Appreciating Value
New Zealand

Edition five - IPO Survey

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Contents

Welcome to the fifth edition of Appreciating Value

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The positive sentiment of the previous edition of Appreciating Value continues into this edition which incorporates our survey of Initial Public Offerings (IPOs) in the New Zealand market.

After many years of very few IPOs (including none in 2008), 2013 saw a dramatic change with six IPOs raising over $5 billion. Generally the companies that have come to the market in 2012 and 2013 have performed well, trading at a premium both one day and one month after listing. The notable exceptions were Mighty River Power and Meridian Energy which traded at a discount to their respective listing prices after one month.

Over a longer period, the performance of those companies that have listed since 2007 has been more varied, with the standouts in terms of highest annualised returns since listing being Burger Fuel, Diligent and Xero.

Our Deals Update highlights an increase in deals volumes in 2013 and into 2014 with a relatively strong economy and high business confidence underpinning deals volumes.

We welcome your feedback and suggestions of topics for future editions of Appreciating Value.

Survey of IPO activity in the New Zealand market

snapshot

- *After the IPO market effectively closed through the GFC, with no listings in 2008 and only eight in the following four years, 2013 saw a resurgence in IPO activity, with the highest level of capital raised through IPOs for 20 years.*
- *With further activity continuing this year, it is an opportune time to turn the spotlight on the IPO market, and capital raised more generally, to examine drivers, performance and costs over the last six years.*

Introduction

2013 saw a step change in IPO activity in the New Zealand market, with the highest level of capital raised through IPOs for 20 years. We expect IPO activity to continue this year and in this article look back across IPOs and some of the trends and themes they have generated. In order to do so we have established an IPO database, which contains data on over 160 IPOs in New Zealand since 1990. This allows us to compare the number and value of IPOs each year, as well as analyse trends in, for example, quantum of capital raised, performance and costs of listing.

The focus of our review is on IPOs and this analysis does not encompass compliance listings, 'backdoor' listings and demutualisations.

Outlook

The IPO activity since 2009 has been a mixture of companies raising capital to fund growth and existing owners seeking an exit or sell-down.

As companies continue (and in some cases start) to make more decisions based on a positive growth outlook, the IPO market will likely be a strong option for sourcing the required capital. The market's strong appetite will also increase the likelihood of private equity investors turning to the IPO market as an exit mechanism, particularly as many private equity companies have held investments for longer than usual due to the GFC. The appetite from institutional investors is also strong, which has an effect on the success of IPOs. The New Zealand Super Fund, for example, now has over $25 billion in assets with 5% invested in New Zealand equities.

New Zealand Stock Market (NZX)

The last seven years have seen the greatest drop and subsequent recovery in the NZX All Gross Index since 1994. The decline of 38% through 2007 and 2008 had a direct negative impact on the IPO market, with no IPO activity in 2008, and the strong growth of 51% across 2012 and 2013 corresponded to a $3.5bn increase in capital raised through IPOs.

The first graph below illustrates the level of funds raised each year between 1994 and 2013 along with the performance of the NZX All Gross Index.

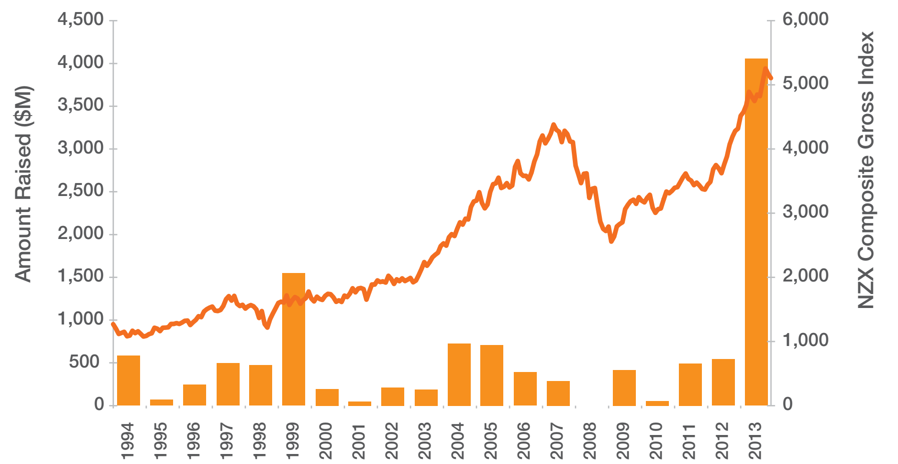
There appears to be little correlation between IPO activity and market performance prior to 2007, but the trend has since been much clearer. Having said that, in a small market like New Zealand, significant IPO activity will directly influence the index, as can be seen in 2013.

This data shows that the performance of the NZX is not necessarily a good predictor for IPO activity. The drivers for the increase in activity are more fundamental, and include economic growth, the low interest rate environment, and lower volatility in the market.

The combination of these factors over the last couple of years sparked investor appetite for higher returns and the IPO activity that ensued was met with strong appetite from the market. The strong appetite led to further investor confidence, cemented by the performance of the IPOs in 2012 and 2013 (in terms of average listing premium and meeting earnings forecasts).

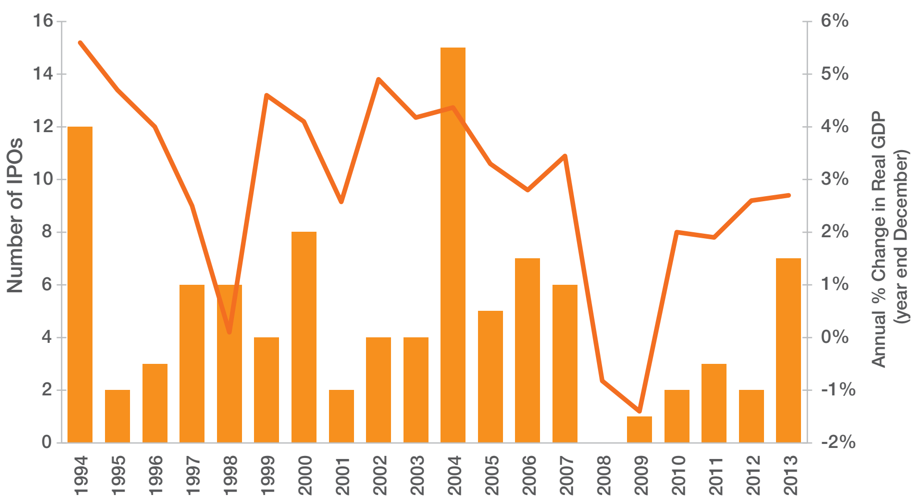
The second graph below illustrates the relationship between GDP growth and IPO activity, with high or increasing growth typically aligning with increases in the number of IPOs, and the sharp decline in 2008 resulting in no IPO activity that year.

Amount Raised vs NZX All Gross Index



Source: PwC analysis and CapitalIQ

Number of IPOs vs NZ annual % change in real GDP



Source: PwC analysis, Statistics New Zealand, and NZX Company Research

2013 saw over $4bn of capital invested into the New Zealand market through IPOs.

Funds raised

Although the charts above indicate very low levels of capital raised through IPO in 2008 and 2010 in particular, the equity market was still called upon to provide capital to listed companies throughout this time.

In 2011, Treasury warned the Government that the domestic sharemarket could not absorb more than $2 billion a year from government share sales. However our analysis indicates that even during the "tough" years (2008-2010) the market was investing $2 billion per year on average. In 2013, over $4 billion was invested in IPOs (including $3.0bn from the Government's asset sales), and a further $2.6 billion was invested through secondary capital raising events. Arguably the "flooding" of the market in 2013 may have impacted demand and therefore suppressed proceeds raised from the IPOs, but investors ultimately still invested over $6.5 billion of capital into the market.

It is interesting to compare these demands on the market for equity with the quantum of funds that have left the NZX. From 2007 to 2012 the aggregate market capitalisation of delistings greatly exceeded the aggregate market capitalisation of IPOs. However, the IPOs in 2013 have more than compensated for the aggregate delistings in the previous six years, demonstrating the willingness from investors to move cash back into equities.

Performance

Listing premium

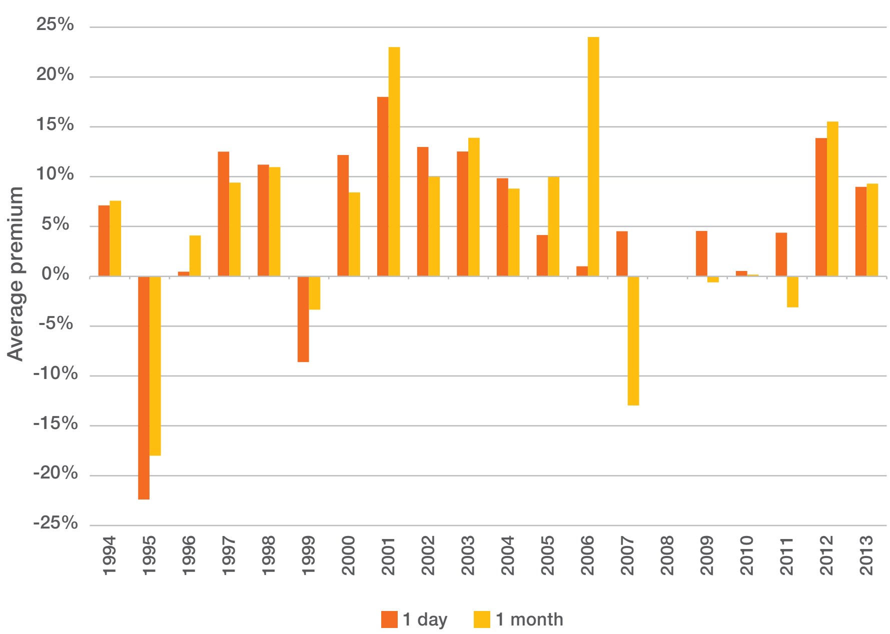
The listing premium (or "stag profit" or "flipping") represents the margin of the listing price over the offer price under the IPO. Listing premiums can vary significantly, and given the relatively small number of IPOs in New Zealand it is difficult to compare average listing premiums year on year as the level of premium or discount is easily influenced by the performance of one or two new listings.

However, it is interesting to see a return to average premium levels not previously seen since 2004. In 2012 the one day listing premium of the Fonterra Shareholders Fund was 25%, while Moa Group and Mykris saw premiums of 3% and 12% respectively. In 2013, Synlait Milk achieved the largest one day premium of 25%, with SLI Systems a close second at 19%. In contrast, Wynyard Group was trading at a discount of 3% at the close of day one, the only company that saw the share price fall from the offer price since 2010. In 2010 Ecoya closed 1% down on offer price.

The positive listing premiums indicate that the IPOs have generally been well priced from the perspective of generating market interest. IPOs tend to be priced at a discount with the intention of generating market interest, and therefore expecting a price increase on day one, but this must be balanced with not leaving value on the table and leaving the company short of the potential capital it could have raised from a higher offer price.

A further positive observation is that the trend of listing premium after one month has returned to a situation where it exceeds the day one listing premium. From 2007 to 2011 the average listing day premium was positive but the average one-month premium was negative or zero (2010). The market appears to have had a change of heart post-listing in each of these years. In 2012, none of the IPOs were trading at a discount after one month, and in 2013 only Mighty River Power and Meridian Energy were down (6% and 2% respectively).

Average premium on listing



Source: PwC analysis, NZX Company Research

Total shareholder return

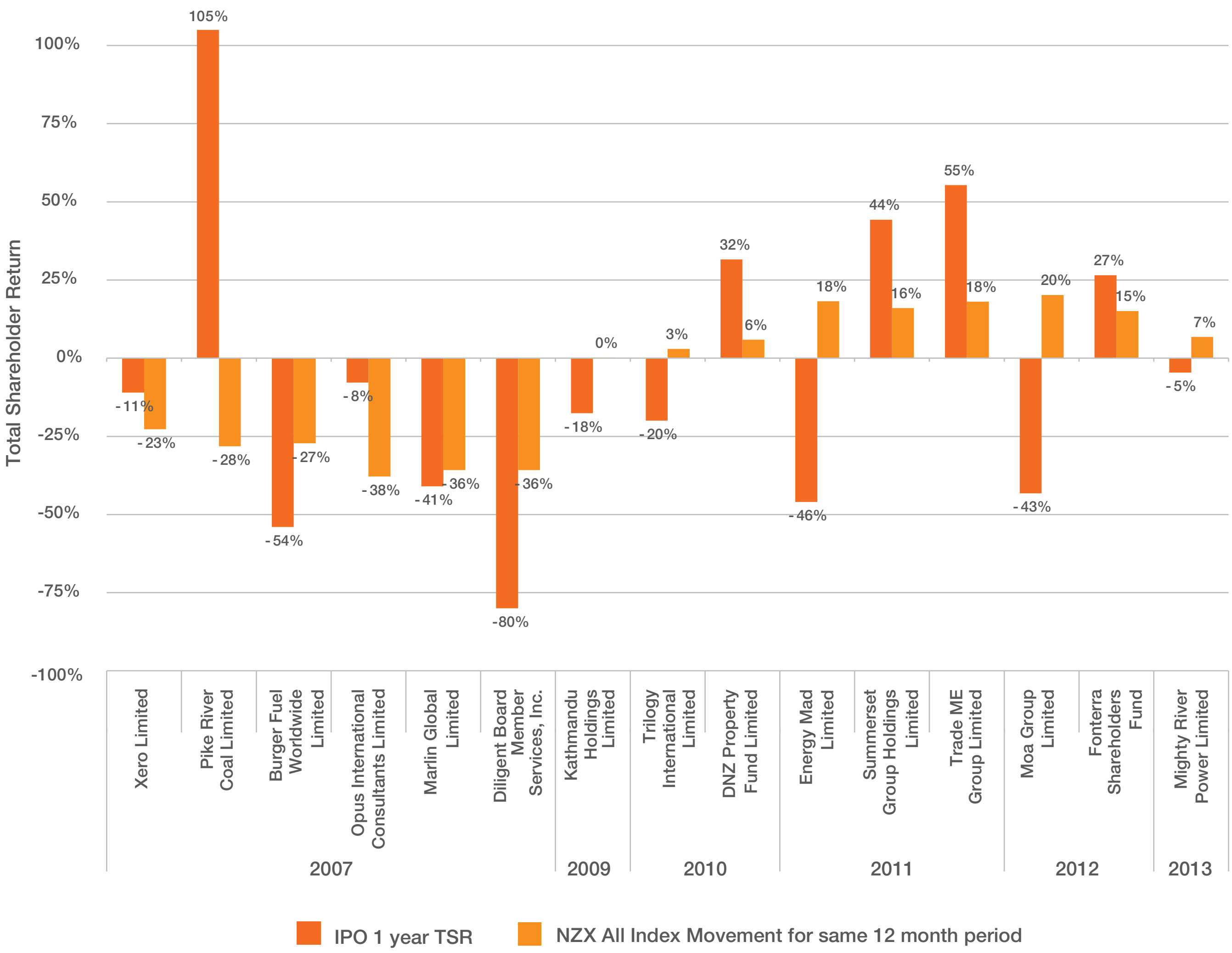
We have compared the total shareholder return (TSR) (comprising capital appreciation from issue price plus dividends) over the 12 month period from initial listing to the NZX All Index return over that same 12 month period.

The chart below presents the TSR of each. Of the 14 IPOs since 2007, half have outperformed the market in their first year of trading. There is no clear trend that indicates a particular year of listing has led to stronger returns of IPOs as there are both 'unders' and 'overs' in each year.

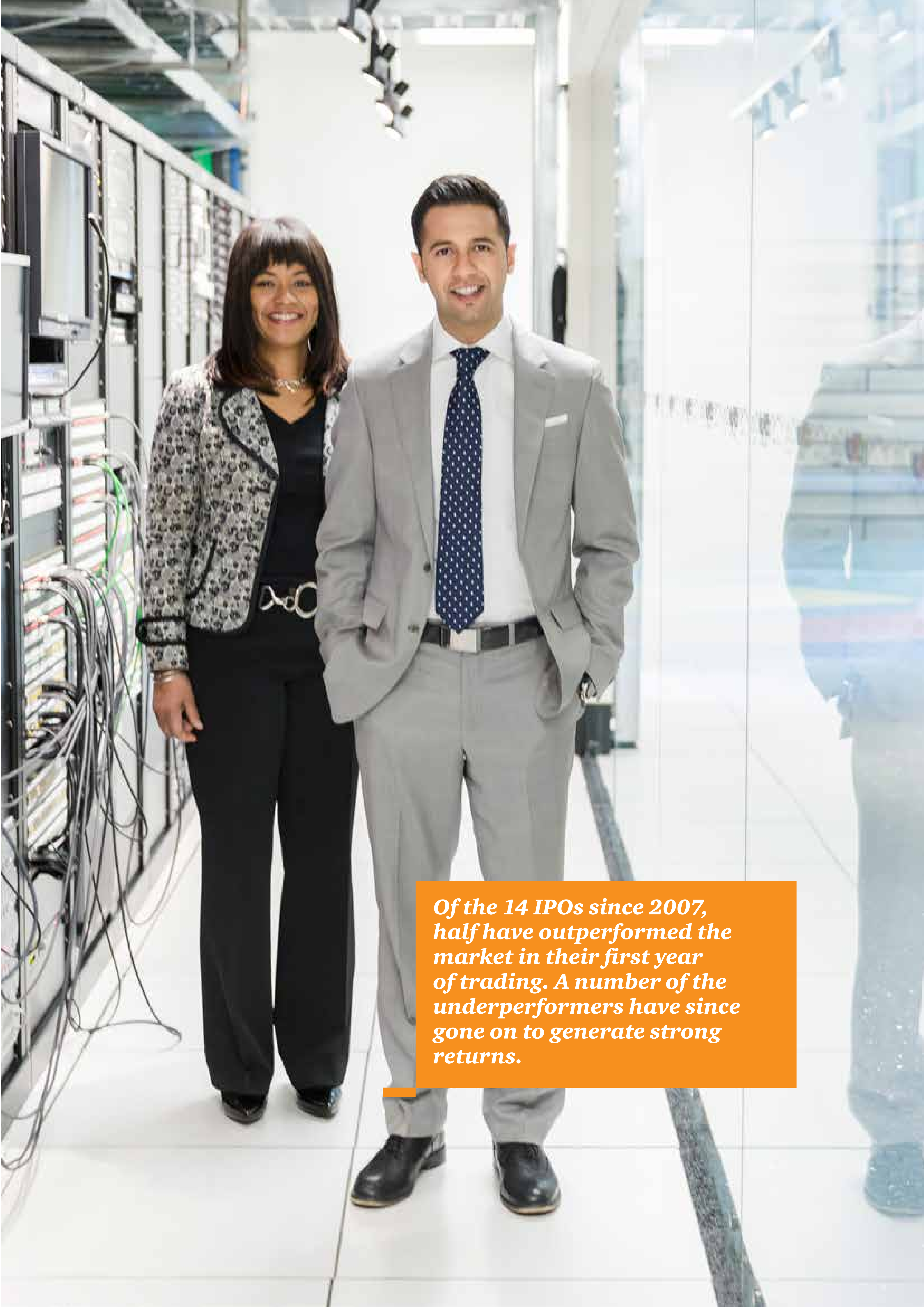
Although Xero outperformed the market in its first year, it made a TSR loss of 11% (the market fell 23% in the same period). Xero's performance since then however, has been outstanding, with a compound annual growth rate of c.72% for over six and a half years to 31 March 2014. The index is down 12% in total over the same six and a half year period.

Other notable uplifts in performance have come from Burger Fuel Worldwide, which was 54% down in its first year but has now earned a TSR of 135% in total (equivalent annual return of c.14%) and Diligent Board Member Services, which was 80% down in its first year but has now earned a TSR of 330% in total (equivalent annual return of c.26%).

IPO Performance in the first year of listing relative to the NZX All Index



Source: PwC analysis, NZX Company Research



Of the 14 IPOs since 2007, half have outperformed the market in their first year of trading. A number of the underperformers have since gone on to generate strong returns.

Performance against prospectus forecast

The table below provides an analysis of actual profitability compared with the year one forecast included in the IPO prospectus (measured by reference to Earnings Before Interest and Tax (EBIT)) for all IPO companies included in our survey. This is particularly interesting from a valuation perspective as forecast earnings are always a key value driver, and the actual results announcements almost always impact share price.

Only two of the six IPOs in 2007 included projections in the prospectuses, Opus International Consultants and Diligent Board Member Services. Post-2007, all prospectuses included forecasts.

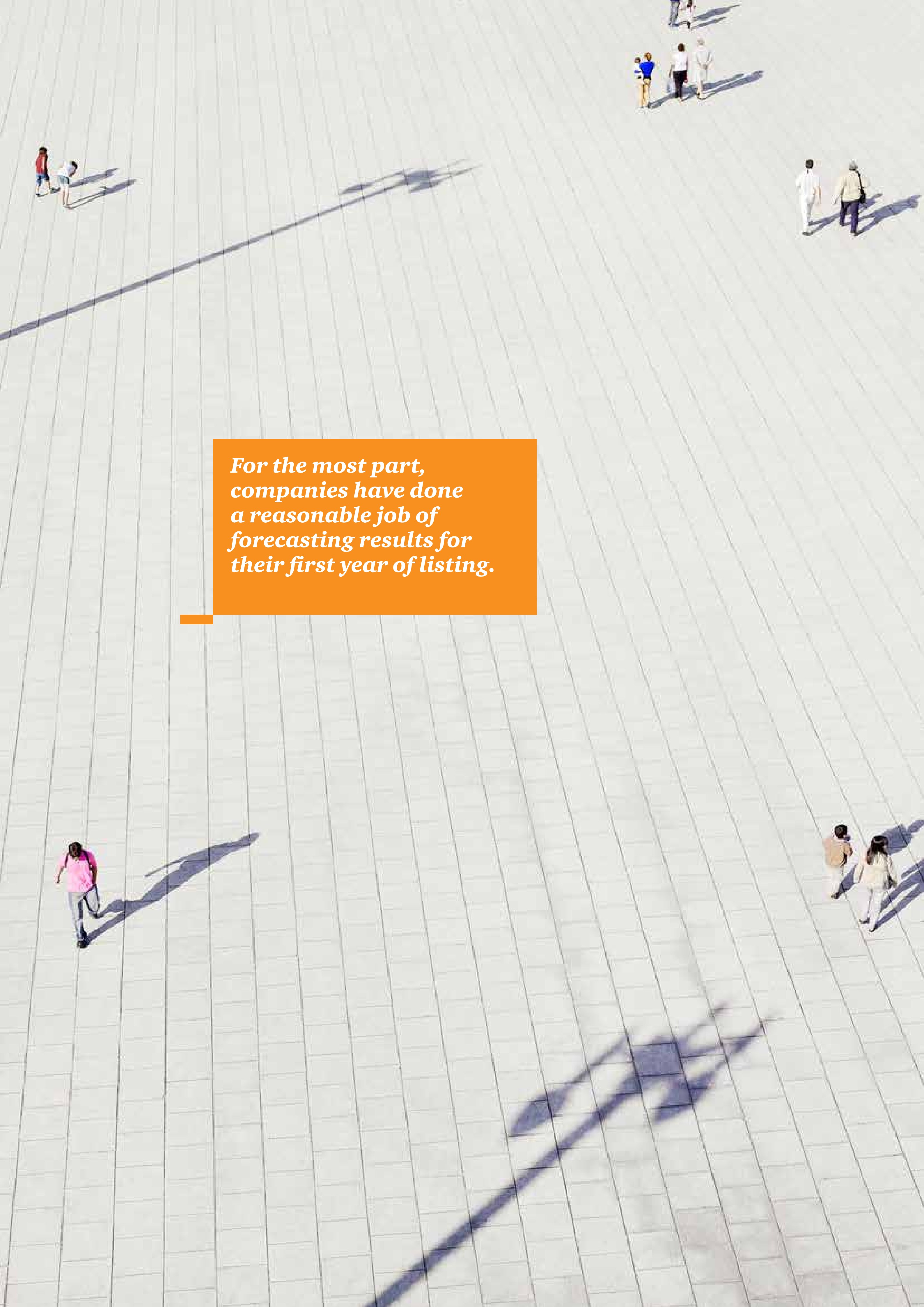
Companies clearly faced challenges in meeting the targets set pre-IPO during the GFC years. In 2012, Moa exceeded its EBIT forecast, albeit that it was a still an operating loss (less of a loss than was forecast). Of the seven IPOs in 2013, five have reported their first full year results post-listing (Mighty River Power, SLI Systems, Wynyard Group, Z Energy and Synlait Milk). All except Wynyard Group and Z Energy have exceeded their EBIT forecasts by between 4% and 12%. Wynyard Group fell short of its EBIT forecast by 20% and Z Energy fell short by 15% based on historical cost measures (but was within 2% using replacement cost measures).

The table illustrates that for the most part, companies have done a reasonable job of forecasting results for their first year of listing. The companies that returned negative TSR in their first 12 months of trading are generally those that did not meet forecasts, or that may have met or exceeded forecasts but are still loss making at an EBIT level.

IPO Firm Performance against Year 1 Prospectus Forecast (EBIT)

Year	*15% or more above*	*Within ± 15%*	*15% or more below*	*Comparative data not available*	*Total IPOs*
2000	2	3	1	2	8
2001	1	-	1	-	2
2002	-	-	2	2	4
2003	-	2	-	2	4
2004	2	7	3	3	15
2005	1	4	-	-	5
2006	-	2	-	5	7
2007	-	1	1	4	6
2008	-	-	-	-	-
2009	-	-	1	-	1
2010	-	1	1	-	2
2011	-	2	1	-	3
2012	1	1	-	-	2
2013	-	3	2	2	7
Total	***7***	***26***	***13***	***20***	***66***
Percentage	*11%*	*39%*	*20%*	*30%*	*100%*

Source: PwC analysis, company annual reports, NZX Company Research



For the most part, companies have done a reasonable job of forecasting results for their first year of listing.

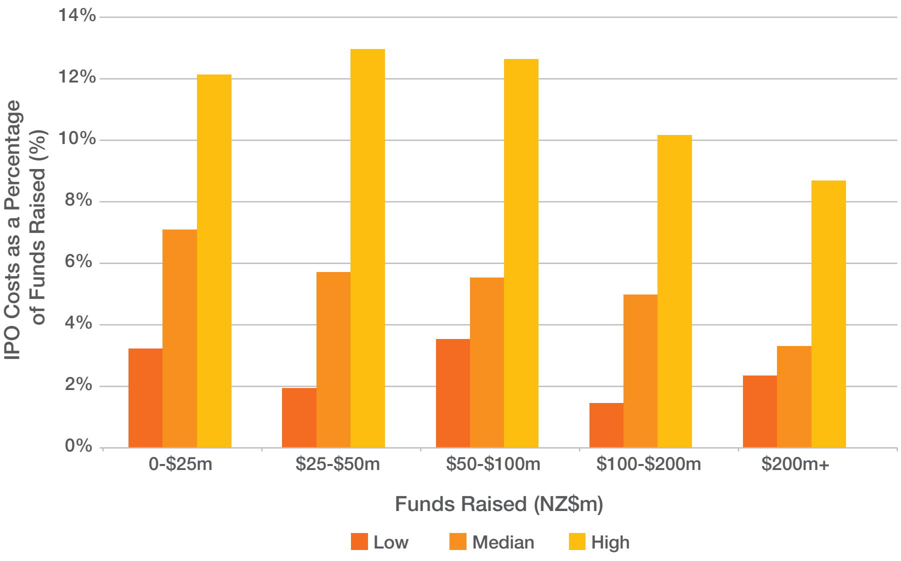
IPO costs

Companies are required to disclose preliminary and issue expenses in their prospectus. In a number of cases where the IPO consists of both a vendor sell-down and an issue of new securities the company will only meet a portion of the costs. The first graph below illustrates IPO costs as a percentage of funds raised for 74 IPOs between 1994 and 2013 analysed by the size of the IPO (where possible, adjustments have been made to include both the vendor's and company's share of the expenses).

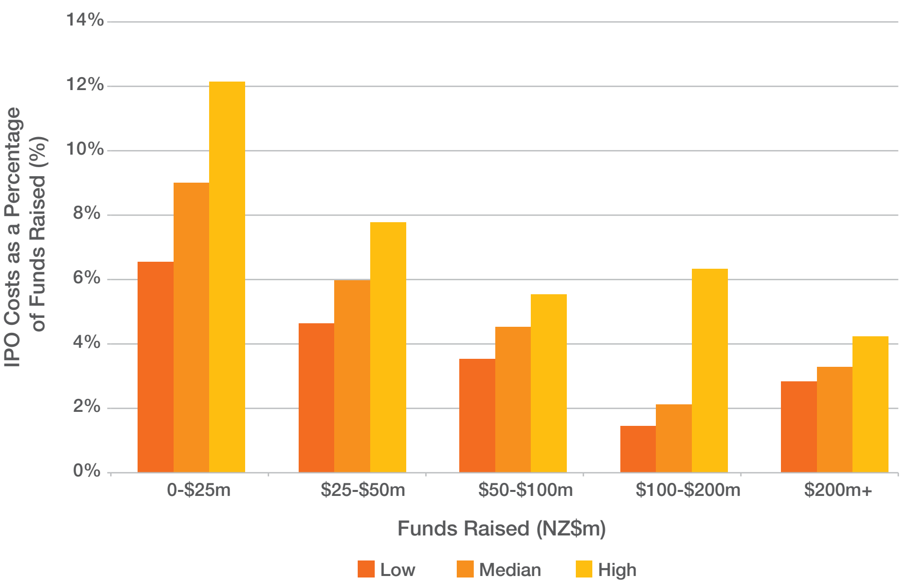
IPO costs as a percentage of funds raised vary considerably between IPOs depending on the total amount of funds raised and whether or not the issue is underwritten. Between 1994 and 2013 the average cost of an IPO as a percentage of funds raised was 6.1%, although there was a fairly wide range of between 1.5% and 13.0%.

The second graph shoes that, generally since 2007 the costs have fallen relative to earlier years.

IPO Costs as a Percentage of Funds Raised (1994-2013)



IPO Costs as a Percentage of Funds Raised (2007-2013)



New Zealand Alternative Market (NZAX)

The NZAX is positioned as a lower cost marketplace, designed for small to medium sized, fast growing businesses seeking to access capital. The NZAX opened on 14 November 2003 with 15 stocks. As of 31 May 2014 there were 20 listed entities. The majority of these companies have joined the NZAX via a compliance listing, rather than an IPO. Under a compliance listing a company with at least 50 existing shareholders is able to list on the NZAX without raising any new capital at the listing date.

Since 2007 there has been only one company that joined the NZAX via an IPO, Burger Fuel Worldwide. As discussed earlier, Burger Fuel Worldwide struggled in its first year of listing but has since made positive returns for shareholders.

The NZX is currently in a consultation stage regarding a new growth market. The intention is to make listing easier for smaller, growth-oriented and ambitious companies needing expansion capital, and to match these with investors who are predisposed to and aware of the risks of investing in smaller, higher-growth companies.

Eventually this new market would replace the NZAX if successful, and the differentiation between the main board and the new market will be greater than that currently between the NZX and NZAX in terms of IPO obligations, ongoing reporting and compliance requirements.

Source: PwC analysis, NZX Company Research, Capital IQ

Listing Date	Company	Ticker	Industry	Funds Raised ($M)	Market Cap on Listing ($M)
2007					
05-Jun-07	Xero Live Ltd	XRO	Software	15.0	60.5
20-Jul-07	Pike River Coal Ltd	PRC	Mining	85.0	204.0
27-Jul-07	Burger Fuel Worldwide Ltd	BFW	Food & Beverages	15.0	60.0
30-Oct-07	Opus International Consultants	OIC	Infrastructure Consultancy	47.8	270.2
01-Nov-07	Marlin Global Ltd	MLN	Investment	103.0	92.7
11-Dec-07	Diligent Board Member Services	DIL	Software	24.0	93.6
2008					
No IPOs					
2009					
13-Nov-09	Kathmandu Holdings Limited	KMD	Textiles & Apparel	417.2	446.0
2010					
03-May-10	Ecoya Limited	TIL	Services	10.1	42.7
16-Aug-10	DNZ Property Fund Limited	DNZ	Property	45.0	242.4
2011					
19-Oct-11	Energy Mad Limited	MAD	Consumer	5.1	39.6
01-Nov-11	Summerset Group Holdings Limited	SUM	Finance & Other Services	123.6	302.9
13-Dec-11	TradeMe Group Limited	TME	Finance & Other Services	363.5	1,147.7
2012					
13-Nov-12	Moa Group Limited	MOA	Food & Beverages	16.0	38.8
30-Nov-12	Fonterra Shareholders' Fund	FSF	Agriculture & Fishing	525.0	653.9
2013					
10-May-13	Mighty River Power Limited	MRP	Energy Processing	1,715.0	3,668.0
31-May-13	SLI Systems Limited	SLI	Finance & Other Services	27.0	103.4
19-Jul-13	Wynyard Group Limited	WYN	Finance & Other Services	65.0	113.9
23-Jul-13	Synlait Milk Limited	SML	Agriculture & Fishing	113.7	401.0
19-Aug-13	Z Energy Limited	ZEL	Energy Processing	840.0	1,464.0
29-Oct-13	Meridian Energy Limited Instalment Receipts	MELCA	Energy / Energy Processing	1,255.9	5,816.2
18-Dec-13	Airwork Holdings Limited	AWK	Aviation and Airport Services	37.5	138.2
NZAX Market					
27-Jul-07	Burger Fuel Worldwide Ltd	BFW	Fast Casual Dining	15.0	60.0

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Deals update

snapshot

- ***Reported New Zealand deal volumes increased 23% in 2013, albeit off a low base.***
- ***Proportion of domestic, inbound, and outbound deals relatively stable.***
- ***Strong NZ economy and business confidence expected to drive further growth in deal volumes in 2014.***

Deal activity

New Zealand deal volumes continued to increase during 2013, with a total of 147 deals reported based on Thomson data. This is up 23% compared to 2012 volumes, but still below the volumes reported in 2010/11, as shown in the chart below.

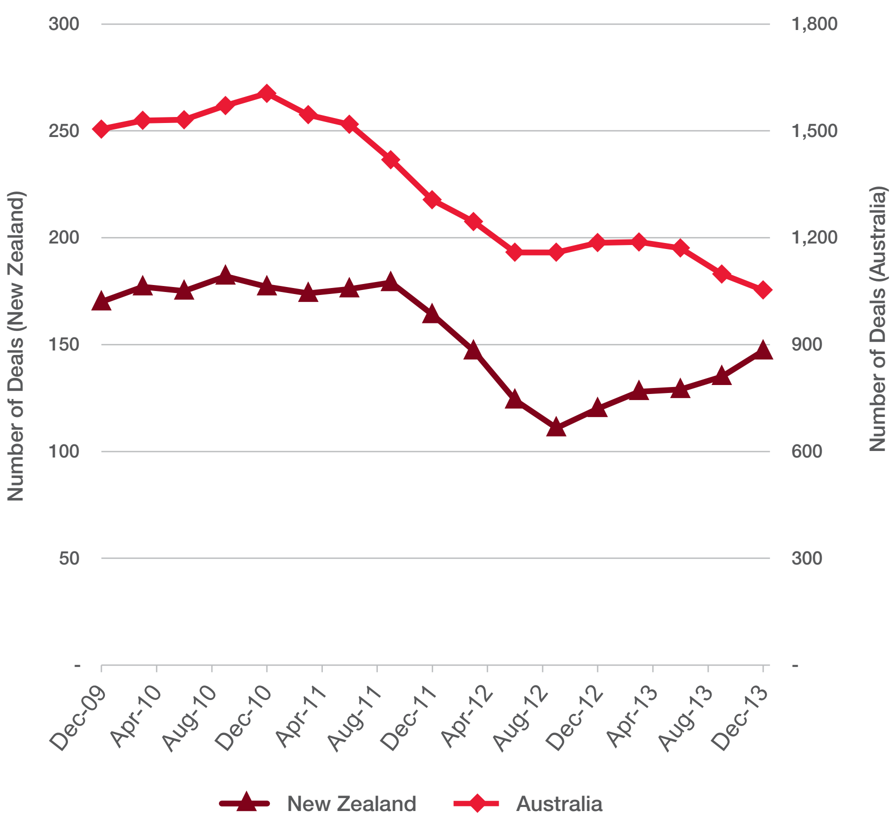
In contrast, deal volumes across the Tasman declined in the last two quarters of 2013, with total deal volumes of 1,053 in 2013, down 11% on 2012, possibly partly due to the federal election that was held in September 2013. Globally, deal volumes were down 5% in 2013 compared to 2012.

The increase in New Zealand deal activity reflects a number of underlying factors including:

- Strong economy, with growth of 2.9% forecast for the March 2014 year rising to 3.6% in the March 2015 year according to NZIER Consensus Forecasts;
- Improved business confidence, with recent ANZ monthly business confidence surveys showing the highest levels of confidence in many years;
- Supportive debt and equity capital markets; and
- Relatively stable legal and regulatory environment making New Zealand an attractive destination for inbound investment.

It is this backdrop that helped to increase New Zealand deal volumes in 2013 while volumes fell in many other markets, and also led HSBC's chief economist for Australia and New Zealand to label New Zealand the "rockstar" economy of 2014.

Rolling Last Twelve Months Deal Activity



Source: Thomson data based on reported date of deals

Activity by deal type (inbound / outbound / domestic)

The proportion of inbound, outbound, and domestic transactions did not change materially in 2013 relative to 2012, with inbound investment accounting for around 36% of reported transactions.

Despite a fall in its own domestic market, Australia-based investment into New Zealand was up 20% in 2013 and remained our largest source of inbound deal volumes, representing 35% of New Zealand's total inbound transactions. In March 2013, new Trans-Tasman investment thresholds came into effect that increased the level at which regulatory approval is required, with the threshold for Australian investment into New Zealand raised from NZ$100m to NZ$477m. This will help support further Trans-Tasman deal activity. Notable Trans-Tasman deals during 2013 included Woolworths' $350m acquisition of Ezibuy (which was below the new thresholds).

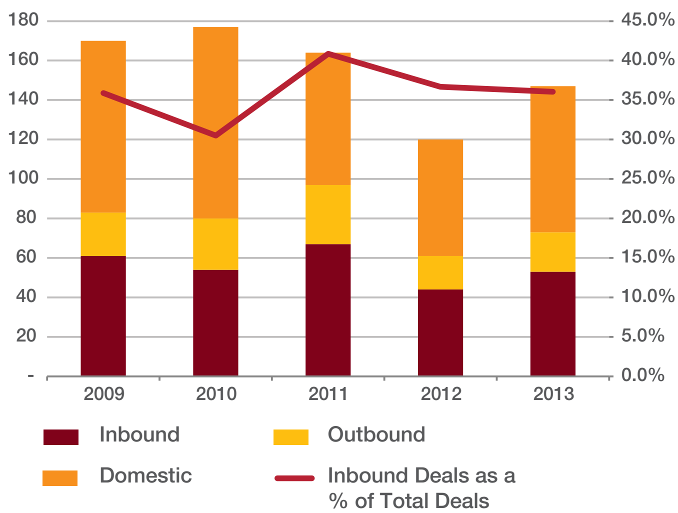
The United States remained our second largest source of inbound investment, with notable transactions including Verifone's acquisition of Eftpos New Zealand and Matson's acquisition of Reef Shipping. The UK was the third largest source of inbound investment by number of deals.

Inbound investment from China increased to four reported deals in 2013, although this included two related transactions by Chinese explosive maker Yahua. Yahua invested in RedBull Powder Co Ltd and RedBull Mining Services Ltd, an Auckland-based manufacturer and supplier of commercial explosives with sales of around NZ$11m. The relatively low level of reported inbound investment from China is surprising given the strong growth in trade since the Free Trade Agreement was signed in 2008, with China recently surpassing Australia as our largest export market. However, we continue to see growing interest in New Zealand by Chinese investors, especially in the Agriculture sector, and expect to see strong growth in inbound China investment over coming years.

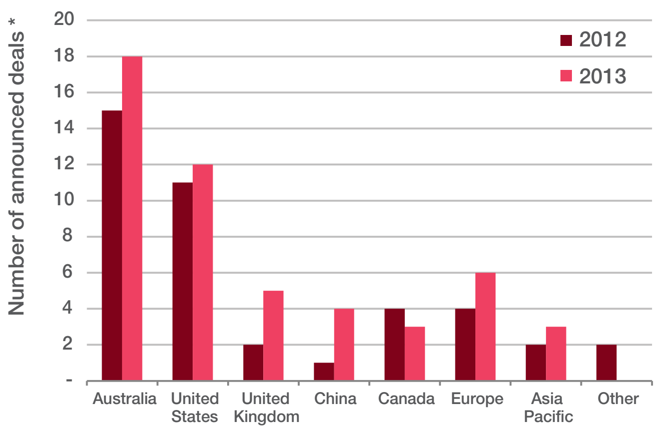
Domestic transactions accounted for around 50% of total announced deals in 2013, broadly in line with prior years. Notable domestic transactions included Hirepool's acquisition of Hirequip, Fidelity Life Assurance's $145m acquisition of Tower's life insurance business, Telecom's $82m acquisition of IT infrastructure hosting provider, Revera, and DPF's merger with PFI. Local private equity funds were active during the period, with notable transactions including Pencarrow's investment in Bell Tea, and Waterman Capital's investment in HealthLink, Academic Colleges Group, and Partners Life.

Outbound investment accounted for 14% of reported deals. Notable deals included EBOS's A$920m acquisition of Symbion, a leading pharmaceutical distributor in Australia, Hellaby Holdings' investment in Contract Resources and Ryde Batteries, and Comvita's acquisition of Organic Olives in Australia.

New Zealand deal type activity by year



Inbound Investor Split



* Excludes unknown
Source: Thomson data based on reported date of deals

Activity by sector

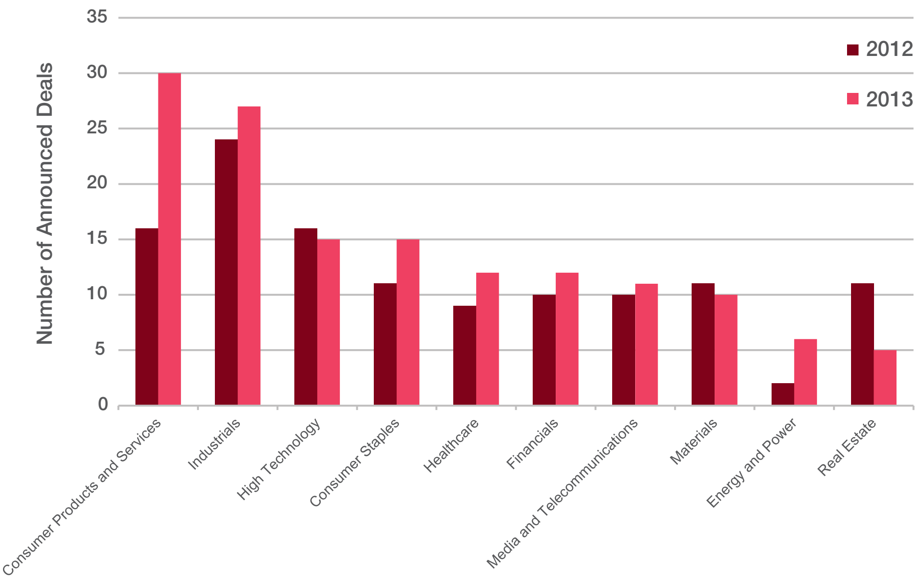
Consumer Products and Services and Industrials were the two most active sectors, accounting for 20% and 18% of 2013 deal volumes respectively. Consumer Products and Services deals almost doubled in volume, and included a wide mix of transaction types, including inbound trade (e.g. Gate Gourmet acquiring Pacific Flight Catering), domestic trade (e.g. Hirepool acquiring Hirequip – which is classified as Consumer Products and Services in the Thomson data) and private equity (e.g. Pencarrow acquiring Bell Tea). Industrials deal volumes were up by 13%.

We note that a large number of transactions were Agriculture-related, which is not reflected in Thomson's standard industry classifications. For example, Riverside Company invested in Simcro Limited, a designer and manufacturer of animal health-delivery systems, that was classified as "Healthcare" in the Thomson data. A number of the Industrials and Consumer Products and Services transactions were also Agriculture related.

Outlook

We expect deal activity to increase further in 2014 driven by the strong New Zealand economy, significantly improved business confidence, and supportive debt markets. Inbound investment from China will increase, with Beijing Capital Group's announced $950m acquisition of Transpacific Industries in March 2014 an example of strong interest in New Zealand assets.

Sector analysis



Source: Thomson data based on reported date of deals

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Despite a fall in its own domestic market, Australian based investment into New Zealand was up 20% in 2013 and remained our largest source of inbound deal volumes.

Cost of Capital and Market Multiples

Following are observed Market Multiples and estimated Cost of Capital as at 31 December 2013 for selected New Zealand listed companies.

The Cost of Capital and Market Multiples is intended as an overview of WACC and Market Multiples as at 31 December 2013. Readers are advised that before acting on any matter arising in this report, they should consult PricewaterhouseCoopers Corporate Finance.

We have revised the industry categories this edition and these differ from earlier editions. 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 2013

Input assumptions:

Market Risk Premium	7.5%	Risk Free Rate Of Return	5.0%
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	1.3	0%	13.5%
PGG Wrightson Limited	NM	NM	NM	1.6	26%	12.9%
Sanford Limited	11.2	16.2	21.4	0.5	28%	6.7%
Seeka Kiwifruit Industries Limited	18.0	NM	NM	0.7	44%	7.6%
Turners & Growers Limited	26.0	NM	NM	0.6	41%	6.9%
						10.0%
Building Materials & Construction						
Fletcher Building Limited	10.0	14.0	17.9	1.4	24%	11.6%
Nuplex Industries Limited	8.7	12.3	15.7	2.3	30%	16.3%
Steel & Tube Holdings Limited	10.6	13.1	17.2	1.2	9%	12.1%
Tenon Limited	30.6	NM	NM	0.9	40%	8.4%
						11.5%
Consumer						
Cavalier Corporation Limited	14.6	30.4	38.9	2.0	34%	14.5%
Comvita Limited	14.2	19.4	27.2	0.5	25%	6.7%
Delegat's Group Limited	6.7	7.9	9.2	0.7	27%	7.8%
Energy Mad Limited	NM	NM	NM	NM	0%	NM
Trilogy International Limited	34.3	NM	NM	0.4	14%	6.5%
						8.9%
Financial						
Dorchester Pacific Limited	44.5	NM	29.8	0.9	12%	9.9%
Heartland New Zealand Limited	NM	NM	48.3	NM	86%	NM
NZX Limited	16.4	17.8	24.3	0.8	3%	9.5%
Pyne Gould Corporation Limited	2.2	2.2	2.3	0.7	1%	9.1%
Tower Limited	8.8	9.1	10.6	1.0	19%	9.8%
						9.6%
Health & Aged Care						
Abano Healthcare Group Limited	8.7	14.7	32.6	0.9	42%	8.6%
Acurity Health Group Ltd	7.6	12.8	12.6	0.6	28%	7.3%
BLIS Technologies Limited	NM	NM	NM	1.6	0%	15.9%
Ebos Group Limited	31.0	34.9	NM	0.5	21%	6.7%
Fisher & Paykel Healthcare Corporation Limited	14.3	17.2	24.0	0.7	7%	8.5%
Metlifecare Limited	7.1	7.2	6.9	1.7	6%	15.5%
Pacific Edge Limited	NM	NM	NM	2.3	0%	20.7%
Ryman Healthcare Limited	23.4	24.6	26.7	1.2	6%	11.8%
Summerset Group Holdings Limited	41.4	44.2	32.5	NM	39%	NM
						10.7%

As at 31 December 2013 contd.

Company	EBITDA Multiple	EBIT Multiple	NPAT Multiple	Equity Beta	D / (D+E) Ratio	WACC
Industrial Products						
Mercer Group Limited	20.6	31.1	NM	0.4	14%	6.5%
Methven Limited	8.8	11.6	16.7	0.8	15%	8.7%
Scott Technology Limited	9.5	11.0	14.3	1.3	0%	13.1%
Skellerup Holdings Limited	10.3	12.8	17.5	0.8	4%	9.1%
Sealegs Corporation Limited	NM	NM	NM	1.5	0%	14.5%
Wellington Drive Technologies Limited	NM	NM	NM	0.7	0%	8.9%
						9.5%
Information Technology						
Diligent Board Member Services INC	17.7	19.3	28.7	0.7	1%	8.8%
Rakon Limited	NM	NM	NM	1.7	51%	11.3%
Smartpay Limited	19.8	NM	NM	0.5	33%	6.9%
Trade Me Group Limited	14.6	15.5	20.5	NM	9%	NM
Xero Limited	NM	NM	NM	1.3	0%	13.5%
						13.0%
Investment						
Barramundi Limited	4.6	4.6	4.9	1.3	0%	13.3%
Hellaby Holdings Limited	10.3	13.2	16.6	1.4	16%	12.9%
Infratil Limited	6.8	8.6	5.1	0.8	54%	7.4%
Kingfish Limited	5.0	5.0	5.0	1.1	0%	11.6%
Marlin Global Limited	8.8	8.8	9.1	0.8	0%	9.8%
Rubicon Limited	NM	NM	NM	0.8	28%	8.6%
						8.0%
Leisure & Tourism						
Millennium & Copthorne Hotels New Zealand Limited	7.7	8.7	7.0	0.5	18%	6.7%
SKYCITY Entertainment Group Limited	9.7	12.9	16.9	1.2	23%	11.1%
Tourism Holdings Limited	4.1	17.5	27.2	1.7	55%	10.5%
						10.5%
Media & Telecommunications						
Chorus Limited	4.2	7.3	3.3	NM	77%	NM
Sky Network Television Limited	8.1	12.7	16.6	0.9	18%	9.5%
Telecom Corporation of New Zealand Limited	6.0	16.0	17.8	1.1	19%	10.6%
TeamTalk Limited	7.6	14.1	17.4	0.5	35%	7.0%
						10.2%
Mining						
New Talisman Gold Mines Limited	NM	NM	NM	0.7	0%	8.8%
New Zealand Oil and Gas Limited	4.8	10.2	13.0	0.9	0%	10.1%
						10.1%

As at 31 December 2013 contd.

Company	EBITDA Multiple	EBIT Multiple	NPAT Multiple	Equity Beta	D / (D+E) Ratio	WACC
Ports						
Auckland International Airport Limited	16.1	19.4	26.2	0.8	20%	8.7%
Lyttelton Port Company Limited	8.0	12.5	18.2	0.4	10%	6.4%
Northland Port Corporation (NZ) Limited	15.6	15.7	17.2	0.5	0%	7.1%
Port of Tauranga Limited	12.4	14.0	16.4	0.7	11%	8.3%
South Port New Zealand Limited	7.5	9.5	12.7	0.5	7%	7.0%
						8.5%
Property						
Argosy Property Limited	15.6	15.6	11.1	0.8	36%	7.9%
Augusta Capital Limited	12.3	12.3	11.5	0.6	36%	7.5%
CDL Investments New Zealand Limited	10.4	10.4	13.7	0.9	0%	10.4%
DNZ Property Fund Limited	9.6	9.6	8.7	0.6	38%	7.1%
Goodman Property Trust	13.3	13.3	10.7	0.6	39%	6.8%
Kiwi Income Property Trust	11.7	11.7	7.6	0.6	45%	6.8%
NPT Limited	3.7	3.7	3.4	0.5	16%	7.3%
Precinct Properties New Zealand Limited	12.1	12.1	6.7	0.6	37%	6.7%
Property for Industry Limited	15.3	15.3	16.7	0.4	21%	6.5%
Vital Healthcare Property Trust	10.7	10.7	11.9	0.5	35%	6.8%
						7.0%
Retail						
Briscoe Group Limited	10.6	11.9	16.1	0.9	0%	10.7%
The Colonial Motor Company Limited	7.5	8.6	10.8	0.6	25%	7.2%
Hallenstein Glasson Holdings Limited	7.1	9.2	12.3	1.0	0%	11.0%
Kathmandu Holdings Limited	10.4	11.9	15.9	1.7	6%	16.1%
Kirkcaldie & Stains Limited	NM	NM	NM	0.8	54%	7.5%
Michael Hill International Limited	8.9	11.3	13.3	1.0	6%	10.8%
Mowbray Collectables Limited	NM	NM	NM	NM	11%	NM
Green Cross Health Limited	9.3	10.0	11.4	0.7	8%	8.3%
Postie Plus Group Limited	NM	NM	NM	1.6	78%	8.6%
Pumpkin Patch Limited	10.8	16.5	29.7	1.6	26%	13.1%
Restaurant Brands New Zealand Limited	6.9	10.7	14.5	0.6	4%	7.7%
Renaissance Corporation Limited	NM	NM	NM	2.3	31%	16.4%
Smiths City Group Limited	12.4	14.5	5.6	1.3	73%	8.0%
Turners Auctions Limited	9.8	11.2	15.1	0.7	25%	7.8%
The Warehouse Group Limited	6.1	7.6	8.0	1.2	17%	11.5%
						11.3%

As at 31 December 2013 contd.

Company	EBITDA Multiple	EBIT Multiple	NPAT Multiple	Equity Beta	D / (D+E) Ratio	WACC
Services						
AWF Group Limited	10.0	11.5	16.9	0.4	1%	6.2%
Opus International Consultants Limited	10.4	12.4	13.8	0.8	15%	9.1%
						8.6%
Transport						
Air New Zealand Limited	5.2	12.7	9.9	1.6	47%	10.4%
Freightways Limited	11.5	13.5	18.0	0.8	19%	8.9%
Mainfreight Limited	10.2	12.4	14.8	0.9	19%	9.5%
						9.9%
Utilities						
Contact Energy Limited	10.5	16.6	18.9	0.9	27%	8.7%
Horizon Energy Distribution Limited	11.9	24.2	23.6	0.5	31%	6.9%
NZ Windfarms Limited	NM	NM	NM	0.5	33%	7.0%
The New Zealand Refining Company Limited	5.5	12.1	14.3	0.8	17%	9.1%
TrustPower Limited	10.8	13.7	15.6	0.5	36%	6.7%
Vector Limited	8.4	11.4	12.6	0.7	50%	6.6%
Z Energy Limited	7.5	8.8	8.8	NM	24%	NM
Meridian Energy Limited	5.1	7.1	9.0	NM	31%	NM
Mighty River Power Limited	11.1	17.4	25.8	NM	30%	NM
						7.5%
Market Weighted Average						**9.5%**

Disclaimer: The Cost of Capital and Market Multiples is intended as an overview of WACC and Market Multiples as at 31 December 2013.
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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