

Appreciating Value New Zealand

Edition six

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Introduction



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In this edition of Appreciating Value we reflect on a strong 2014 in terms of deal activity, IPOs and listed share price performance. Against this backdrop, and certainly a surprise compared to expectations this time last year, we observe a significant decline in the risk-free rate due to a steady decline in Government bond yields over the last quarter of 2014 and continuing into 2015.

In our first feature article we discuss the higher trading multiples observed from New Zealand listed companies and consider what impact this is likely to have on private company and SME values.

Our second feature article shares our 15 Best Practice Financial Modelling tips. Given the importance of financial models in business decision making, it is critical that those models are robust and understandable. Our specialist business modelling team has developed these tips through their experience creating and reviewing financial models throughout New Zealand. Our team's credentials are underpinned with team members Alex Gordon and Michael Clarke having achieved first, second and third placings between them at the last three ModelOff Financial Modelling World Championships in New York.

Finally we include our regular Deals update and cost of capital and multiples of listed companies.

We welcome your feedback.

Does the increase in value of NZX listed companies have an impact on private company values?



- *With the NZX All Gross Index increasing 39% in the past two years, seven initial public offerings (IPOs) in 2013, and 12 in 2014, the New Zealand share market is performing exceptionally well.*
- *Whilst some of this strong performance is due to increased earnings, there has also been a step change in the observed earnings multiples.*
- *It is reasonable to assume there would be a similar positive impact on private company values and our first-hand experience supports this.*

Average EBITDA multiple for selected New Zealand companies



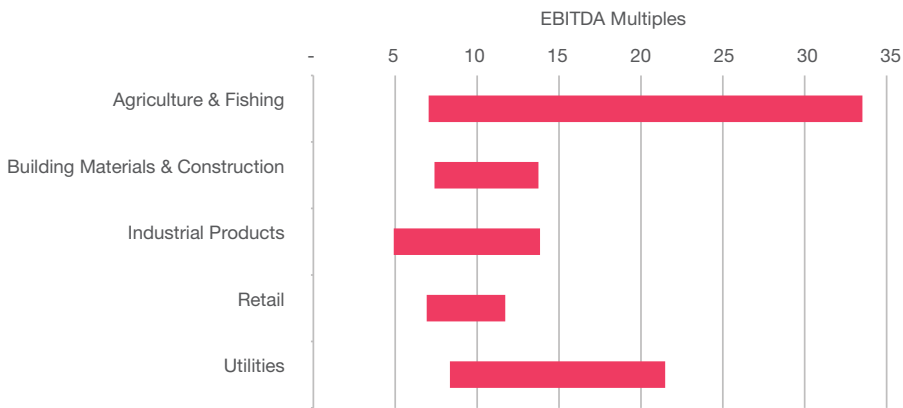
The average historical EBITDA multiples for the trailing 12 months (i.e. the ratio of enterprise value to the prior 12 months reported EBITDA) shows a strong upward trend through 2012 and relative stability since then at around 9.5x to 10.0x.

Given that most private, small and medium sized businesses (SME) are valued on an earnings multiple basis, it is reasonable to assume that generally, values would have increased since 2011. It does not, however, follow that using an EBITDA multiple of 9.5x or 10.0x to value a SME is appropriate.

The earnings multiple is a valuation methodology that uses the derived earnings multiple of a comparable company and applies to it to the subject company's earnings. These comparable companies are typically sourced from similar entities that are listed on a public stock exchange, or from a publically announced transaction.

The theory behind using a market multiple valuation methodology is that similar firms will typically trade at similar multiples. However, the subjectivity to this approach is driven by; how do you determine how similar a company is? Even within an industry sector, multiples can vary significantly. For example, as at 31 December 2014, companies within the NZX listed Agriculture and Fishing sector were trading in an EBITDA multiple range of 7x to 33x, with a median of 10x. In forming a view on the appropriate multiple, judgement is required around expectations of future earnings, growth prospects of each respective company and the perceived risks of the company.

EBITDA Multiple Ranges as at 31 December 2014



Although a listed company's trading multiple can give guidance as to an appropriate multiple and therefore value of a privately held business in a similar sector, various factors need to be considered and a number of adjustments may need to be made. These can include:

- 1. Marketability/Liquidity.** A shareholder in a listed company has the advantage of liquidity, i.e. a shareholder can sell their shareholding at minimal cost and in a short time frame. This is not generally the case for a shareholder of a private company. Marketability discounts can be upwards of 30% of the total equity value of the business.
- 2. Control.** Observed listed company prices are for small, minority holdings. A control premium should be considered when valuing 100% of a business. Depending on the level of control obtained; an investor may be prepared to pay a significant premium for control of a business.

- 3. Key person risk.** This is often seen in smaller private business and reflects the risk to the business if a key employee (often the founder) were to leave the business or something happen to him or her. Publically listed companies are generally much less exposed to this risk.

- 4. Small company risk.** Smaller private companies typically have less diversified earnings than a listed entity and as such their earnings are typically more volatile. Any increase in the volatility in the earnings of a business will result in a higher required rate of return and consequently a lower value.

These factors are just some matters to consider when assessing the earnings multiple to select. To simply take the average of a sector of trading comparable companies and use that as the earnings multiple to apply to the subject company is flawed. To gain further comfort over the selected multiple range, a valuation practitioner will typically include at least one cross check. A common cross check is to compare the implied enterprise value to the total net tangible operating assets. This ratio will be compared to the ratio of listed comparables or transactions (where this information is disclosed).

Given the most common methodology in valuing SMEs is an earnings multiples approach and a valuer is likely to take guidance from the implied trading multiple as a starting point for the value of the SME; we consider that movement in listed company values should generally impact the value of SMEs in similar sectors.

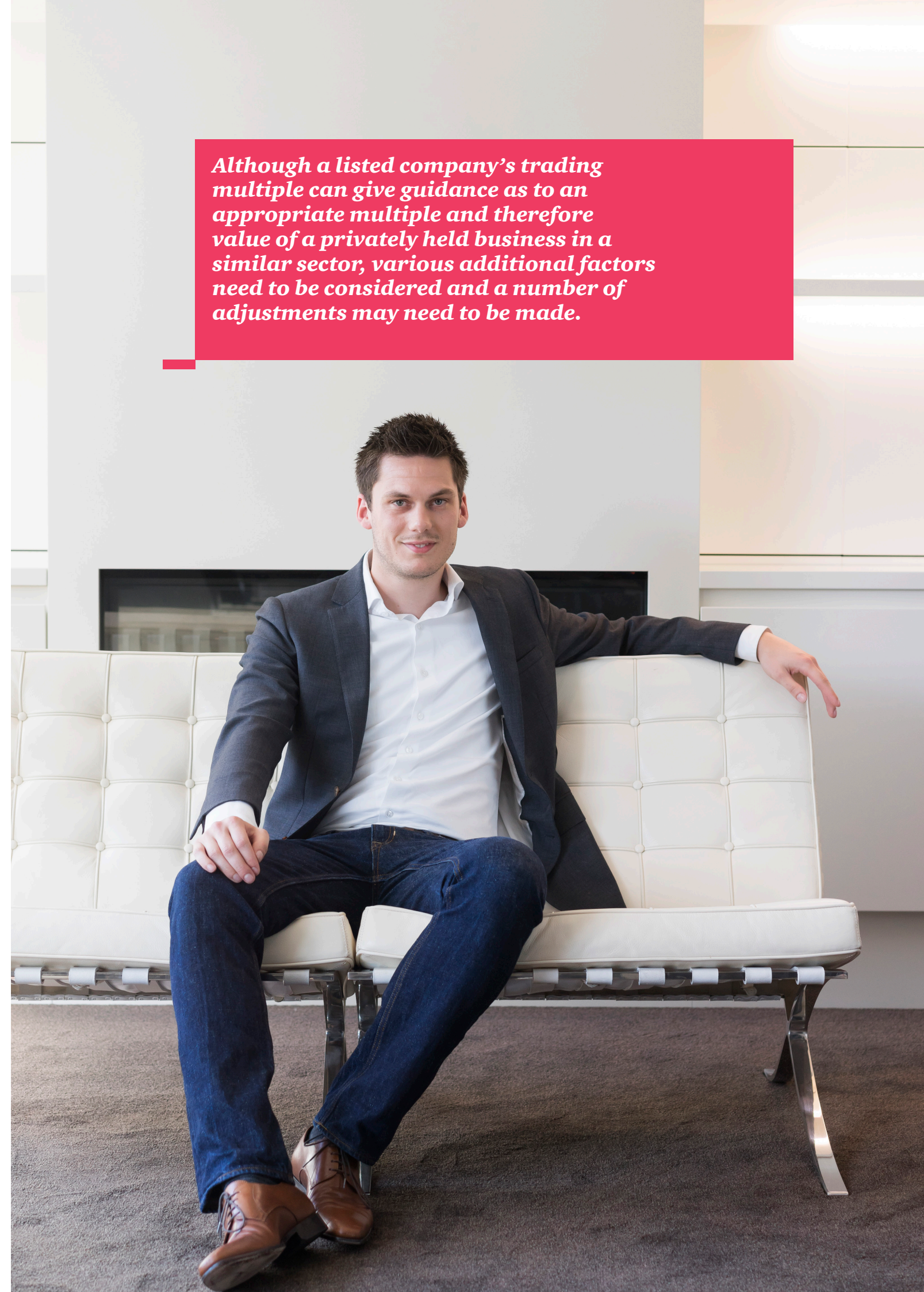
Recent market sentiment has had a positive impact on listed entities values. As such it is reasonable to assume there would be a similar positive impact on SMEs in that sector. Our first-hand experience is consistent with the movement in NZX listed trading multiples, i.e. the transactions multiples of SMEs are higher than they were three years ago.



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Although a listed company's trading multiple can give guidance as to an appropriate multiple and therefore value of a privately held business in a similar sector, various additional factors need to be considered and a number of adjustments may need to be made.



Building quality financial models

snapshot

- Financial models are a key part of business decision making - significant value and risk is often dependant on a financial model.
- PwC has developed a set of 15 best practice tips to apply when building models. These are clear, practical tips that anyone building a model, of any size, can use. They help reduce risk and avoid your model becoming someone else's example of what not to do.

Financial models are often a key part of business decision making. Whether used to support a business strategy decision or sitting at the heart of a crucial acquisition, significant value and risk is often dependant on a financial model.

We have all come across painful financial models or spreadsheets. Models where the logic jumps around everywhere or seems to have been omitted entirely. Models that have become so complex that they are a black-box to even the modeller themselves. Models that take so long to open that by the time they do you've gone back to pen and paper anyway.

So how can you make sure it doesn't happen to you? PwC has developed a set of 15 best practice tips to apply when building models. These are clear, practical tips that anyone building a model, of any size, can use. They help reduce risk and avoid your model becoming someone else's example of what not to do.

Our first tip is also our most important: keep it simple and transparent.

The best financial models take a complex problem and break it down into simple, logical, easy to follow calculations.

Too often modellers succumb to the urge to write a fancy formula with 1,000 characters and 12 nested IF statements. This quickly becomes unhelpful when someone else has to understand it, or a change needs to be made a month later and even the modeller doesn't know what they were trying to do. It is far better to split out the calculations and make your intentions transparent. Remember, there is no marginal cost for using extra rows in Excel and no prizes for unnecessarily complex formula.

World class modellers

The ModelOff Financial Modelling World Championship was created to give those that live and breathe modelling a chance to showcase their skills on a global stage.

In 2014, nearly 4,000 competitors from around the world signed up to take part. The first two rounds took place online, with each round testing four case studies over a frantic two hour period. The questions covered a wide range of subjects including debt calculation, foreign currency translation, model reviews, tournament budgeting, modelling best practice and Excel knowledge.

In December 2014, the top 16 competitors attended the live finals held at Microsoft's office in New York City. The finals included three case studies, the largest of which was a gruelling 2.5 hour operations and integrated financial statement model for a fictitious South American airline.

New Zealand was extremely well represented, producing three out of the sixteen finalists. This included PwC's Michael Clarke, a returning finalist from 2013 whose strong performance earned a 3rd-equal placing.

This is not PwC New Zealand's first success in the championship with Alex Gordon coming first in 2012 and runner-up in 2013 before accepting an invitation to join the question design team in 2014.

"Helping write the questions was a fantastic opportunity to see the competition from the inside and was quite nice to be the one causing the headaches rather than experiencing them", says Alex.

To learn more about the championships and sign-up to compete this year go to modeloff.com

PwC's Modelling Best Practice Top Tips

1.
Keep it
simple and
transparent

- Break formulae into multiple rows
- There are no prizes for complicated formulae
- First impressions of a model are important and affect people's perception of quality
- Easier to follow the audit trail

2.
Separate inputs,
calculations
and outputs
using different
sheets or
colours

- Show different levels of outputs, culminating in a single dashboard page
- Can easily identify all of the assumptions and key outputs

3.
Apply colour,
labelling,
formatting and
units in a clear
and consistent
manner

- Colour code cell types and worksheet categories
- Use conditional formatting to dynamically highlight cells of interest
- Use consistent formatting
- Absolute clarity over the inputs improves understanding and increases the integrity of both the data and assumptions

4.
Keep the flow
natural – top to
bottom, left to
right

- Display assumptions on calculation pages before referring to them in calculations
- Makes the model easier to read and understand
- Key outputs should be the primary focus on the left of the model

5.
Input data
once only and
link to it many times

- Eliminates risk of not updating all occurrences of an input
- Reduces the number of inputs

6.
Use one
formula per
row or column,
and write them
to be capable of
copying

- Logic is always in one place, and the same place, in each row
- Prevents errors that arise from copying over mid-row formulae changes
- Makes reviewing/testing and future maintenance easier and faster

7.
Make column
headings consistent
throughout model,
and use the same
starting column for
each time series

- Allows for simpler formulas and reduces referencing errors
- Multiple narrative columns allow for clear labelling

8.
Use repeating
worksheets
with identical
structures and/or
repeat calculation
blocks

- Reduces effort and risk of error
- Enables 'punch-through' consolidations

9.
Make
extensive use of
error traps and
cross checks

- Summarise error results on a single sheet and display overall model status on each sheet
- Uses model to help find and immediately warn of mistakes
- Allows immediate navigation to the source of the issue
- Be aware that error checks only trap errors that are expected (e.g. balance sheet not balancing)



- Increases transparency, especially when the referenced range is not visible
- Makes formulae more readable, particularly when referring to another worksheet or workbook



- Reduces the chance of accidental change
- Note that worksheet protection (even with passwords) is weak and can be overridden by a determined user



- Include a model structure diagram and dynamic descriptions of key assumptions/calculations
- Models should be intuitive to others because clarity leads to comfort
- Enables others to use and understand the model



- A front page navigation sheet should be added to enable user to quickly access key sheets
- Add click-able navigation to a model structure diagram



- Avoids double inflation errors
- Avoids errors in using real and nominal data within calculations



- Apply colour coding
- Avoids long and unreadable formulae
- Enables external links to be converted to values without removing other model formulae

PwC has a specialist business modelling team that creates and reviews models for clients throughout New Zealand. Our team specialises in planning and building customised, best-practice models that are flexible and fit-for-purpose.



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Our Best Practice Top Tips can help you improve a model from a build perspective, but planning is perhaps the most critical part of creating a good model. Liken it to building a house – if the plans are poor, it doesn't matter how good the builder is, the finished house will suffer. The same applies in building a financial model.



Risk Free Rate revisited

snapshot

- Our current view is that an appropriate point estimate for the long-term risk free rate is approximately 4.0%

In previous editions of Appreciating Value, we highlighted the impact on our government bond yields of global factors such as financial instability in the Eurozone, quantitative easing in the US, business and investor confidence and general economic conditions in many countries. The five to six year trend of declining Government bond yields turned in 2013 though it has begun to fall again over the last twelve months.

We saw a relatively constant spacing between five and ten year government bond yields of around 60 basis points over the last few years. The expected market recovery led to a higher long term yield on the ten year government bond.

The gap has narrowed over the last twelve months, with the five and ten year government bond yields now being almost on par.

The drop in New Zealand government bond yields has been due to significant declines in the bond yields of other 'safe haven' locations (US, Germany, UK, Japan, Australia) as oil prices have tumbled and global growth concerns increase.

Furthermore, extremely tight supply/demand dynamics within US bond markets (following previous quantitative easing programmes), the announcement of European Central Bank stimulus and reduced bond issuance by the New Zealand Government (due to a narrowing Government deficit) is also helping to suppress New Zealand government bond yields.

With New Zealand bond yields trading relatively high by global standards, strong demand by global investors for a real return has bid down yields towards historical lows (particularly for longer-dated bonds).

NZ Government bond yields



The interpolated forward yield curve on government bonds as at 31 December 2014 reflects relatively stable expectations of long-term returns of between 3.5% and 4.25%.

Since December the government bond curve has fallen further. Although current market pricing is lower, these movements have been driven by a combination of significant risk events around the world, which in our view are not likely to prove sustained over the medium term.

Overall, our view is that an appropriate point estimate of the long-term risk-free rate at 31 December 2014, based on longer-dated interpolated yields, is 4.0%.

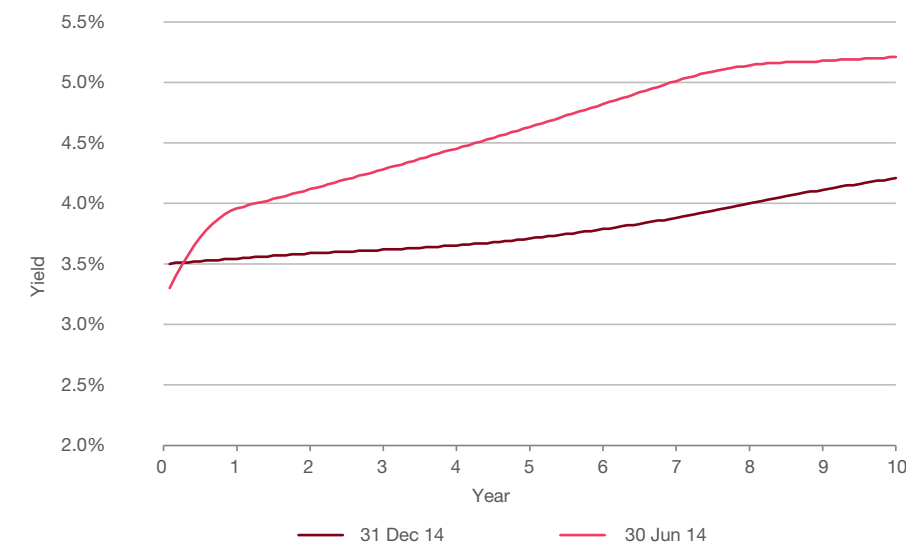
Notwithstanding our point estimate referred to above, it is still important to consider the circumstances of any particular assessment of cost of capital and the purpose for which it is being used. For example, the preferred approach to a discounted cash flow valuation is to assess the appropriate discount rate for each period of cash flow. This may result in a lower discount rate in earlier years and higher discount rate in later years, assuming an upward sloping yield curve and all other things being equal. This is particularly important for very long-term investments in the current environment (where the appropriate risk-free rate beyond 10 years may be higher than 4%).



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Implied 1 year yields interpolated from NZ Government bonds



Deals update

snapshot

- **Reported New Zealand deal volumes continued to increase in 2014, up 21% on 2013 volumes**
- **Proportion of inbound transactions dropped to around 31% by volume, however this included some of the largest transactions by value**
- **Continued growth in deal volumes demonstrates the strength of the NZ economy and a relatively high level of business confidence**

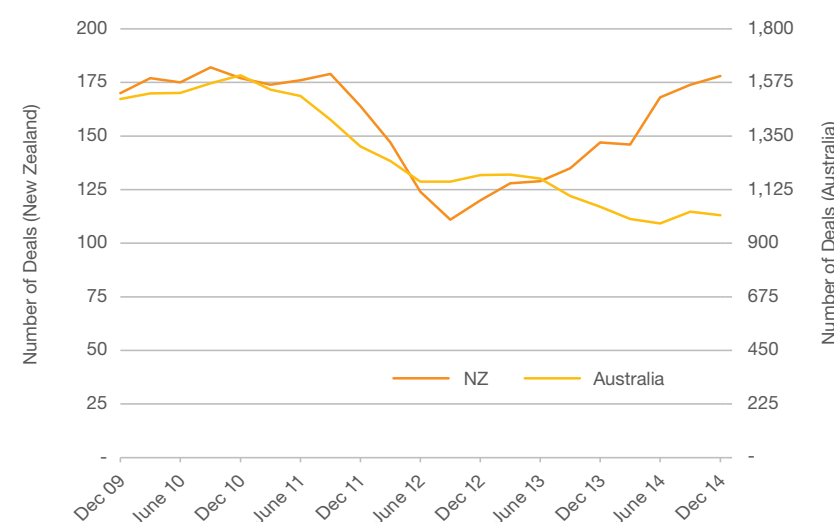
Deal activity

Deal volumes continued their upward trend in 2014, with a total of 178 deals reported (based on Thomson data). This is up 21% on 2013 and nearly 50% on 2012 volumes. Deal volumes are now broadly in line with that experienced in 2009 and 2010, as shown in the chart opposite.

In contrast, deal activity in Australia has remained relatively flat, with overall deal volumes down 3% in 2014 and significantly below volumes achieved in 2009 and 2010. We take a closer look at Australia deal volumes later in this commentary.

Globally, deal volumes were up 10% in 2014 compared to 2013, but down 10% compared to 2009.

Rolling Last Twelve Months Deal Activity

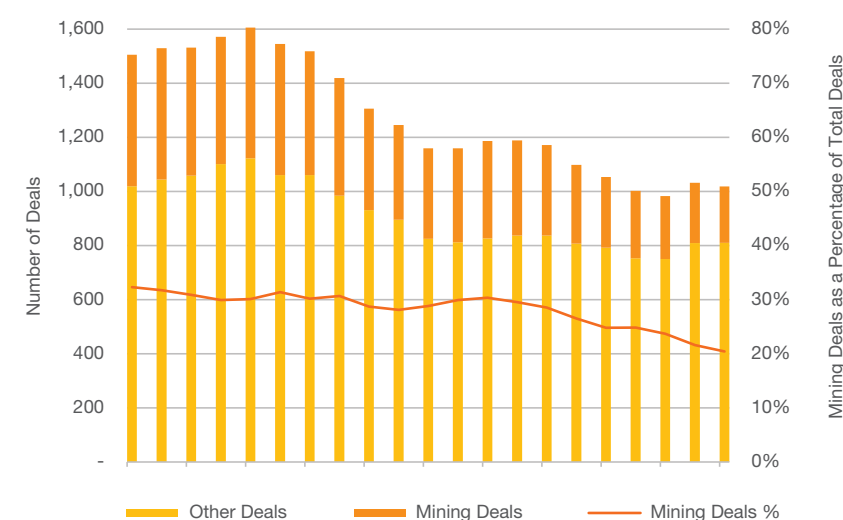


Spotlight on Australia

Deal volumes in Australia remained relatively flat in 2014 and are 32% below that experienced in 2009.

The graph opposite shows that the mining sector accounts for a significant component of Australian deal volumes. Since 2012, mining sector deal volumes have fallen as commodity demand and prices have weakened. Over the same period non-mining sector volumes have been relatively flat, with the mining sector's proportion of total deal volumes falling from around 30% to 20%. This helps explain the fall in deal volumes in 2012 and 2013 in Australia.

Australian Last Twelve Month Deal Data



Activity by deal type (inbound/outbound /domestic)

The proportion of inbound deals dropped slightly in 2014 to around 31% of total deals (excluding deals where the acquirer was undisclosed). However, this comprised the largest transactions by value, including Oji Holdings and Innovation Network Corporation of Japan's (INCJ) \$1bn acquisition of Carter Holt Harvey's Pulp, Paper and Packaging business, Beijing Capital Group's \$950m acquisition of Transpacific Industries NZ, Universal Robina's \$700m acquisition of NZ Snack Food holdings (owner of the Griffin's brand), and Canada's Public Sector Pension Investment Board's \$1bn acquisition of AMP Capital Property Portfolio. These deals highlight the attractiveness of New Zealand as an investment destination for large global entities.

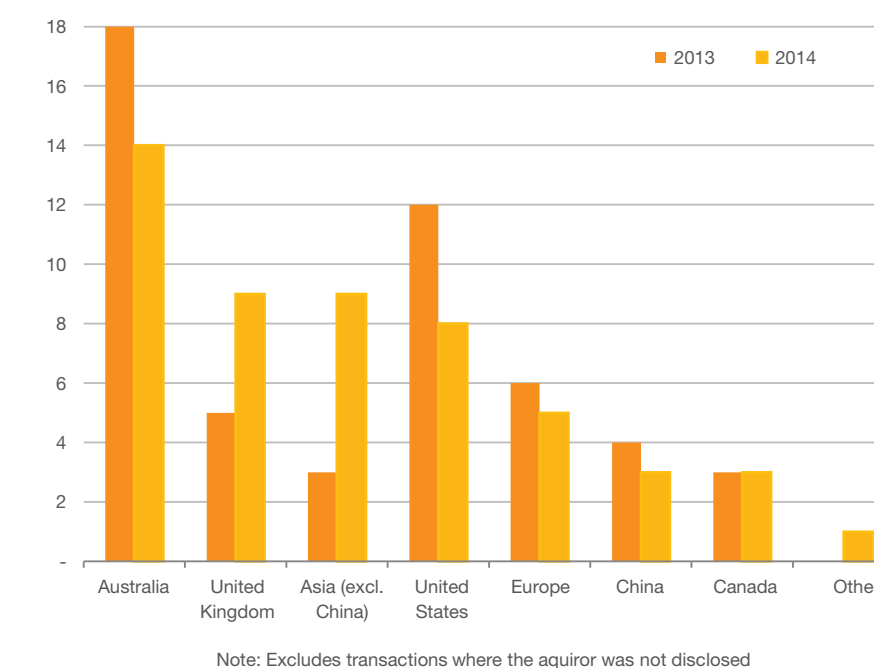
Australia remained our largest source of inbound deal activity, although deal volumes were down 22% on prior year. Transactions of note included Bluescope Steel's acquisition of Pacific Steel, and Accolade Wines' acquisition of Mud House Wine Group brands. Australian private equity firms were also active, with Champ Ventures' investment in TR Group and Archer Capital's acquisition of Obex Medical.

Reported inbound investment from the United Kingdom increased significantly in 2014, becoming the second highest country as a source of inbound investment in New Zealand. Notable transactions included AIM Aviation's acquisition of Altitude Aerospace Interiors from Air New Zealand and Pressure Technologies' \$25m acquisition of Greenlane Biogas.

Investment from the Asia region excluding China increased to nine transactions. This included the Oji & INCJ, and Universal Robina transactions referred to above, as well as Swire Group's acquisition of Pacifica Shipping, CK Life Sciences International's acquisition of Mud House Wine Group's vineyards (Accolade Wines agreed to lease the vineyards as part of their acquisition of the brands) and Sumitomo Corporation's 80% investment in Juice Products New Zealand (New Zealand's largest carrot processor). The three deals reported from China included the Beijing Capital transaction noted above.

2014 saw strong inbound investment from the United States, the majority of which was in the technology sector. This included Microsoft's acquisition of Greenbutton, a cloud solutions business, and Intel Capital's investment in Performance Lab Technologies, a 'smart gadget' software developer. This highlights some of the world leading technologies that are being developed here in New Zealand and attracting the attention of global technology companies. In other sectors, Golden State Foods acquired Snap Fresh Foods, while Discovery Communications acquired the Living Channel NZ.

Inbound Investment Activity by Country / Region

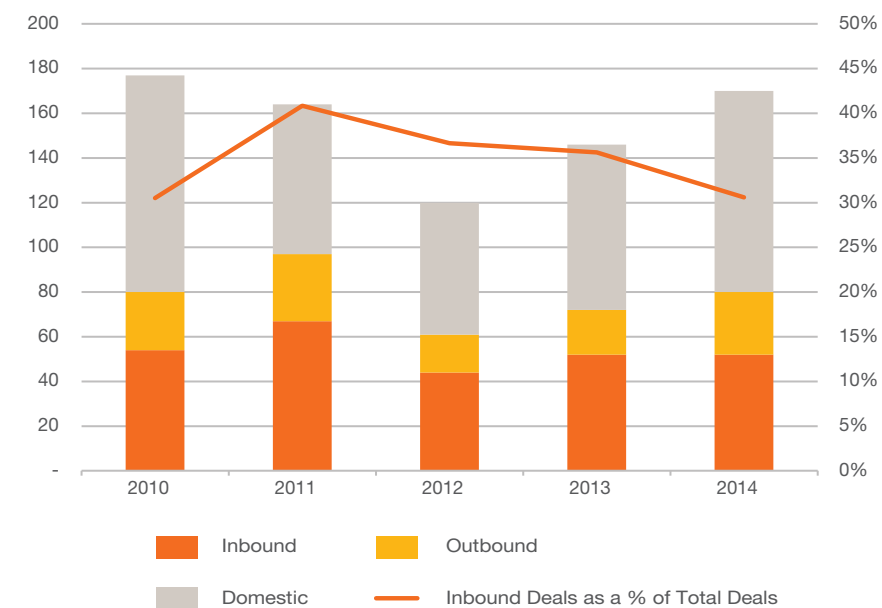


Domestic transactions accounted for 53% of total announced deals during 2014, which was consistent with 2013. Notable domestic transactions included Hellers' acquisition of Goodman Fielder's Meats division, Veritas Investment's acquisitions of Nosh Food Market and Better Bar Company, Livestock Improvement Corporation's acquisition of Dairy Automation Ltd, and Dorchester's acquisition of Turners Group.

Local iwi were active during 2014, with Ngāi Tahu Holdings and Tainui holdings acquiring Go Bus. Those two iwi also acquired Waikato Milking Systems, alongside Pioneer Capital. Other notable private equity transactions included Maui Capital's investment in Pedersen Group, Direct Capital's investment in Energyworks and Pencarrow's investment in ARANZ Geo Ltd, among a number of other private equity transactions.

New Zealand outbound investment accounted for 16% of announced deals, up from 14% in 2012. New Zealand companies making offshore investments included EBOS, Datacom, Trustpower, Todd Corporation, Vitaco Health, and Xero. In December 2014, Infratil and the New Zealand Superannuation Fund announced a \$670m acquisition of RetireAustralia, Australia's fourth-largest retirement village operator.

New Zealand deal type activity by year



Domestic transactions accounted for 53% of announced deals with local iwi and private equity active in the market.

Activity by sector

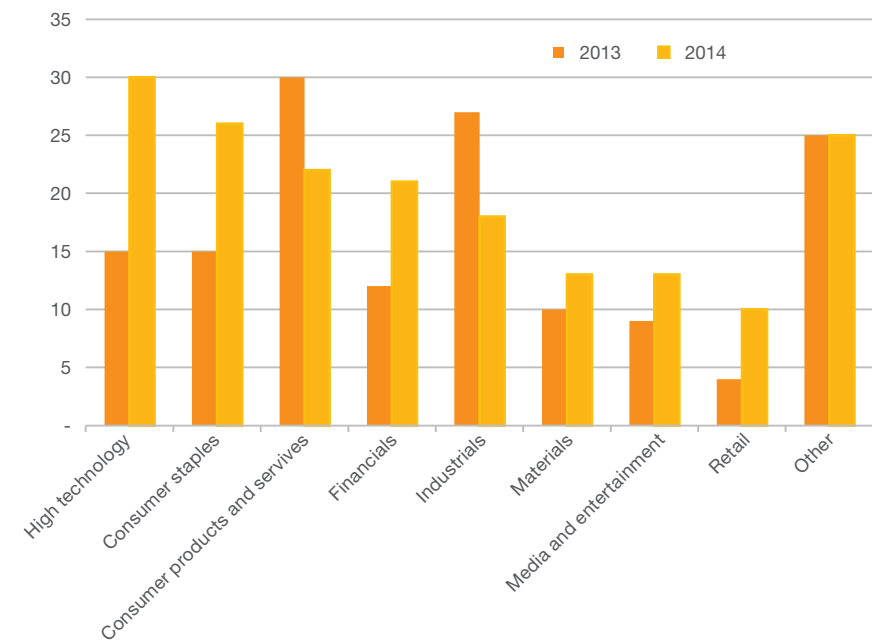
High Technology, Consumer Staples, and Financials (as reported by Thomson) recorded significant increased deal volumes compared to 2013, as shown in the chart below.

High Technology accounted for 17% of 2014 deal volumes with 30 deals announced as going unconditional during 2014. High Technology transactions included Spark's acquisition of Appserv, Microsoft's acquisition of GreenButton, Silverlake HGH's investment in Finzsoft Solutions, and Datacom's investment in SmartWard and Origen Technology.

Consumer Staples accounted for 15% of 2014 announced deal volumes. Notable deals included the aforementioned Griffins, Goodman Fielder Meats, and Mud House Wine Group transactions.

Consumer Products and Services accounted for 12% of announced deal volumes. Included in this sector was a number of education related deals, with Academic Colleges Group and Intueri Education Group driving consolidation in this sector with a total of five transactions based on Thomson data.

Sector Analysis



Outlook

The continued growth in deal volumes demonstrates the strength of the New Zealand economy and relatively high level of business confidence that currently exists. This is driving not only an increase in domestic transactions but also interest from offshore investors who see New Zealand as an attractive investment destination relative to alternatives, as well as the source of many leading technologies and innovation. These factors, together with supportive debt markets and succession issues faced by many private New Zealand family businesses, should continue to drive further deal activity in 2015.



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Cost of Capital and Market Multiples

Following are observed Market Multiples and estimated Cost of Capital as at 31 Decemeber 2014 for selected New Zealand listed companies.

This supplements our full analysis of the Cost of Capital in New Zealand which can be found on our website pwc.co.nz.

As noted in this publication's article on the risk-free rate, we have used the long-term risk-free rate interpolated from the yield on New Zealand government bonds.

Where a multiple is negative or greater than 50x we have recorded this as not meaningful (N/M).

Where a company has been listed for less than three years we have included that company's multiples although have not included the estimated WACC as there is insufficient trading history for calculation of Beta used in the calculation of WACC.

As at 31 December 2014

Input assumptions:

Market Risk Premium	7.5%	Risk Free Rate Of Return	4.0%
Marginal Tax Rate On Debt	28.0%	Investor Tax Rate On Equity	28.0%

Company	EBITDA Multiple	EBIT Multiple	NPAT Multiple	Equity Beta	D / (D+E) Ratio	WACC
Agriculture & Fishing						
A2 Corporation Limited	NM	NM	NM	1.1	0%	11.1%
Fonterra Shareholders' Fund	33.5	33.5	NM	NM	0%	NM
PGG Wrightson Limited	7.2	7.9	8.2	1.4	22%	11.8%
Sanford Limited	10.6	15.2	20.0	0.6	29%	6.4%
Seeka Kiwifruit Industries Limited	7.0	13.1	14.2	0.8	40%	7.4%
Synlait Milk Limited	14.1	18.6	23.9	NM	25%	NM
Turners & Growers Limited	10.3	16.3	22.9	0.6	41%	6.2%
						8.6%
Building Materials & Construction						
Fletcher Building Limited	9.6	12.9	16.8	1.3	24%	10.6%
Nuplex Industries Limited	7.4	10.5	11.3	1.4	34%	10.4%
Steel & Tube Holdings Limited	9.7	11.9	14.2	1.3	20%	11.0%
Tenon Limited	13.7	21.6	NM	0.6	33%	6.4%
						10.5%
Consumer						
Cavalier Corporation Limited	6.2	9.5	7.2	1.2	59%	8.0%
Comvita Limited	15.6	21.3	26.9	0.5	32%	6.1%
Delegat Group Limited	7.8	9.2	10.9	0.8	25%	7.9%
Energy Mad Limited	NM	NM	NM	NM	34%	NM
Moa Group Ltd	NM	NM	NM	NM	0%	NM
Promisia Integrative Limited	NM	NM	NM	0.4	13%	5.9%
SeaDragon Limited	NM	NM	NM	NM	0%	NM
Trilogy International Limited	13.8	15.6	19.3	0.4	10%	5.7%
						7.4%
Financial						
Heartland New Zealand Limited	NM	NM	14.6	2.0	83%	6.9%
NZX Limited	16.1	17.0	23.7	0.8	1%	8.8%
Pyne Gould Corporation Limited	3.2	3.3	3.3	0.7	0%	8.1%
Tower Limited	10.0	10.5	16.3	0.7	0%	7.9%
						7.2%
Health & Aged Care						
Abano Healthcare Group Limited	9.3	14.8	26.4	0.8	38%	7.6%
BLIS Technologies Limited	NM	NM	NM	0.6	0%	7.1%
Ebos Group Limited	10.7	12.1	16.0	0.7	22%	7.4%
Fisher & Paykel Healthcare Corporation Limited	20.3	24.3	34.4	0.8	3%	8.4%
Metlifecare Limited	13.0	13.2	14.4	1.1	4%	10.8%
Pacific Edge Limited	NM	NM	NM	2.4	0%	21.0%
Ryman Healthcare Limited	19.0	19.8	18.9	1.0	8%	10.0%
Summerset Group Holdings Limited	27.3	28.8	15.6	1.4	49%	9.3%
						9.4%

As at 31 December 2014 contd.

Company	EBITDA Multiple	EBIT Multiple	NPAT Multiple	Equity Beta	D / (D+E) Ratio	WACC
Industrial Products						
Mercer Group Limited	NM	NM	NM	0.9	10%	9.1%
Methven Limited	9.7	13.0	17.1	0.5	22%	6.4%
Scott Technology Limited	13.8	17.8	26.7	0.9	18%	8.8%
Skellerup Holdings Limited	4.9	5.6	6.7	0.6	0%	7.6%
Sealegs Corporation Limited	NM	NM	NM	0.8	0%	8.5%
Wellington Drive Technologies Limited	NM	NM	NM	0.7	32%	7.2%
						7.7%
Information Technology						
Diligent Board Member Services INC	23.5	28.1	45.6	0.8	0%	9.0%
Rakon Limited	NM	NM	NM	1.7	20%	13.6%
SLI Systems Limited	NM	NM	NM	NM	0%	NM
Smartpay Limited	7.9	14.5	14.6	1.4	44%	9.8%
Trade Me Group Limited	13.5	13.9	18.1	1.2	10%	11.4%
Wynyard Group Limited	NM	NM	NM	NM	0%	NM
Xero Limited	NM	NM	NM	1.5	0%	14.4%
						12.6%
Investment						
Barramundi Limited	NM	NM	NM	0.8	0%	8.8%
Hellaby Holdings Limited	13.9	24.4	NM	0.7	18%	7.6%
Infratil Limited	6.3	7.9	4.6	0.8	51%	6.4%
Kingfish Limited	10.7	10.7	10.7	0.6	0%	7.3%
Marlin Global Limited	7.8	7.8	8.1	0.7	0%	8.2%
Rubicon Limited	29.9	NM	NM	0.5	25%	6.3%
Veritas Investments Limited	9.8	9.8	12.7	NM	5%	NM
						6.6%
Leisure & Tourism						
Millennium & Copthorne Hotels New Zealand Limited	6.3	7.4	5.6	0.4	18%	5.8%
SKYCITY Entertainment Group Limited	11.7	16.7	22.9	1.0	24%	9.1%
Tourism Holdings Limited	4.7	12.0	18.2	1.2	29%	10.0%
						8.9%
Media & Telecommunications						
Chorus Limited	5.1	9.3	7.1	1.4	65%	7.2%
Sky Network Television Limited	7.7	11.0	14.2	0.9	14%	9.0%
Spark New Zealand Limited	7.1	10.4	12.5	1.3	11%	11.6%
TeamTalk Limited	30.5	NM	NM	0.6	42%	6.4%
						9.9%

As at 31 December 2014 contd.

Company	EBITDA Multiple	EBIT Multiple	NPAT Multiple	Equity Beta	D / (D+E) Ratio	WACC
Mining						
New Talisman Gold Mines Limited	NM	NM	NM	0.8	0%	8.6%
New Zealand Oil and Gas Limited	3.7	20.0	26.3	1.0	0%	10.2%
						10.2%
Ports						
Auckland International Airport Limited	16.1	18.9	23.3	0.9	23%	8.0%
Marsden Maritime Holdings Limited	13.2	13.3	13.4	0.7	0%	8.1%
Port of Tauranga Limited	18.2	21.4	29.3	0.6	10%	6.9%
South Port New Zealand Limited	9.3	11.7	15.5	0.4	9%	5.7%
						7.7%
Property						
Argosy Property Limited	10.2	10.2	9.3	0.6	36%	6.4%
Augusta Capital Limited	16.7	16.8	22.2	0.6	38%	6.3%
CDL Investments New Zealand Limited	7.2	7.2	9.4	0.5	0%	6.9%
DNZ Property Fund Limited	12.0	12.0	11.6	0.6	34%	6.2%
Goodman Property Trust	13.4	13.4	10.9	0.6	37%	5.8%
Kiwi Property Group Limited	21.3	21.3	22.4	0.7	37%	6.4%
NPT Limited	15.1	15.3	17.5	0.5	29%	6.1%
Precinct Properties New Zealand Limited	12.0	12.0	10.8	0.5	32%	6.1%
Property for Industry Limited	12.7	12.7	14.5	0.5	33%	6.0%
Vital Healthcare Property Trust	13.0	13.0	15.2	0.5	30%	6.0%
						6.1%
Retail						
Briscoe Group Limited	11.7	12.8	17.3	0.7	0%	7.8%
The Colonial Motor Company Limited	7.1	7.9	10.0	0.9	22%	8.4%
Green Cross Health Limited	10.0	11.3	19.1	0.5	4%	6.4%
Hallenstein Glasson Holdings Limited	6.9	9.6	13.0	0.8	0%	9.1%
Kathmandu Holdings Limited	6.9	7.8	10.3	1.7	13%	14.0%
Kirkcaldie & Stains Limited	NM	NM	NM	0.8	58%	6.9%
Michael Hill International Limited	9.3	12.1	16.6	0.9	12%	8.9%
Mowbray Collectables Limited	NM	NM	NM	NM	26%	NM
Pumpkin Patch Limited	NM	NM	NM	1.6	64%	8.9%
Restaurant Brands New Zealand Limited	8.0	11.9	16.5	0.8	2%	8.5%
Smiths City Group Limited	11.7	13.1	4.4	1.4	74%	7.3%
The Warehouse Group Limited	7.8	11.2	13.8	1.2	19%	10.7%
						9.6%

As at 31 December 2014 contd.

Company	EBITDA Multiple	EBIT Multiple	NPAT Multiple	Equity Beta	D / (D+E) Ratio	WACC
Services						
AWF Group Limited	8.5	10.8	13.2	0.5	32%	6.2%
Opus International Consultants Limited	6.8	8.3	9.2	0.7	27%	7.0%
						6.8%
Transport						
Air New Zealand Limited	5.8	12.4	10.6	1.4	39%	9.5%
Freightways Limited	13.0	15.2	21.5	0.9	16%	9.1%
Mainfreight Limited	12.6	15.3	19.5	0.5	15%	6.0%
						8.5%
Utilities						
Contact Energy Limited	10.1	14.4	20.0	0.7	22%	7.3%
Genesis Energy Limited	11.3	23.7	44.1	NM	31%	NM
Horizon Energy Distribution Limited	8.3	13.3	16.8	0.5	34%	6.2%
Meridian Energy Limited	9.9	15.2	19.6	NM	20%	NM
Mighty River Power Limited	10.0	14.0	19.4	NM	23%	NM
NZ Windfarms Limited	12.0	NM	NM	0.6	42%	6.6%
The New Zealand Refining Company Limited	21.5	NM	NM	1.3	29%	10.3%
TrustPower Limited	13.9	16.4	19.4	0.5	35%	5.9%
Vector Limited	9.3	13.1	16.5	0.7	47%	6.0%
Z Energy Limited	14.3	19.5	30.4	NM	19%	NM
						6.7%
Market Weighted Average						8.4%

Disclaimer: The Cost of Capital and Market Multiples is intended as an overview of WACC and Market Multiples as at 31 December 2014. Readers are advised that before acting on any matter arising in this report, they should consult PricewaterhouseCoopers Corporate Finance.

How we can help

Understanding value is fundamental to making informed business decisions, whether for an investment or divestment, change management, understanding performance or satisfying statutory requirements.

We can provide you commercially focused valuation and strategic financial advice

We work with our clients to provide highly specialised and robust advice that is used to support critical management decisions and evaluate business performance.

We have the largest business valuation practice in New Zealand, we provide our client the industry experience, depth of knowledge, and analytical resource to undertake complex and/or time critical assignments.

We deliver

Measurement of value

Independent valuation opinions for transactional purposes, tax, regulatory and accounting.

Value enhancement

Strategic advice to help solve complex issues to deliver enhanced business performance.

Investment analysis

Transaction assessment and financial modelling to understand the real value drivers for key investment decisions.

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