buy recommendation on PG plc. After updating our expectations, we increased our 12-month price target from €1.52 to €1.90.

The rebound in the share price since IPO, is attributable to the fact that the performance of the Group exceeded market expectations.

The current P/E level (21.1x) at which the Group is trading at, is considered to be relatively attractive in comparison to other foreign industry peers. In arriving at our price target, we utilised a P/E ratio of 23x, in which we deem to be in line with the foreign industry average, (P/E Sainsbury plc: 22.9x and P/E Walmart Inc: 23.91x) therefore we expect the share price to reflect such reality moving forward. This, coupled with the fact that PG is considered as a defensive stock, solidifies our Buy recommendation given the strong demand we are seeing for this sector.

Nevertheless there is the potential for investment in additional supermarkets in other areas as well as potential expansion of existing premises (ex-pasta factory) which will contribute to higher revenue, all of which not being factored in within our valuation model.

Over recent years the Group went from strength to strength in terms of profitability, whereby PG's net income over the last three financial periods increased by a significant 21.4%, in line with Pavi and Pama operating at full capacity. However, we are of the opinion that both of the Group's supermarkets are collectively approaching maturity stage, and as a result we do not see any catalysts for abnormal growth in revenue in the near future.

The refurbishment at the Zara® outlet in Sliema implemented during FY 2019, proved to be successful. Post refurbishment, sales were 39% higher than in the corresponding period before the project was undertaken, exceeding managements' previous target of 30%. We are anticipating further growth in terms of the Group's franchise operations going forward, given that the Zara® outlet will now operate in a much larger store.

Given the line of business in which PG operates in, the Group is considered as being cash healthy. During the year under review, PG carried out capital expenditure on the Zara® outlet in Sliema, whereby management confirmed that over the next two financial periods, the Group expect to generate enough cash to fully settle such loans in full.

During FY 2019, PG declared a final net dividend of €0.042 per share, translating to a net dividend yield of 2.5% and a dividend pay-out ratio of 50.4%, in line with PG's 50% dividend policy at IPO. Going forward, we anticipate that given the strong cash position of PG we see the current attractive net dividend yield of 2.5% to be maintained going forward.

Upon taking the above factors into consideration we anticipate that the Group can continue building up on its growth trajectory, albeit at a slower rate given that both supermarkets are approaching saturation point. Based on this, combined with the maintained attractive dividend yield of 2.5%, we rate these shares a Buy.

Valuation

Our 1-year price target is €1.90. The price target is calculated using a Price Earnings Model with a P/E ratio of 23.0x and cost of equity of 7.3%. Based on our 2020 earnings, the forward P/E ratio is of 20.2x.

For the years ending 30th April	FY 2017	FY 2018	FY2019F	FY2020P	FY2021P	FY2022P
	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	91,686	101,238	107,977	118,931	122,481	125,152
Cost of Sales	(76,259)	(84,885)	(90,166)	(99,317)	(102,283)	(104,512)
Gross Profit	**15,427**	**16,353**	**17,811**	**19,613**	**20,199**	**20,639**
Selling and marketing costs	(1,189)	(1,051)	(1,028)	(1,303)	(1,342)	(1,371)
Administrative Expenses	(2,347)	(3,179)	(3,439)	(2,379)	(2,450)	(2,503)
Other Income	764	771	886	886	886	886
EBITDA	**12,655**	**12,894**	**14,230**	**16,818**	**17,293**	**17,651**
Depreciation of right of use asset	-	-	-	(622)	(622)	(622)
Depreciation & Amortisation	(1,270)	(1,202)	(1,625)	(1,788)	(1,854)	(1,923)
EBIT	**11,385**	**11,692**	**12,605**	**14,408**	**14,817**	**15,106**
Investment Income	-	-	-	-	-	-
Finance Income	81	-	-	-	-	-
Finance Costs on right of use asset	-	-	-	(1,045)	(1,029)	(1,012)
Finance Costs	(638)	(589)	(632)	(562)	(481)	(399)
Share of results of associates	(21)	(26)	10	(300)	(287)	(273)
Profit Before Tax	**10,807**	**11,077**	**11,983**	**12,500**	**13,020**	**13,421**
Income tax expense	(3,447)	(3,417)	(3,046)	(3,125)	(3,255)	(3,355)
Profit Available to Ordinary Equity holders	**7,360**	**7,660**	**8,937**	**9,375**	**9,765**	**10,066**
Earnings Per Share	*0.068*	*0.071*	*0.083*	*0.087*	*0.090*	*0.093*

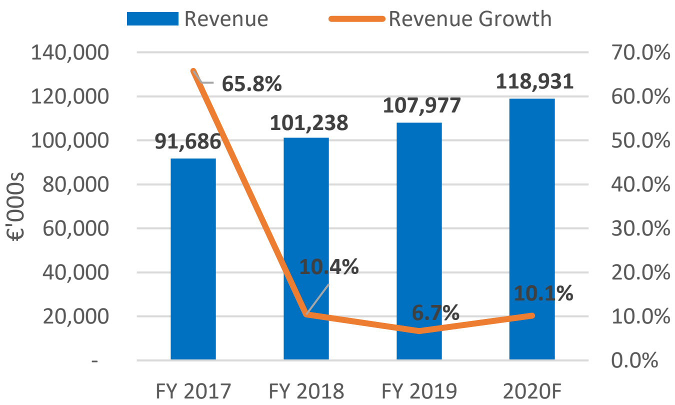
Source: Audited Financial Statements and CC estimates

Investment Thesis Variables

- **Revenue**

Supermarkets and associated retail operations

The 'supermarket and associated retail operations' segment is the largest contributor towards the Group's revenue (2019: 86%), consisting of activities conducted at the Pavi Shopping Complex in Qormi and at the Pama Shopping Village in Mosta. Also included under this segment is rental income derived from the associated retail outlets which are rented to third parties within both Pavi and Pama shopping complexes.



Source: Audited Financial Statements

Overall, revenue derived under this segment in 2019 increased by 9.6% from €84.8 million in 2018 to €92.9 million in 2019. Management confirmed that turnover growth specifically related to the supermarket operations (excluding rentals) amounted to 8.3% during 2019.

The refurbishment implemented on several outlets (Chinese and Bakery) within the Pavi Shopping Complex, coupled with the initiation of Sunday trading and the commencement of on-line shopping, have all contributed towards double digit growth in revenue relating to Pavi. Management also confirmed that revenue growth concerning Pama has gradually started slowing down, thus highlighting that the Pama Shopping Village has reached a saturation point.

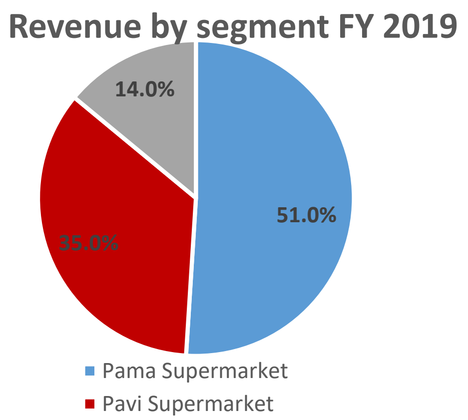
In line with our view that both supermarkets collectively have approached maturity stage, we anticipate revenue under this segment, including rental income derived from the associated retail outlets, to increase by 5% in 2020 to €97.5 million. Thereafter, we expect revenue under this division to increase by 3% in 2021 and by 2% in 2022.

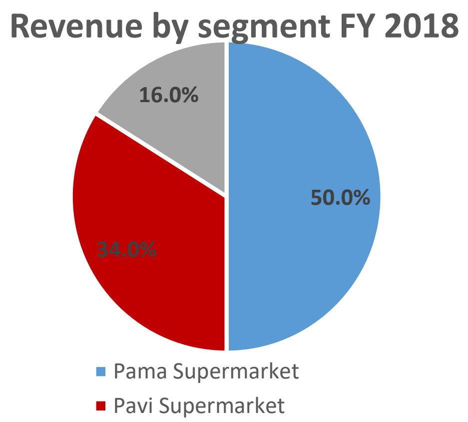
Franchise Operations

The Group’s other revenue stream relates to the operation of the Zara® outlet in Sliema and two Zara Home® outlets in Sliema and Mosta. During FY2019, revenue generated under this line of business decreased by 8.3% given that the Zara® outlet in Sliema ceased operations from July till November 2018 due to refurbishment works.

In line with the fact that the Zara® outlet in Sliema will now operate in a much larger store, and given that the closure of the Sliema outlet during FY2019 was a one-off disruption, we are projecting revenue generated under the franchise operations to increase by 30% in 2020 to €21.4 million.

The refurbishment at the Zara outlet in Sliema, proved to be successful. Post refurbishment, sales were 39% higher than in the corresponding period before the project was undertaken, exceeding managements’ previous targets.





Source: Audited Financial Statements

Revenue (€'000)	FY 2017	FY 2018	FY2019	FY2020P	FY2021P	FY2022P
Supermarket and associated retail operations	77,017	84,765	92,872	97,516	100,424	102,433
Franchise Operations	14,669	16,473	15,105	21,415	22,057	22,719
Total Revenue	**91,686**	**101,238**	**107,977**	**118,931**	**122,481**	**125,152**
% Growth - Supermarket and associated retail operations	80.5%	10.1%	9.6%	5.0%	3.0%	2.0%
% Growth - Franchise Operations	16.1%	12.3%	-8.3%	30.0%	3.0%	3.0%
Total Growth - %	**65.8%**	**10.4%**	**6.7%**	**10.1%**	**3.0%**	**2.2%**

Source: Audited Financial Statements and CC Estimates

- **Operating Expenses** – These mainly consist of cost of sales, selling and marketing costs and administrative expenses. Cost of goods sold during 2019 increased by 6% to €90.2 million, in line with the increase in revenue experienced in the year under review. We expect cost of goods sold to increase to increase from €99.3 million in 2020 and to €104.5 million in 2022, reflecting the increase in revenue which is anticipated to be generated by the Group going forward.

  PG's selling and marketing costs, averaged at circa €1 million throughout the last three financial periods. We expect the Group to incur higher levels of selling and marketing costs, in line with the projected increase in revenue.

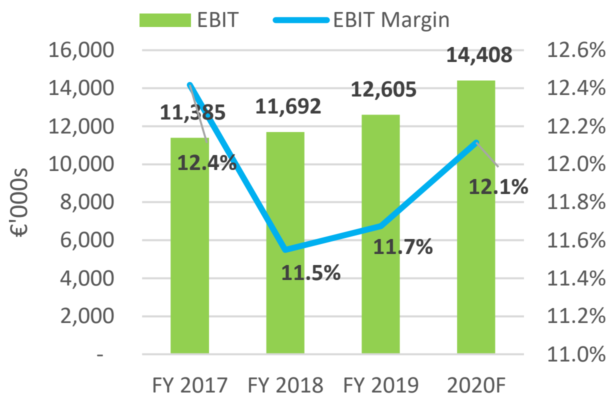
  The Group has a long term lease agreement on Pama Shopping Village property (27 years remaining until expiration of lease agreement), in which management confirmed that the yearly lease payment amounts to €1.3 million per annum. The adoption of IFRS 16 as from January 2019, will negatively impact the Group by circa. €0.7 million in FY2019. Under the new standard, the Group has to capitalise the present value of the combined lease payments amounting to €16.8 million and recognise a corresponding lease liability. This will positively impact PG's EBITDA in FY2019 by €1.3 million, reflecting the deduction of the operating lease payment from administrative expenses. Correspondingly, during FY2019 the Group will recognise the depreciation of the lease asset of €0.6 million in 2019 and an interest expense on the lease liability amounting to €1 million. Additionally, the standard is expected to also negatively impact the share of results from associates by approximately €0.3million, totalling to an overall reduction of around €0.7 million in terms of the Group's profitability.

  During 2019, administrative expenses increased by 8.2% to €3.4 million when compared to 2018, primarily due to additional costs incurred on the refurbishment works implemented at the Zara® outlet in Sliema. However, in view of the above, we expect administrative expenses to taper down to €2.4 million in 2020 and also expect a yearly increase in administrative expenses from 2021 onwards, in line with the projected increase in terms of the Group's revenue generation.

- **Depreciation on right of use asset –** Following the adoption of IFRS 16 as from January 2019, the Group is expected to recognise a depreciation charge concerning the lease asset amounting to €0.6 million during 2019. It is key to note that this is expected to remain constant until the expiration of the lease agreement (27 years). Further detail concerning this matter may be found in the operating expenses section above.

- **Depreciation and amortisation –** Annual depreciation charge is incurred on the Group's land and buildings, assets in the course of construction, on plant, machinery, motor vehicles and equipment and on furniture, fixtures and fittings. In line with the Group's planned capital expenditure relating to the continued refurbishment at Pavi, we expect annual depreciation to increase to €1.8 million in 2020 and to €1.9 million in 2021 and 2022 respectively.

- **EBIT** – EBIT in 2019 increased by 7.8% to €12.6 million, from €11.7 million in 2018. Although the Group incurred a higher level of administrative expenses in the year under review due to the refurbishment works implemented at the Zara® outlet in Sliema, EBIT margin marginally increased to 11.7% (2018:11.5%). This improvement has been primarily initiated due to the increase in revenue registered during 2019.

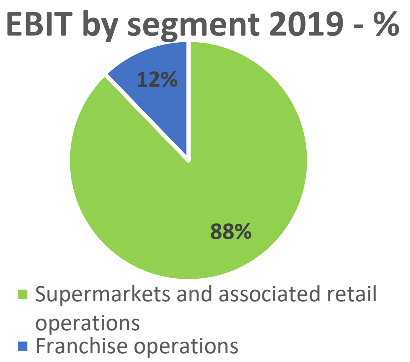


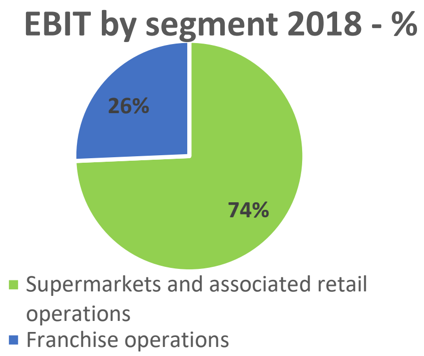
Source: Audited Financial Statements

In line with the anticipated increase in revenue, together with the amendments brought about by the adoption of IFRS 16, we expect EBIT margin to increase to 12.1% in 2020 and remain constant thereafter.

EBIT (€'000s)	FY 2018	FY 2019
Supermarkets and associated retail operations	8,690	11,067
Franchise operations	3,002	1,540
Total EBIT	**11,692**	**12,607**

Source: Audited Financial Statements





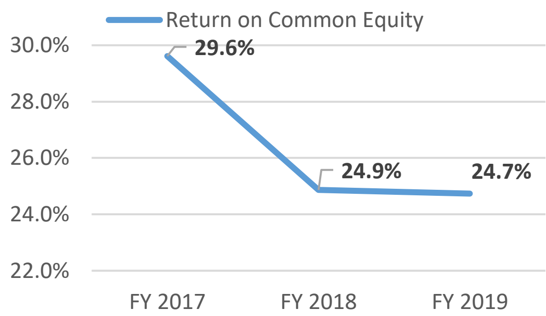
Source: Audited Financial Statements

- **Finance costs on right of use assets -** Following the adoption of IFRS 16 as from January 2019 onwards, the Group is expected to recognise an interest expense on the lease liability amounting to €1 million during 2020. This interest expense is expected to decrease on a yearly basis in line with the remaining lease agreement period. Further detail concerning this matter may be found in the operating expenses section.

- **Finance costs –** During 2019, the Group incurred finance costs amounting to €0.63 million and are mainly composed of interest payable on bank loans and bank overdrafts, interest payable on the Group's finance lease, together with other financial charges. We expect the Group to incur finance costs amounting to €0.6 million in 2020 and €0.5 million in 2021. The expected decline in finance costs relates to the fact that the Group is expected to utilise its cash reserves to repay and settle portions of its existing loans on a yearly basis. Interest payable on bank loans and bank overdrafts vary from fixed to variable rates, whereby during 2019 the weighted average effective interest rate payable on the Group's bank loans and finance leases stood at 2.75%, whereas the average interest payable on bank loans amounted to 2.89%.

- **Taxation –** The Group is subject to a corporate tax rate of 35% on its profit before tax concerning income generated from both supermarkets and the franchise operations. However, the Group benefits from a favourable tax rate of 15% on the lease income pertaining to the renting out of retail outlets within the Pavi Shopping Complex and Pama Shopping Village to third parties.

- **Net Profit and Earnings per Share –** Net profit increased from €7.7 million in 2018 to €8.9 million in 2019. This translates to an EPS of €0.071 in 2018 compared to an EPS of €0.083 in 2019. In line with the increase in revenue anticipated to be generated by the Group, we expect net profit to increase to €9.4 million in 2020, translating to an EPS of €0.087. ROE in 2017 surged up to 29.6% following the commencement of operations of the Pama Shopping Complex. ROE in both 2018 and 2019 reached a level of 24.9% and 24.7% respectively. This demonstrates that the increase in profitability has reached a saturation point given both supermarkets are operating at full capacity.



Source: Audited Financial Statements

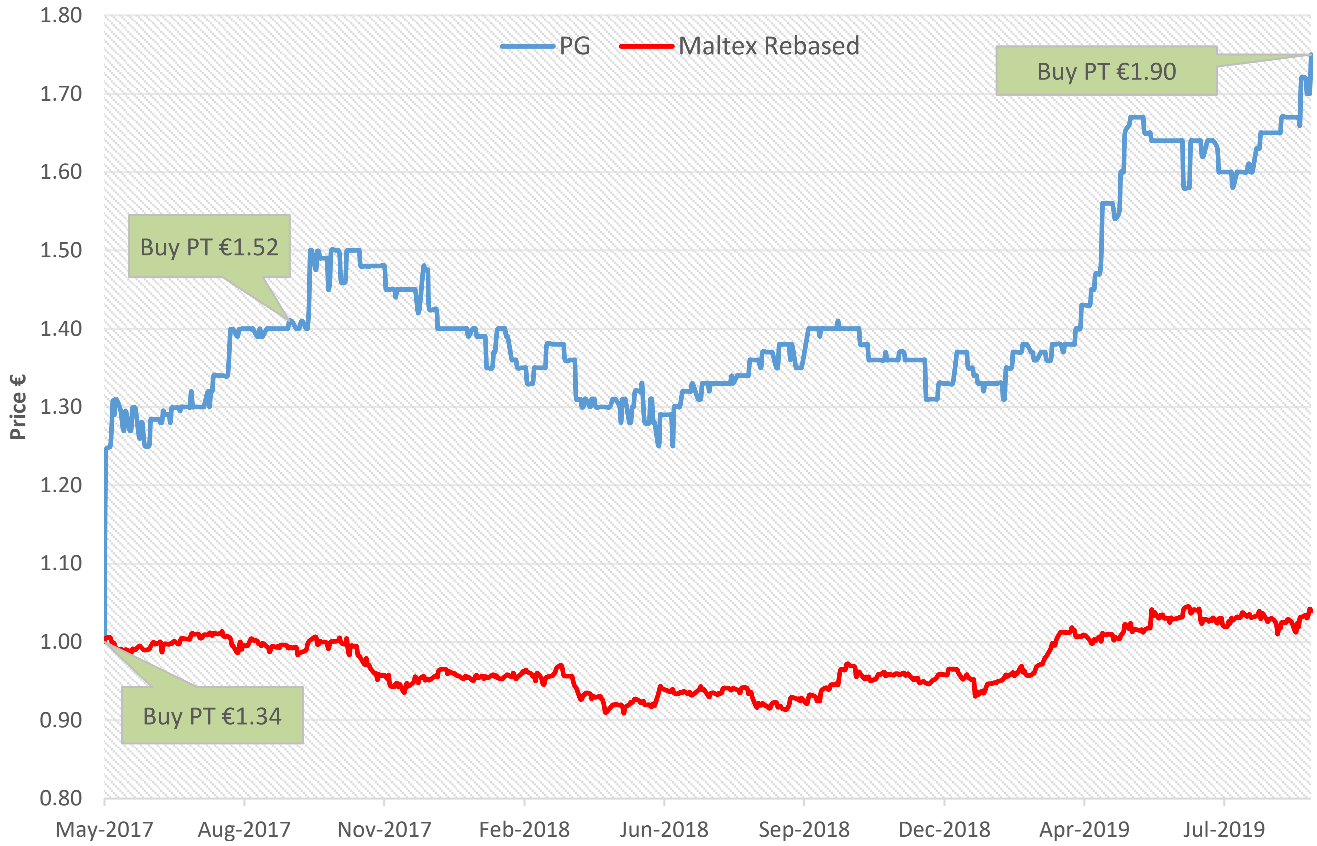
Key Financial Indicators

For the years ending 30th April	2017 €'000	2018 €'000	2019 €'000
Income Statement			
Revenue	91,686	101,238	107,977
Growth in Revenue (YoY)	65.8%	10.4%	6.7%
EBITDA	12,655	12,894	14,230
EBITDA Margin (EBITDA / Revenue)	14%	13%	13%
Operating Income (EBIT)	11,385	11,692	12,605
Operating (EBIT) Margin (EBIT / Revenue)	12.4%	11.5%	11.7%
Net Income	7,360	7,660	8,937
Net Margin (Net Income / Revenue)	8.0%	7.6%	8.3%
Earnings per Share (EPS)	0.068	0.071	0.083
Growth in EPS (YoY)	58%	4%	17%
Sustainable Growth Rate in Dividends	30%	11%	12%
Balance Sheet			
Cash and Cash Equivalents	1,320	3,013	1,546
Current Assets	12,227	15,755	14,404
Non-Current Assets	58,276	63,049	71,565
Total Assets	70,503	78,804	85,969
Current Liabilities	21,247	23,369	28,073
Non-Current Liabilities	21,431	21,650	19,424
Total Liabilities	42,678	45,019	47,497
Total Financial Debt	23,911	20,705	23,989
Total Equity	27,825	33,785	38,472
Net Debt	22,591	17,692	22,443
Shares Outstanding	108,000	108,000	108,000
Cash flow			
Cash Flow from Operating Activities (CFO)	6,841	10,230	10,026
Capex	(1,394)	(3,631)	(10,527)
Free Cash Flow (FCF)	5,447	6,599	(501)
Cash Flow from Investing Activities	(1,256)	(3,631)	(10,527)
Cash Flow from Financing Activities	(2,556)	(2,889)	(4,271)
Ratios			
Profitability			
Return on Common Equity (Net Income / Common Equity)	29.6%	24.9%	24.7%
Return on Assets (Net Income / Total Assets)	10.4%	9.7%	10.4%
Solvency			
Gearing Ratio Level 1 (Net Debt / Total Equity)	81.2%	52.4%	58.3%
Gearing Ratio Level 2 (Total Liabilities / Total Assets)	60.5%	57.1%	55.2%
Net Debt / EBITDA	1.8x	1.4x	1.6x
Current Ratio (Current Assets / Current Liabilities)	0.6x	0.7x	0.5x
Interest Coverage Ratio (EBITDA)	19.8x	21.9x	22.5x
Cash from Operations / EBIT	0.6x	0.9x	0.8x

Source: Audited Financial Statements

Historical 1 Year Price Target

Reference	Date	Price	Price Target	Analyst	Recommendation
PG	30.03.2017	€1.00	€1.336	Simon Psaila	Buy
PG	13.09.2017	€1.41	€1.52	Simon Psaila	Buy
PG	17.09.2019	€1.75	€1.90	Simon Psaila & Andrew Fenech	Buy



Source: Bloomberg

Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.
Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by total assets.
Earnings per Share (EPS)	Earnings per share (EPS) is the amount of earnings per outstanding share of a Group's/Company's share capital. It is computed by dividing net income by total shares outstanding as at statement of financial position date.
Growth in EPS (YoY)	This represents the growth in Earnings per Share (EPS) when compared with previous financial year.
Dividends Ratios	
Net Dividends	Net dividends represent the net amount of dividends in respect of a Group's/Company's fiscal year.
Dividend per Share	Dividend per Share is the amount of dividends per outstanding share of a Group's/Company's share capital. It is computed by dividing net dividends by total shares outstanding as at statement of financial position date.
Growth in Dividends (YoY)	This represents the growth in dividends when compared with previous financial year.
Sustainable Growth Rate in Dividends	This ratio indicates the sustainable growth rate of dividends given the profitability of the Group/Company and the respective level of dividends distribution.
Dividends Yield as at year-end	This ratio indicates how much a Group/Company pays out in dividends each fiscal year relative to its share price. It is computed by the dividing the Dividend per Share by the share price as at year-end.
Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.

Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.
Balance Sheet	
Total Assets	What the Group/Company owns which can de further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can de further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.
Shares Outstanding	Outstanding shares refer to the Group/Company stock currently held by all its shareholders.
Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio Gearing Ratio Level 1 Gearing Ratio Level 2	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets. Is calculated by dividing Net Debt by Total Equity. Is calculated by dividing Total Liabilities by Total Assets.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.
Cash from Operations / EBIT	This ratio measures the ability of the Group/Company to convert its earnings into cash.

Explanation of Equity Research Ratings

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, we do not recommend either a Buy or Sell. Current shareholders should consider buying on dips and selling on peaks.

Newly issued research recommendations and target prices supersede previously published research.

Disclaimer