Reporting Season Summary

30 August 2013

Overview

We're into the final stages of earnings season as we've now had approximately 76% of companies within the S&P/ASX 200 post results. Overall, this earnings season in many respects has echoed the last one with some key themes being called out by company management including: top-line conditions still sluggish, cost cuts and high payouts. The 'good' news was that there was no consistent evidence of things getting worse, and some sectors pointed to green shoots in housing and other segments highly sensitive to rates.

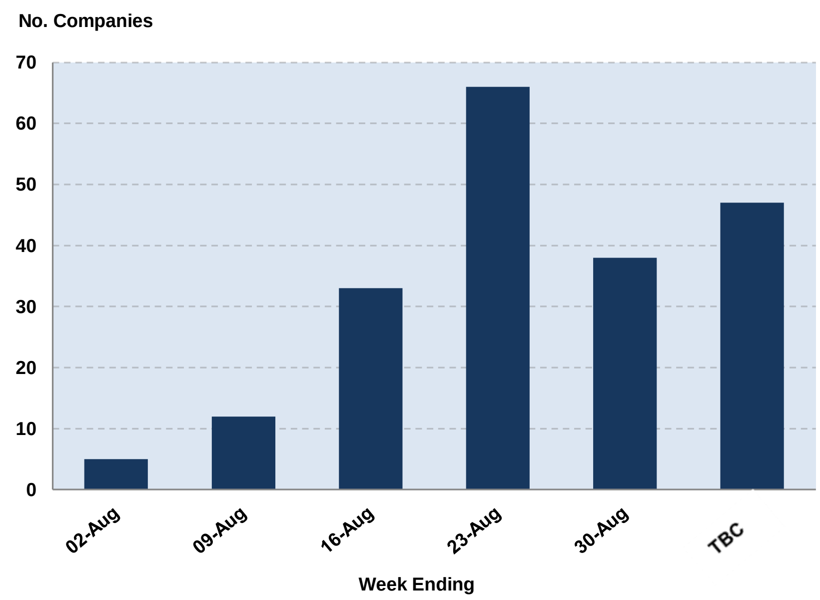
Given the cut to estimates leading into this reporting season, the growth outlook for FY14 earnings looks a little high. But we don't see much of a story in this: growth estimates always look optimistic a year out, and with a typical decay rate we would be back to low-single-digit growth. What matters is whether downgrades progress from routine rebasing and start to reflect deteriorating fundamentals. Results season did not justify that conclusion, but we think it remains a risk as the year progresses.

At the sector level, If economic fundamentals do weaken, particularly the job market, we see the Banks sector being vulnerable to a de-rating as there is little or nothing in its valuation for earnings risk.

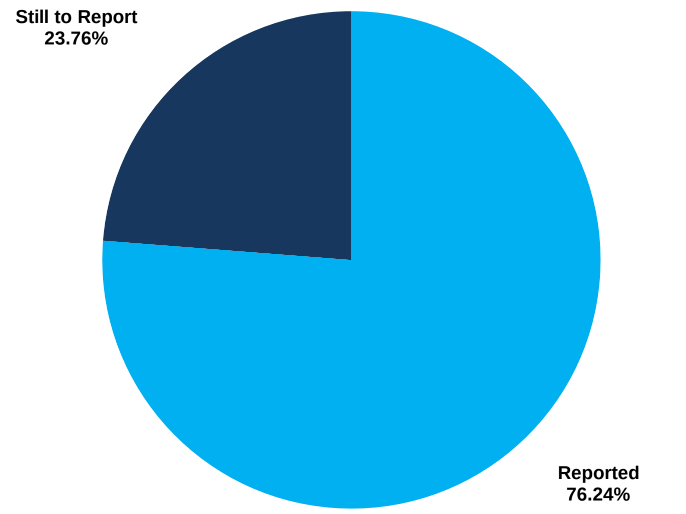
The Mining sector continued its July recovery during earnings season, despite the problems affecting some emerging market economies. While the Chinese economy has shown some positive signs of stabilisation with recent data, this relief rally hasn't pushed us to become bullish on a continued cyclical rally.

ASX200 as at 30/08/13 08:28

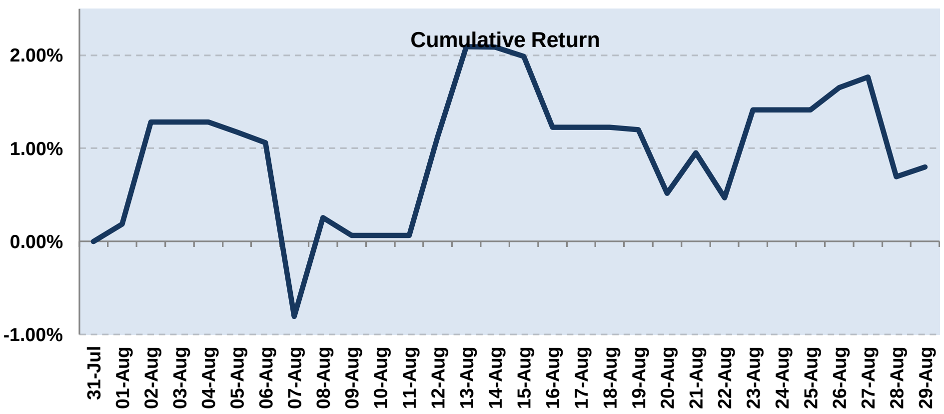
Distribution of Results by Week

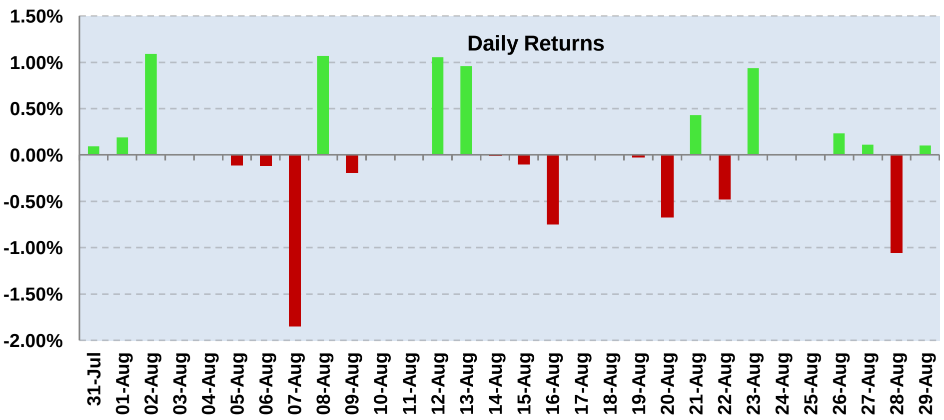


Reported to Date

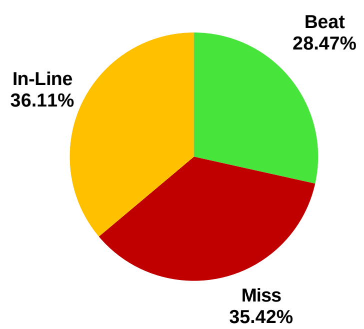


ASX200 During Reporting Season

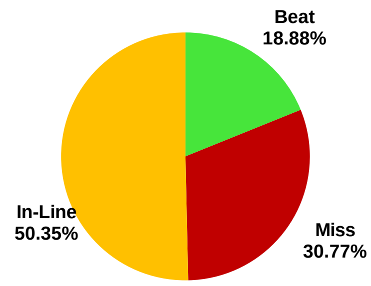




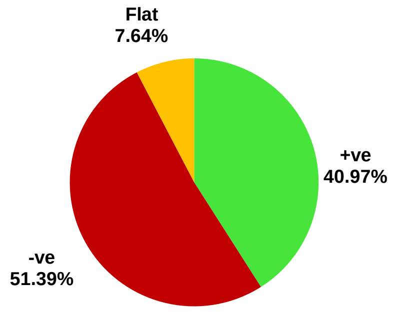
Earnings vs Consensus Estimtes



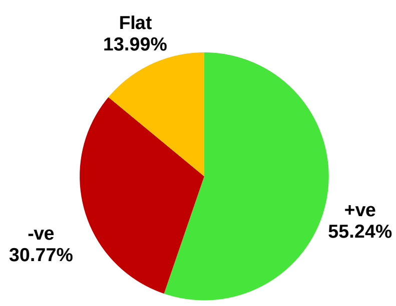
Sales vs Consensus Estimates



Earnings Growth vs Previous Year



Sales Growth vs Previous Year



Source: Bloomberg

Upcoming Results

30 August 2013

Report Date	Code	Company	Est. EPS	Est. Sales	What to look for - eQR Comment
30-Aug	EVN	Evolution Mining Ltd	0.072	$611	Epithermal, narrow vein deposits like Cracow and Pajingo can display significant volatility in month-on-month and quarterly gold production given
30-Aug	GBG	Gindalbie Metals Ltd	-0.024	$0	In the process of ramping up operations at Karara (50% GBG), so there are near-term risks around costs and working-capital requirements. FX and the
30-Aug	IGO	Independence Group NL	0.087	$225	Earnings will be most impacted by changes in the exchange rate and commodity prices (nickel, zinc, copper and, increasingly, gold) as mines are
30-Aug	PRT	Prime Media Group Ltd	0.097	$279	Weak TV Advertising Market conditions, although we believe this will likely be offset by PRT's strong ratings performance in 2H13
30-Aug	QRX	QRxPharma Ltd	-0.094	$2	Resubmitted NDA for FDA approval. Risk if approval is not achieved in the US.
30-Aug	VAH	Virgin Australia Holdings Ltd	-0.016	$3,998	There is a risk yields will fall in 2H13 despite improved passenger mix. Virgin's cost base is increasing but lower yields and loads will see a material

Last Reported

30 August 2013

Company Releases

Westfield Group (WDC) -0.72%: WDC reported 1H13 FFO of $729m (eQRe $736m). WDC maintained its pro forma FY13 FFOps guidance of 66.5¢, +2.3% yoy. The guide doesn’t include the reality of its buyback and the likelihood of further non-core sales. The Aussie dollar weakness is a tailwind for earnings but WDC is yet to bank this in its guide. Its buyback is likely to remain a focus in the 2H with 90m securities still to be bought.

David Jones (DJS) +0.71%: DJS released weaker than expected 4Q13 sales (LFL -2.9% vs. eQRf -1.3%). Fashion & beauty categories were in growth or flat, while Home categories again fell, as DJS focuses on quality sales with a positive gross margin impact.

Qantas Airways (QAN) +13.82%: QAN continues to face strong headwinds going into FY14, with excess capacity in the domestic market expected to continue to put pressure on yield, and no respite expected on international yields either. A$-translated fuel costs are forecast to increase by $433m in FY14, which means QAN will struggle to keep its head above water again. We believe that although QAN is making the right decisions on capex and alliance, earning an acceptable ROIC is still many years off.

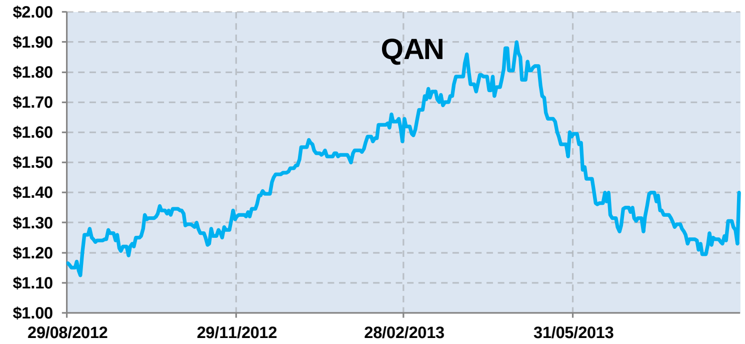
Ausdrill Limited (ASL) +15.02%: ASL achieved FY13 normalised NPAT of $101.2m, 3% below our $104.1m forecast, while reported NPAT of $91.3m was within management's $90m-$96m guidance range. ASL’s high proportion of mine production-linked businesses has provided relative earnings stability compared to weak FY13 results throughout the Contractors sector. While FY14E is not without risks, ASL’s strong production linkage, selected growth opportunities and improving balance sheet leaves ASL well placed to navigate the short term headwinds.

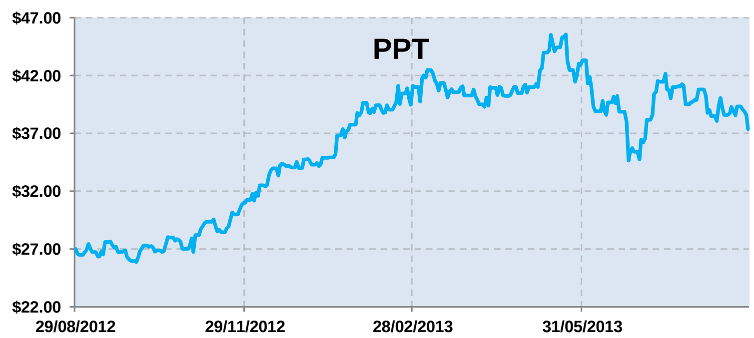
Macquarie Atlas Roads (MQA) +0.88%: The result was largely in-line at the proportionate EBITDA line, coming in at $259.3m (eQRe $263.6m), up 5.9% on the pcp. The key variances in the proportionate result were higher asset proportionate interest which appears to be front ended, so we would expect 2H13 to be lower and hence tax was lower.

Perpetual Limited (PPT) -3.24%: PPT reported FY13 underlying NPAT of A$75.9m, up 16% on the pcp but behind our A$81.4m forecast. The company declared a fully franked final dividend of A80cps, ahead of our A74cps forecast. A main focus of the FY13 result was the progress of the cost-savings program, with management delivering on the first stage, but pushing back the timing of cost savings in 1H14 (although the A$50m target in FY15 remains).

Price Charts

as at 30/08/13 08:28





Source: Bloomberg

eQRsecurities
Australian Equities Research

Important Information

Issuer of this document
This document has been prepared by eQR securities Pty Limited ABN 30 009 119 242 AFSL 240693 (**eQR securities**). eQR securities is a subsidiary of Westpac Banking Corporation ABN 33 007 457 141. No person or entity other than eQR securities has been involved in the preparation of this document, has caused or authorised the issue of this document, or is otherwise responsible for the content of this document.

Currency of this document
This document is current as at the date shown on the front page of this document.
The information, opinions and statements included in this document reflect only the judgement of eQR securities as at the date of this document, and are subject to change at any time without notice due to market events and other factors. eQR securities may at any time cease to provide research on the entity that is the subject of this document.

Authorised users
This document has been prepared for use only by advisers and clients of Westpac Financial Planning, Westpac Private Bank, St.George Financial Planning, St.George Private Clients, Magnitude Group Pty Ltd (trading as Magnitude Financial Planning) and Securitor Financial Group Ltd ("authorised users"). BT Financial Group is the wealth management arm of the Westpac group of companies ("Westpac Group"). This document is not provided by eQR securities in any fiduciary capacity.

This document, and any information included in it, must not be copied, used, reproduced or otherwise distributed or circulated to any third party other than an authorised user, including any person outside Australia. If you are not an authorised user, please destroy this document immediately and inform eQR securities.

You should seek advice
This document does not constitute a recommendation that you buy, hold or sell any particular security. This document has been prepared without taking account of any person's personal objectives, financial situation or needs, and so you should consider its appropriateness having regard to those factors before acting on it, and obtain professional investment, financial and taxation advice. eQR securities does not give any representation, warranty or guarantee as to the performance of the entity that is the subject of this document.

Past performance is not a reliable indicator of future performance.

Third party information
This document may contain material provided by third parties and is given in good faith and has been derived from sources believed to be accurate at its issue date. It should not be considered a comprehensive statement on any matter nor relief upon as such. While such material is published with necessary permission, neither eQR securities nor any other company in the Westpac Group accepts responsibility for the accuracy or completeness of, or endorses, any such material. To the maximum extent permitted by law: (a) no guarantee, representation or warranty is given that any information included in this document is complete, accurate, up to date, error or fault free or fit for any purpose; and (b) neither eQR nor any member of the Westpac Group is in anyway liable to the any person (including for negligence) or otherwise for any loss or damage arising as a result of any reliance on this document or any information included in this document.

Interests, associations and relationships
Please refer to eQR securities' FSG under the heading "Interests, associations and relationships" for further information regarding any interests in, or associations or relationships between, eQR securities, other entities in the Westpac Group, and their representatives (including those involved in the preparation of this document), with the entity that is the subject of this document.

Other general information
All pricing information included in this document is as at the close of market for the relevant security as at the date of this document, unless otherwise stated.
Capitalised or abbreviated terms that are used in this document may have a particular meaning. Contact your financial adviser to obtain a Glossary of key terms, or for an explanation of terms used in this document.

FINANCIAL SERVICES GUIDE — Dated: 19 November 2010

This Financial Services Guide (FSG) is an important document which we are required to give you as an Australian Financial Services Licensee. This FSG is prepared and issued by eQR securities Pty Limited ABN 30 009 119 242 AFS Licence Number 240693 (eQR securities). The FSG is designed to provide you with information regarding the advice and services that eQR securities can offer you and to assist you in determining whether to use the financial services provided by eQR securities.

This FSG contains information about:

- eQR securities, including contact details and services offered by us
- What services eQR securities is authorised to provide
- How eQR securities and its staff are remunerated
- How eQR securities deals with your complaints; and
- Our conflicts of interest management policy.

Contact details
Level 20, 275 Kent Street, Sydney NSW 2000 Email: equitiesresearch@btfinancialgroup.com
Telephone: 1800 557 432 Fax: 02 9274 517

Our financial services
eQR securities is authorised to provide general financial product advice in the form of research reports and related information regarding a range of financial products, including securities (e.g. shares). eQR securities' business is primarily that of providing research (e.g. general financial product advice) on securities, including selected shares in the ASX 200.

General financial product advice
Any financial product advice eQR securities gives you will be general in nature and will have been prepared without taking into account your objectives, financial situation and needs. You should seek personal advice from a financial adviser that is appropriate to your objectives, financial situation and needs. You should obtain and consider the disclosure document (e.g. product disclosure statement or prospectus) (if any) for a product before deciding whether to acquire, continue to hold or dispose of that product.

eQR securities has no knowledge of your personal circumstances and will only ever provide you with general advice.

eQR securities
Australian Equities Research

Remuneration and other benefits

eQR securities - eQR securities does not receive remuneration from the issuers of financial products for undertaking research on the issuer's financial products. eQR securities bears the cost of undertaking this research.

eQR securities generates its income from other means such as the subscription fees payable by financial advisers who subscribe to eQR securities' online research platform. You will not be required to pay a fee to eQR securities for the general advice contained in the eQR securities written reports provided to you through a financial adviser. Details of any fees or remuneration received by your financial adviser will be detailed in the financial services guide and/or statement of advice given to you by your financial adviser.

Staff - Our research staff are generally paid a salary, superannuation and may also receive additional benefits should they satisfy certain targets. They may also be entitled to receive bonuses that are based on factors such as the quality of their research, as well as the efficiency and timeliness of delivery of their services. Our research staff may also be entitled to a bonus determined by reference to the performance of other business units within the Westpac Group.

You may request further information regarding eQR securities' or any eQR representative's remuneration before you are provided with the financial services.

Interests, associations and relationships

eQR securities is a member of the Westpac Group. The Westpac Group includes a number of companies that provide financial services, funds management, insurance, superannuation, investment and administrative services. The Westpac Group includes St.George Bank – a division of Westpac, Securitor Financial Group Limited, Magnitude Group Pty Limited, Asgard Capital Management Limited, St.George Life Limited, Advance Asset Management Limited and also includes companies that bear the "Westpac", "St.George" and "BT" names.

eQR securities, other entities in the Westpac Group, and their representatives (including those involved in the preparation of research and related material provided by eQR securities (together, **eQR Material**)) may have an interest in the securities of, or an association or relationship with, the entity that is the subject of eQR Material. This could, for example, include a shareholding in, position as an officeholder of, or a contract for the provision of services to, the entity that is the subject of eQR Material.

In the event of any person subscribing to the financial products referred to in eQR Material through a financial product or service issued by a Westpac group company, such subscription may result in companies related to Westpac and representatives or authorised representatives of Westpac Group companies receiving a commission, fee or other benefit or advantage.

Conflicts of Interest Policy

eQR securities has a policy for the management of conflicts of interest which are relevant to the financial services provided by eQR and its representatives.

Complaints handling

The law requires eQR securities to have arrangements in place to compensate certain persons for loss or damage they suffer from certain breaches of the Corporations Act by eQR securities or its representatives. eQR securities has internal compensation arrangements as well as professional indemnity insurance that satisfy these requirements.

eQR securities endeavours to provide a high standard of financial service to you. If you have a concern about the service provided to you or wish to make a complaint, we encourage you to contact us by telephone on 1800 557 432, or alternatively via the contact details below:

Wealth Management Complaints
GPO Box 5265
Sydney NSW 2001
Fax: +61 02 8253 3727

We aim to resolve your concern quickly and fairly.

If your concern is not resolved, or if you are dissatisfied with the decision, you may contact the Financial Ombudsman Service (**FOS**).

You may contact FOS at GPO Box 3 Melbourne VIC 3001; Tel: 1300 78 08 08; Fax Number: (03) 9613 6399; Website: www.fos.org.au; Email: info@fos.org.au. This service is provided free of charge.