

19 November 2019

Australia

EQUITIES

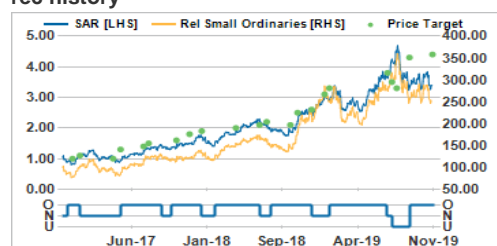
SAR AU Outperform
Price (at 15:34, 18 Nov 2019 GMT) A\$3.39

Valuation	A\$	2.60
- DCF (WACC 2.5%, beta 0.1, ERP 5.0%, RFR 2.2%)		
12-month target	A\$	4.40
12-month TSR	%	+31.4
Volatility Index		High
GICS sector		Materials
Market cap	A\$m	2,824
30-day avg turnover	A\$m	22.7
Number shares on issue	m	833.1

Investment fundamentals

Year end 30 Jun		2019A	2020E	2021E	2022E
Revenue	m	555.6	988.1	1,298.6	1,377.0
EBIT	m	130.9	309.9	446.8	479.7
Reported profit	m	92.5	211.1	301.3	330.2
Adjusted profit	m	93.4	211.1	301.3	330.2
Gross cashflow	m	181.7	380.9	486.4	517.8
CFPS	¢	21.9	34.0	43.4	46.2
CFPS growth	%	10.9	55.6	27.7	6.5
EPS adj	¢	11.2	18.8	26.9	29.5
EPS adj growth	%	39.9	67.7	42.7	9.6
PER adj	x	30.2	18.0	12.6	11.5
PER rel	x	1.53	1.04	0.84	0.86
Total DPS	¢	0.0	2.0	8.0	8.0
Total div yield	%	0.0	0.6	2.4	2.4
Franking	%	nmf	100	100	100
ROA	%	21.7	21.7	19.4	18.7
ROE	%	21.4	21.4	18.9	18.0
EV/EBITDA	x	12.1	7.5	5.7	5.4
Net debt/equity	%	-23.9	8.1	-6.1	-21.1

SAR AU rel Small Ordinaries performance, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, November 2019

(all figures in AUD unless noted)

Analysts

Macquarie Securities (Australia) Limited



Ben Crowley +61 8 9224 0839
ben.crowley@macquarie.com



Hayden Bairstow +61 8 9224 0838
hayden.bairstow@macquarie.com



Andrew Bowler +61 8 9224 0846
andrew.bowler@macquarie.com



Jon Scholtz +61 8 9224 0705
jon.scholtz@macquarie.com



Brad Seward +61 8 9224 0909
brad.seward@macquarie.com

Saracen Mineral Holdings (SAR AU)

Stepping up to the plate

Key points

- ▶ SAR has entered a binding agreement to acquire ABX's half of the Super Pit in Western Australia for US\$750m.
- ▶ In our view the extension of SAR's production growth trajectory out to FY25 will be a key catalyst to SAR's continued share price appreciation.
- ▶ With inclusion into the ASX 100 now likely we believe SAR could also see a positive re-rate of its NAV premium in line with other ASX 100 producers.

Event

- SAR has announced that it has entered into a binding agreement with Barrick Gold (ABX CN, Not Rated) to acquire a 50% interest in the Super Pit near Kalgoorlie, WA for US\$750m. Newmont Goldcorp (NEM US, Not rated) will be SAR 50:50 JV partner and operator of the asset.

Impact

- **Debt and equity funding for big scale asset:** SAR will fund the acquisition with an A\$398m equity raise (13% discount to last close) and A\$400m of debt from a new A\$500m facility. The Super Pit has reserves of 190Mt of ore (100% basis) at 1.2g/t for 7.3Moz and a ~13Mtpa processing capacity with a nominal reserve life of ~15 years. Over the previous 5 years the operation has averaged production of 662kozpa (100% basis) at an AISC of A\$1,098/oz.
- **Maintaining the growth trajectory:** We see production growth as a key driver of SAR's share price. On our base case the Super Pit's return to full production in 2023 extends SAR's growth trajectory 2 years to nearly 800koz in FY25. Similarly, with inclusion into the ASX 100 now likely we believe SAR could see a positive re-rate of its NAV premium in line with other ASX 100 producers.

Earnings and target price revision

- The Super Pit acquisition funding adds ~32% additional equity dilution. Softer near-term group costs due to the impact of the wall slip at the Super Pit reduces EPS by 18%, 7% and 7% in FY20-22 with meaningful upgrades (13-59%) in FY23-26. The NAV accretion of the acquisition slightly outweighs short-term CFPS reductions to lift our TP 2% to A\$4.40/sh.

Price catalyst

- 12-month price target: A\$4.40 based on a Blend of 50% 1.6x NAV and 50% 10x CFPS methodology.
- Catalyst: The updated outlook for the Super Pit, expected in December 2019, will be important to add clarity to the assets medium-term outlook.

Action and recommendation

- **Maintain Outperform.** A transformative transaction for SAR with the company's base case now exceeding +600kozpa from three Western Australian operations. With 7Moz in reserves and a nominal 15-year mine life the Super Pit adds production longevity to the SAR group as well as a growth trajectory that extends to FY25. Similarly, we value the asset as accretive on our 1.6x NAV assumption while we believe an inclusion into the ASX 100 could also drive a positive re-rate of the stock.

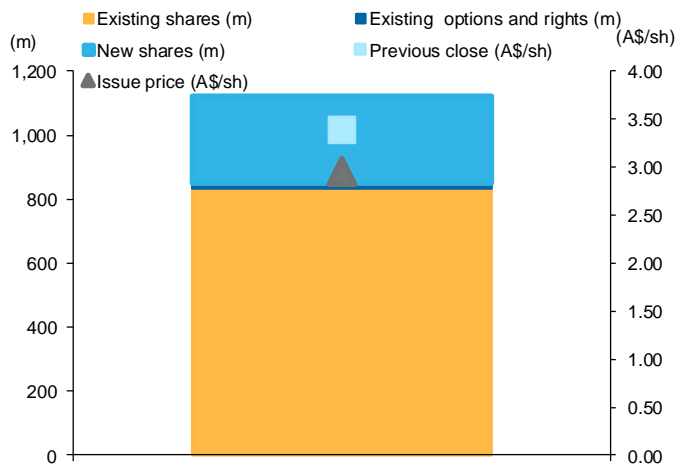
Stepping up to the plate

- SAR has announced that it has entered into a binding agreement with Barrick Gold (ABX CN, Not Rated) to acquire a 50% interest in the Kalgoorlie Consolidated Gold Mines Joint Venture (KCGM JV) for US\$750m. The KCGM JV owns and operates the Super Pit gold mine in Kalgoorlie Western Australia with Newmont Goldcorp (NEM US, Not rated) to be SAR 50:50 JV partner and operator of the asset. SAR expects the acquisition (pending WA Ministerial approval) to be complete in late November/early December.
- We note that while NEM is the current operator of the asset, 50:50 JV management may be reinstated after a 6-month notice period which can occur after 1 May 2020.

Debt and equity funding blend

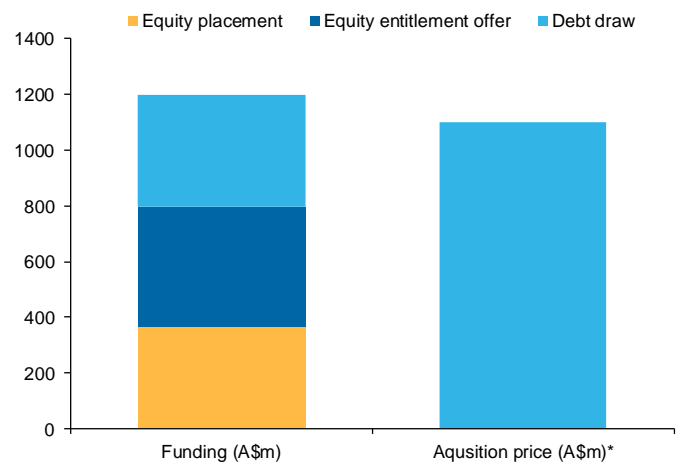
- SAR will fund the acquisition with a blend of equity and debt. Equity will be sourced from a A\$369m underwritten institutional placement and a A\$427m accelerated non-renounceable entitlement offer representing ~32.4% of SAR existing share capital. The raising price of A\$2.95/sh is a 13% discount to SAR last trade price of A\$3.39/sh.

Fig 1 SAR will issue ~32% more scrip at a 13% discount to the latest close



Source: SAR, Macquarie Research, November 2019

Fig 2 SAR's proposed funding breakdown. *US\$/A\$=0.68



Source: SAR, Macquarie Research, November 2019

- The balance will be funded from A\$400m of debt derived from an A\$500m senior secured facility. The A\$500m facility consists of an A\$450m term facility (maturity of 31 Dec 2022), a 3-year A\$45m revolving corporate facility and A\$5m contingent instrument facility. SAR expects pro forma net debt to be ~A\$204m following the transaction while we model net debt of ~A\$177m at 2QFY20 end following Carosue Dam's and Thunderbox's cash flows as well as ~1 month of contribution from the Super Pit.

Super pit brings super scale

- The Super Pit has reserves of 190Mt of ore (100% basis) at 1.2g/t for 7.3Moz with resources of 270Mt at 1.3g/t for 11.7Moz. The processing facility has a ~13Mtpa processing capacity leading to a nominal reserve life of ~15 years. Over the previous 5 years the operation has averaged production of 662kozpa (100% basis) at an AISC of A\$1,098/oz.

Modest mid-term outlook due to 2018 pit wall failure

- The super pit produced 490koz (100% basis) at an AISC of A\$1,470 in FY19 following the impact from the east wall pit failure that occurred in May 2018. The pit failure cut access to the Y-ramp affecting pit access as well as creating an exclusion zone that encompasses high-grade material.

Fig 3 The east wall pit failure showing remediation areas and current exclusion zone



Source: SAR, November 2019

- The pit failure has subsequently resulted in reduced mining volumes, bench widths and grades which has driven stockpile feed to the mill to grow from 0% to 44%. SAR expects FY20 production and costs to be similar to FY19 which we believe is likely a result of the ongoing corporate approvals for the failure's remediation work which will likely affect the outlook.

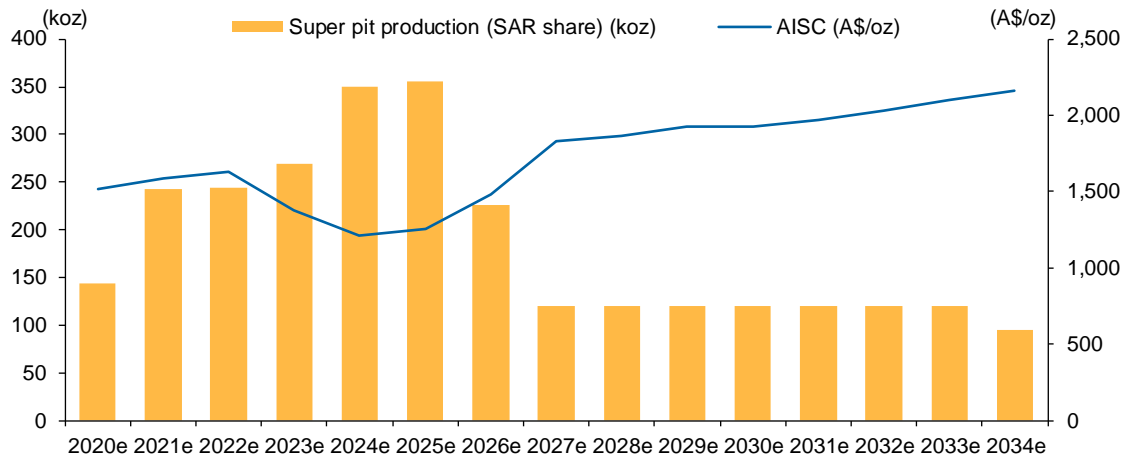
More precise outlook expected shortly

- SAR noted on the conference call that it expected the east wall failure remediation work to take ~3.5 years to complete. SAR's view is that production and costs over this remediation period are likely to be similar to the constrained outcomes of FY19 of with ~490koz (100% basis) at an AISC of A\$1,470.
- Saracen also commented that it expects the operation to return to a run-rate broadly similar to the 4 years preceding the slip which averaged 705kozpa at A\$1,034/oz. NEM is expected to provide a longer-term outlook for the Super pit in December 2019.

Short-term mundane for long-term gain

- Our outlook for the Super Pit is based on SAR's comments on the conference call (see previous section) which outlined broadly flat YoY production and costs over the next 3 years followed by a return to the ~700kozpa (100% basis) at ~A\$1,050/oz seen in the years preceding the slip. Post the depletion of the in-situ stocks in FY26 we then model a reduced production rate with higher AISC which reflects lower-grade stockpile processing and adjustments for general inflation.
- With SAR noting that it expects the transaction to complete in late November/early December 2019 we model a full 2HFY20 contribution from the Super Pit as well as December 2019 in 2QFY19.

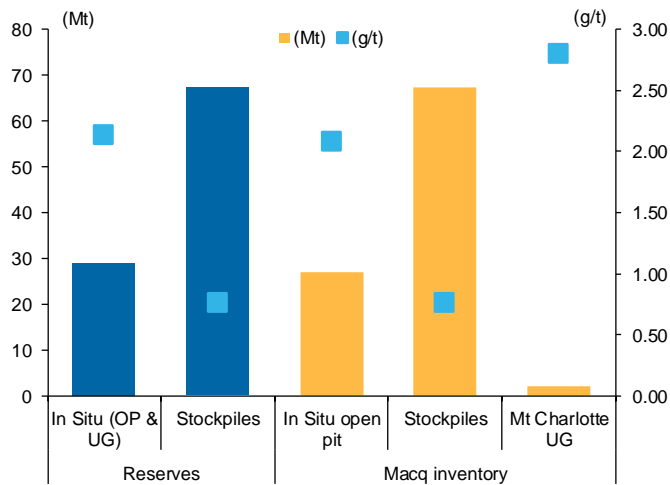
Fig 4 Our outlook is based on SAR’s commentary and the existing reserves including stockpiles



Source: Macquarie Research, November 2019

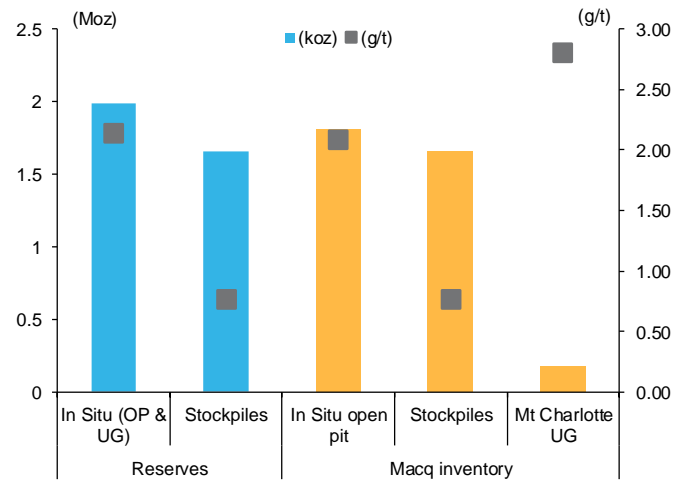
- We assume a mining inventory for the Super Pit (SAR share) that is broadly in line with the latest NI 43-101 reserve (96.3Mt at 1.18g/t for 3.7Moz) from December 2018 while adjusting for modest depletions over CY19. We note that of this reserve ~70% of the tonnes and 45% of the ounces are from stockpiles of 67.3Mt at 0.77g/t for 1.7Moz of gold.

Fig 5 Attributable (50%) Reserves vs Macq inventory on a tonne basis



Source: SAR, Macquarie Research, November 2019

Fig 6 Attributable (50%) Reserves vs Macq inventory on a ounce basis

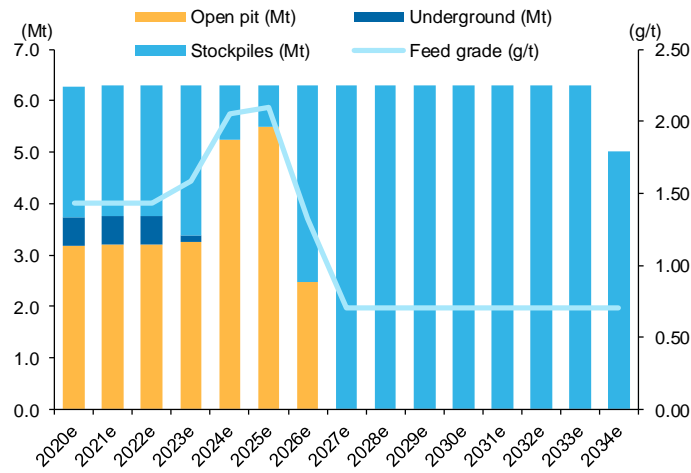


Source: SAR, Macquarie Research, November 2019

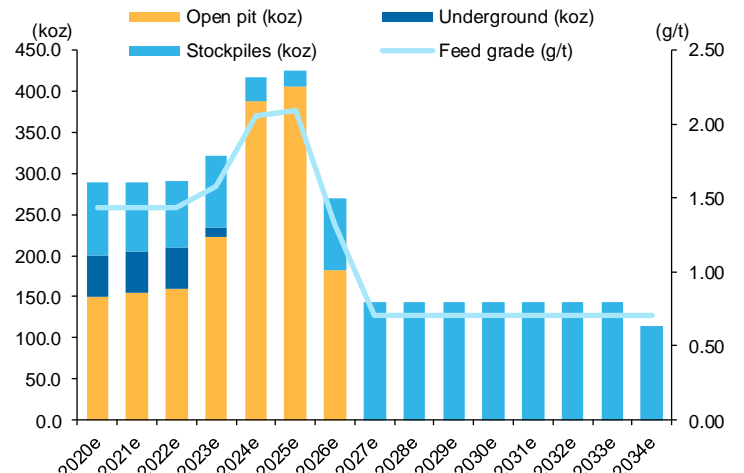
- While our mining inventory assumes the same tonnes and ounces as the Dec-2018 reserve estimate we have split out a notional inventory for the Mt Charlotte underground mine of 2Mt (50% basis) at 2.8g/t, for an underground mine life of ~2.5 years.

Fig 7 Super Pit processing feed by tonnes (SAR share)

Fig 8 Super Pit processing feed by ounces (SAR share)



Source: SAR, Macquarie Research, November 2019



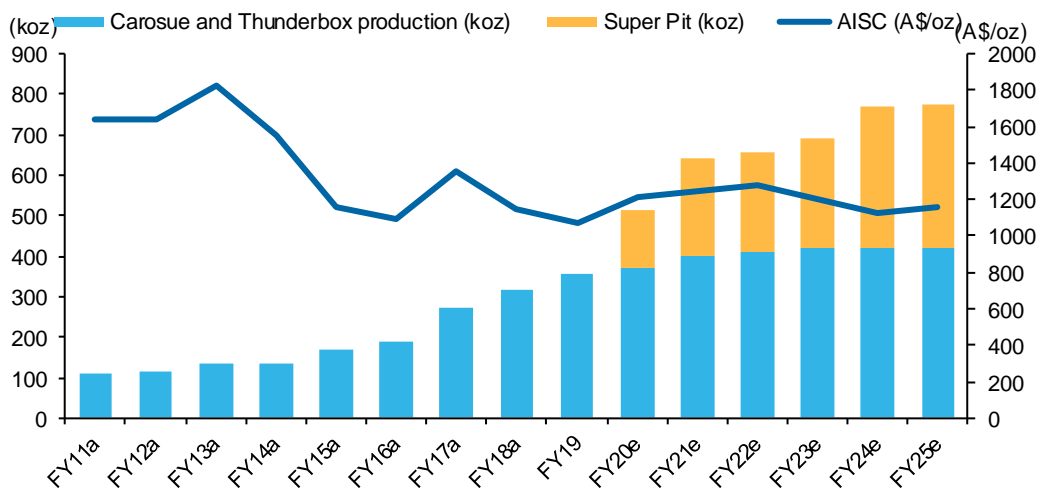
Source: SAR, Macquarie Research, November 2019

- Our processing feed outlook assumes flat open-pit mining rates and grades over the next 3 years with improved grade and volumes towards the end of the pit failure remediation schedule. Over this time, we assume ~41% of the processing feed to come from stockpiles and ~9% from the Mt Charlotte underground. We assume a flat recovery rate of 84% in line with historic performance.

Extending the growth trajectory

- We believe SAR’s ability to maintain a positive production growth trajectory has been a key factor in SAR’s strong share price performance over recent years. The Super Pit acquisition adds an additional 3 years of mine life to SAR’s production outlook while also adding close to 300kozpa to production on average over the next 5 years.

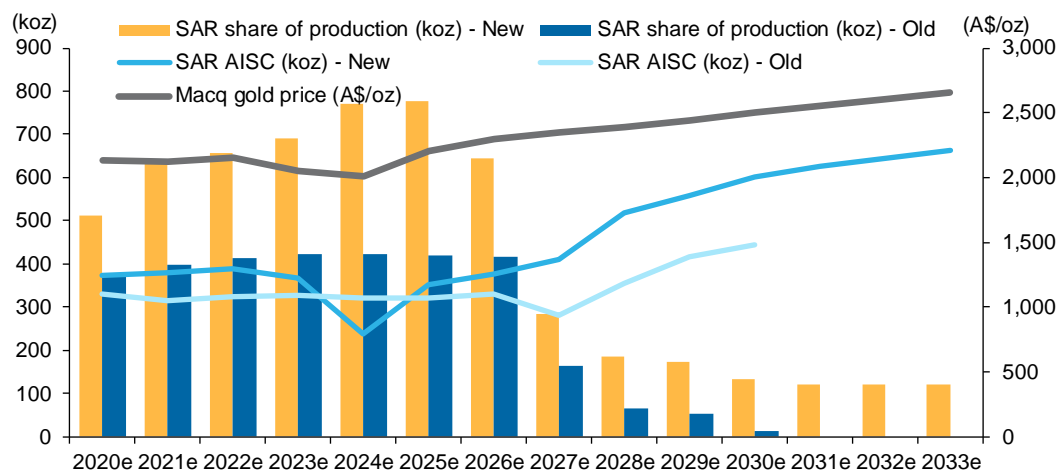
Fig 9 The super pit extends SAR production growth trajectory out to FY25



Source: SAR, Macquarie Research, November 2019.

- More importantly, the Super Pit’s return to full production in mid-2023 aligns with our expectation of maximum gold output from Carosue Dam and Thunderbox. On our base case this extends SAR’s production growth trajectory out to FY25 peaking at nearly 800kozpa in that year. We expect this extended growth outlook to be a key enabler in SAR’s continued share price performance while noting that the updated super pit outlook (expected shortly) will add more certainty to this growth trajectory.

Fig 10 The super pit gives SAR production out to 2033



Source: SAR, Macquarie Research, November 2019

A fair price looks cheap on a NAV multiple basis

- Our DCF valuation values the Super Pit at A\$1,033m, in line with the A\$1,100m SAR paid at a US\$/A\$ 0.68 exchange rate. SAR noted on the call that it plans to secure FX hedging over the coming days to secure the A\$ value of the transaction.
- However, using our valuation methodology of a 1.6x NAV (50% of our target price) for the ASX 200 producers under our coverage (SAR, Regis Resources (RRL AU, A\$4.45, Outperform, TP: A\$5.20) and St Barbara (SBM AU, A\$2.54, Outperform, TP: A\$3.30)) implies a A\$1,652m valuation for the super pit as a part of SAR's portfolio. We note that SAR was trading at a P/NAV of ~1.23x pre-transaction.

Probable ASX 100 inclusion could drive NAV multiple upgrade

- Post the transaction we expect SAR to have a market capitalisation of +A\$3.5bn making it likely that SAR will be promoted to the ASX 100 to join other gold miners Newcrest Mining (NCM AU, A\$30.94, Underperform, TP: A\$31.00), Evolution Mining (EVN AU, A\$3.90, Outperform, TP: A\$5.40) and Northern Star Resources (NST AU, A\$9.04, Outperform, TP: A\$15.00). Given ASX 100 producers typically receive a NAV premium we believe that ASX 100 inclusion could provide a strong base for SAR to receive a NAV multiple upgrade.

Earnings and price target revision

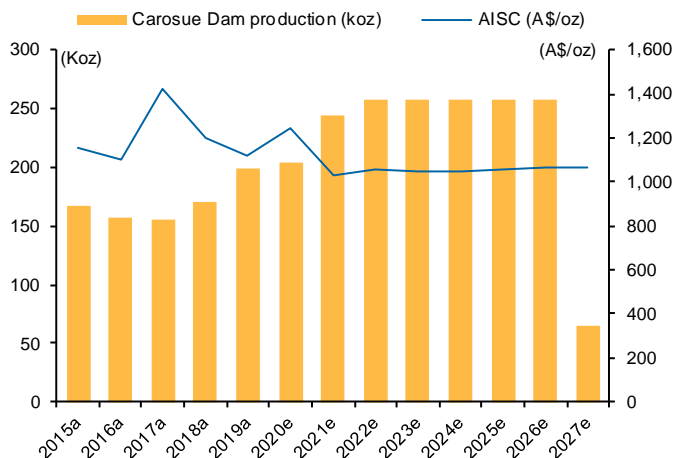
- We incorporate the Super Pit acquisition into our forecasts which brings ~32% additional equity dilution. Softer near-term group costs due to the impact of the wall slip at the Super Pit reduces EPS by 18%, 7% and 7% in FY20-22 with meaningful upgrades (13-59%) in FY23-26 as remediation work completes. The NAV accretion of the acquisition slightly outweighs short-term CFPS reductions (we use average of 3 forward looking years for our target price calculation) to lift our target price to 2% to A\$4.40/sh. We maintain our Outperform recommendation.

Fig 11 The acquisition leads to short-term EPS downgrades with meaningful long-term EPS growth.

Y/E June	FY20e	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e	FY27e	FY28e	FY29e	FY30e	Price target A\$/sh)
EPS (Ac/sh) old	23.1	28.8	31.8	28.4	25.6	31.2	33.8	16.3	4.8	2.9	4.0	4.30
EPS (Ac/sh) - new	18.9	26.9	29.5	32.2	40.6	48.9	39.2	14.3	5.1	3.7	4.5	4.40
Change	(18%)	(7%)	(7%)	13%	59%	57%	16%	(12%)	6%	28%	14%	2%

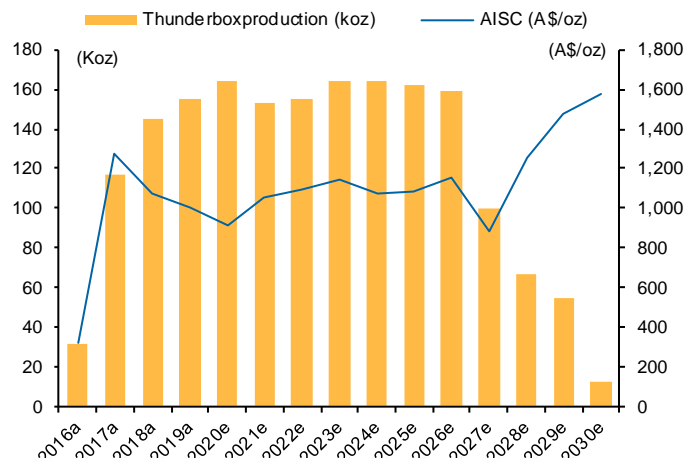
Source: Macquarie Research, November 2019

Fig 12 Carosue Dam annual gold production



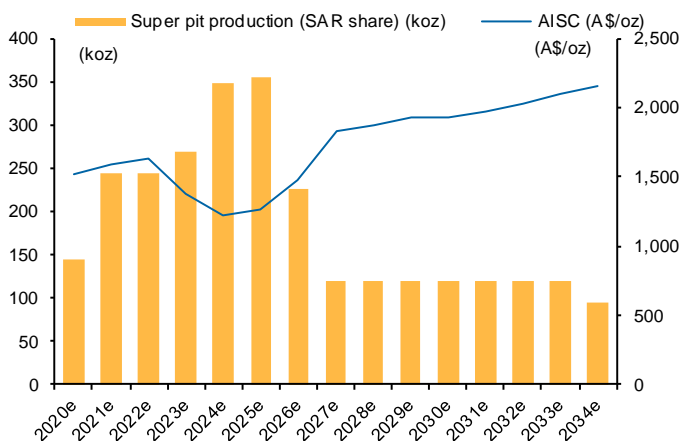
Source: SAR, Macquarie Research, November 2019

Fig 13 Thunderbox annual gold production



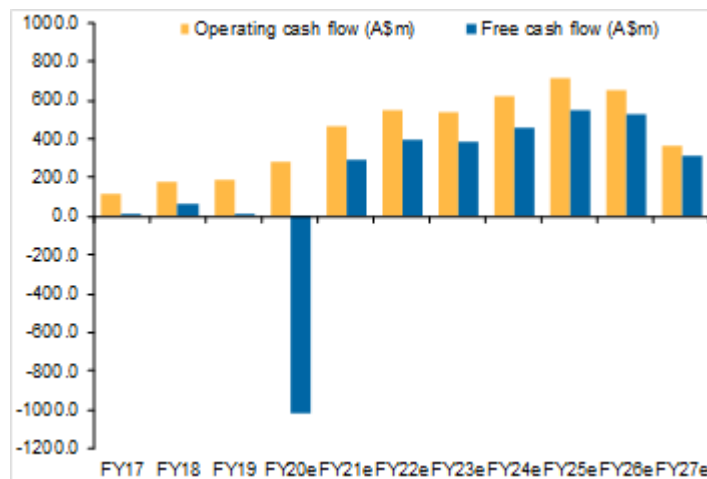
Source: SAR, Macquarie Research, November 2019

Fig 14 Super Pit annual outlook (SAR share)



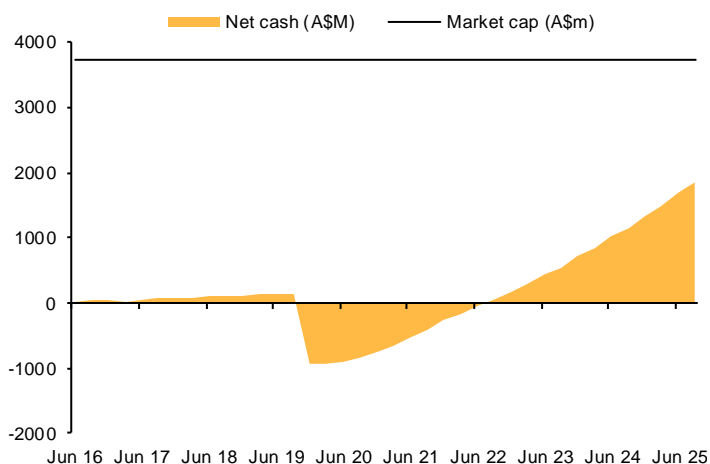
Source: SAR, Macquarie Research, November 2019

Fig 15 SAR cash flow outlook



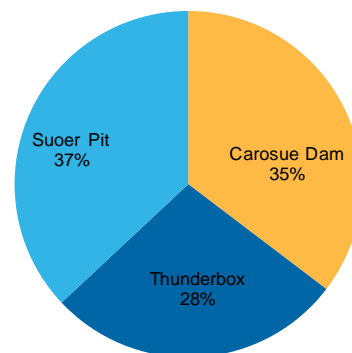
Source: SAR, Macquarie Research, November 2019

Fig 16 SAR net cash vs market capitalisation



Source: SAR, Macquarie Research, November 2019

Fig 17 SAR NPV by project



Source: SAR, Macquarie Research, November 2019

Fig 18 SAR summary model

Saracen Mineral Holdings								
ASX: SAR	Price: (A\$ps)	3.39		Year end:	Jun	Rating: Outperform	Up/dn	TSR
	Mkt cap: (A\$m)	3,739		Diluted shares (m)	1102.9	Target: 4.40	30%	30%

ASSUMPTIONS		FY19	FY20e	FY21e	FY22e	FY23e	FY24e
Exchange Rate	A\$/US\$	0.72	0.70	0.73	0.73	0.73	0.74
Spot Gold	(US\$/oz)	1,263	1,487	1,538	1,575	1,494	1,488
Spot Gold	(A\$/oz)	1,765	2,135	2,121	2,158	2,046	2,015

RATIO ANALYSIS		FY19	FY20e	FY21e	FY22e	FY23e	FY24e
Diluted share capital	m	831.4	1,120.0	1,120.0	1,120.0	1,120.0	1,120.0
EPS (diluted and pre sig. items)	A¢	11.2	19.9	26.9	29.5	32.2	40.6
P/E	x	30.2x	17.0x	12.6x	11.5x	10.5x	8.4x
CFPS (Operating)	A¢	23.1	24.8	41.4	48.8	48.3	55.3
P/CF	x	14.7x	13.7x	8.2x	6.9x	7.0x	6.1x
DPS	A¢	0.0	2.0	8.0	8.0	10.0	12.0
Dividend yield	%	0.0%	0.6%	2.4%	2.4%	2.9%	3.5%
Franking Level	%	100%	100%	100%	100%	100%	100%
Book value per share	x	0.59	1.32	1.53	1.75	1.98	2.28
P/Book value	x	5.7x	2.6x	2.2x	1.9x	1.7x	1.5x
R.O.E. (pre sig items)	%	19%	14%	18%	17%	16%	18%
R.O.A. (pre sig items)	%	19%	14%	18%	18%	20%	22%
Interest Cover	x	-91.1x	37.0x	27.2x	60.3x	-115.5x	-24.8x
EBITDA per share	A\$ps	0.26	0.41	0.56	0.59	0.62	0.72
EW/EBITDA	x	16.6x	8.5x	5.8x	5.0x	4.4x	3.3x
FCF Yield	%	1%	-27%	8%	11%	10%	12%

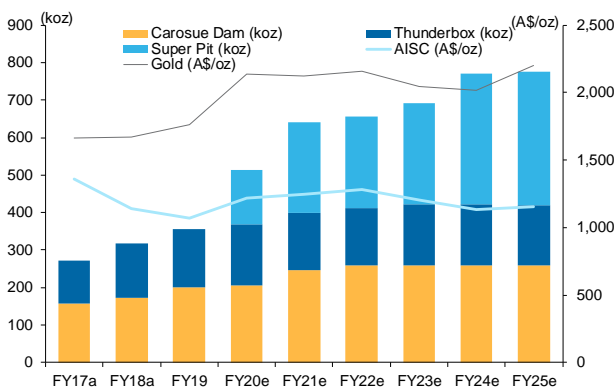
EARNINGS		FY19	FY20e	FY21e	FY22e	FY23e	FY24e
Sales Revenue	A\$m	556	988	1,299	1,377	1,411	1,554
Other Revenue	A\$m	0	0	0	0	0	0
Total Revenue	A\$m	556	988	1299	1377	1411	1554
Operating Costs	A\$m	(316)	(493)	(652)	(695)	(699)	(727)
Operational EBITDA	A\$m	240	495	646	682	713	827
Exploration Expense/Write-offs	A\$m	(0)	(25)	(3)	(3)	(3)	(3)
Corporate & Other Costs	A\$m	(21)	(15)	(14)	(15)	(15)	(15)
EBITDA	A\$m	219	455	629	664	695	809
D&A	A\$m	(88)	(145)	(182)	(184)	(184)	(184)
EBIT	A\$m	131	310	447	480	510	624
Net Interest	A\$m	1	(8)	(16)	(8)	4	25
Profit Before Tax	A\$m	132	302	430	472	515	650
Tax Expense	A\$m	(39)	(90)	(129)	(142)	(154)	(195)
Minorities	A\$m	0	0	0	0	0	0
Adjusted NPAT	A\$m	93	211	301	330	360	455
Significant Items (post tax)	A\$m	(1)	0	0	0	0	0
Reported NPAT	A\$m	92	211	301	330	360	455

CASHFLOW		FY19	FY20e	FY21e	FY22e	FY23e	FY24e
Net Profit	A\$m	92	211	301	330	360	455
Interest/Tax/D&A	A\$m	80	119	179	181	181	181
Working Capital/Other	A\$m	20	(53)	(16)	36	(1)	(16)
Net Operating Cashflow	A\$m	192	277	464	547	541	620
Capex	A\$m	(161)	(193)	(173)	(151)	(154)	(158)
Investments	A\$m	(11)	(1,097)	0	0	0	0
Sale of PPE and Other	A\$m	(1)	0	0	0	0	0
Free cash flow	A\$m	19	(1,013)	291	396	387	461
Dividends Paid	A\$m	0	0	(66)	(88)	(99)	(121)
Debt	A\$m	(0)	400	(0)	(0)	(401)	0
Equity Issuance	A\$m	0	776	0	0	0	0
Other	A\$m	0	0	0	0	0	0
Net Financing Cashflow	A\$m	(0)	1,176	(66)	(88)	(500)	(121)
Net change in cash	A\$m	19	163	225	307	(114)	340

BALANCE SHEET		FY19	FY20e	FY21e	FY22e	FY23e	FY24e
Cash	A\$m	119	282	506	814	700	1,040
PP&E & Mine DEWelopment	A\$m	370	1,545	1,536	1,503	1,472	1,446
Exploration	A\$m	103	128	131	134	137	140
Total Assets	A\$m	681	2,176	2,427	2,708	2,571	2,888
Debt	A\$m	1	402	401	401	0	0
Total Liabilities	A\$m	187	696	711	751	353	337
Total Net Assets / Equity	A\$m	493	1,480	1,715	1,957	2,219	2,552
Net Debt / (Cash)	A\$m	(118)	120	(105)	(413)	(700)	(1,040)
Gearing (net debt/(nd + equity))	%	(31%)	7%	(7%)	(27%)	(46%)	(69%)
Gearing (net debt/equity)	%	(24%)	8%	(6%)	(21%)	(32%)	(41%)

ATTRIBUTABLE MINE OUTPUT		FY19	FY20e	FY21e	FY22e	FY23e
Gold production (equity)						
Carosue Dam	(koz)	199.7	204.5	245.1	257.9	257.9
Thunderbox	(koz)	155.3	164.4	153.2	154.9	163.9
Super Pit	(koz)	0.0	143.9	243.4	243.6	269.3
Total	(koz)	355.1	512.9	641.7	656.4	691.1
Cash costs						
Carosue Dam	(A\$/oz)	813	950	788	812	829
Thunderbox	(A\$/oz)	864	725	933	1,015	1,123
Super Pit	(A\$/oz)		823	1,127	1,169	957
Cash costs	(A\$/oz)	835	842	951	993	948
AISC Cash Costs						
Carosue Dam	(A\$/oz)	1,119	1,243	1,027	1,056	1,051
Thunderbox	(A\$/oz)	1,005	917	1,056	1,099	1,142
Super Pit	(A\$/oz)		1,516	1,586	1,630	1,380
AISC Cash Costs	(A\$/oz)	1,069	1,215	1,246	1,279	1,201
Operational EBITDA Contribution (pre hedging)						
Carosue Dam	A\$m	165	231	307	325	293
Thunderbox	A\$m	119	220	174	169	143
Super Pit	A\$m	0	370	457	455	559

OPERATIONAL OUTLOOK



RESERVES AND RESOURCES (ATTRIBUTABLE)

Reserves		Mt	g/t	koz
Project				
Carosue Dam		23.6	2.4	1,796
Thunderbox		27.8	1.8	1,537
Super Pit (SAR share)		96.3	1.2	3,650
Total		147.7	1.5	6,983
Resources			EV/Reserve (A\$/oz)	553
Project				
Carosue Dam		82.0	2.0	5,275.2
Thunderbox		81.9	1.7	4,469
Super Pit (SAR share)		136.5	1.3	5,830.0
Total		300.4	1.6	#####
			EV/Resource (A\$/oz)	248

EQUITY DCF VALUATION

Projects		A\$m	A\$ps	A\$m	A\$ps
Carosue Dam		1,033	0.92	1,180	1.05
Thunderbox		808	0.72	914	0.82
Super Pit		1,080	0.96	1,304	1.16
Undeveloped Resources		462	0.41	750	0.67
Unpaid capital/Other		0	0.00	0	0.00
Forwards		(170)	(0.15)	(205)	(0.18)
Corporate		(121)	(0.11)	(121)	(0.11)
Net cash (debt)		(177)	(0.16)	(48)	(0.04)
Net Equity Value (@ 2.5% WACC Real)		2,914	2.60	3,774	3.37
Price Target (50% 1.6 x NAV, 50% 10x CFPS)			4.40		
P/NAV			1.30x		

Source: SAR, Macquarie Research, November 2019

Macquarie Quant Alpha Model Views

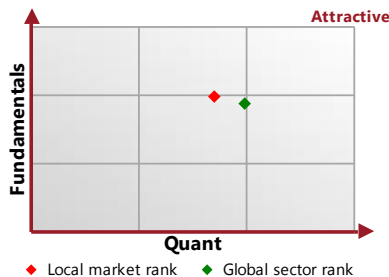
The Quant View page below has been derived from models that are developed and maintained by Sales and Trading personnel at Macquarie. The models are not a product of the Macquarie Research Department.

The quant model currently holds a marginally positive view on Saracen Mineral Holdings. The strongest style exposure is Profitability, indicating this stock is efficiently converting investments to earnings; proxied by ratios like ROE or ROA. The weakest style exposure is Valuations, indicating this stock is over-priced in the market relative to its peers.

542/1592

Global rank in Materials

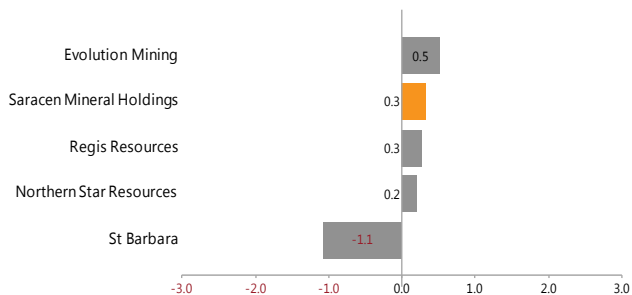
% of BUY recommendations 50% (5/10)
Number of Price Target downgrades 1
Number of Price Target upgrades 4



Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model.
 Two rankings: Local market (Australia & NZ) and Global sector (Materials)

Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



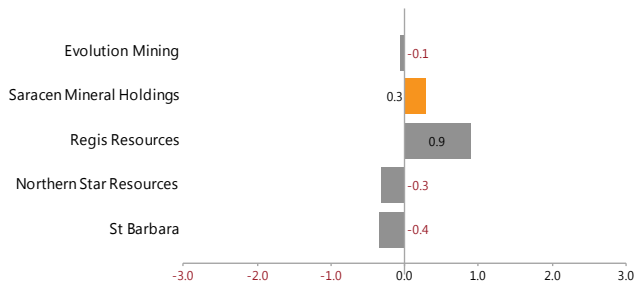
Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



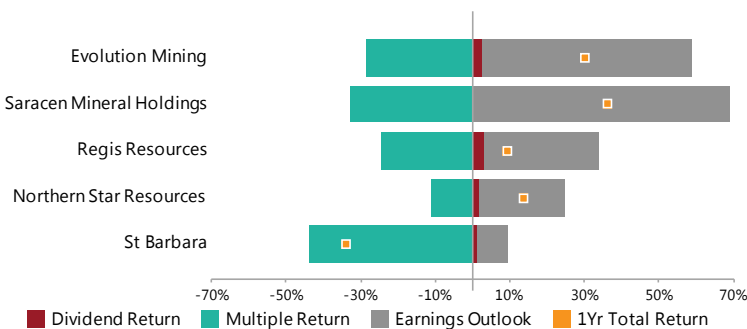
Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



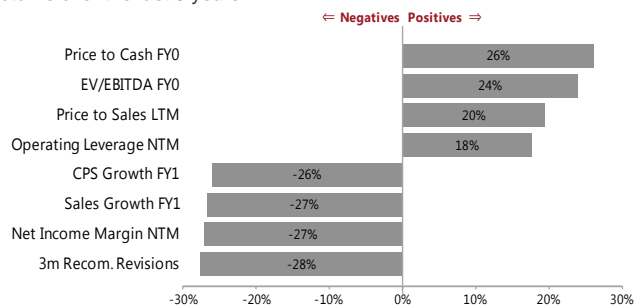
Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



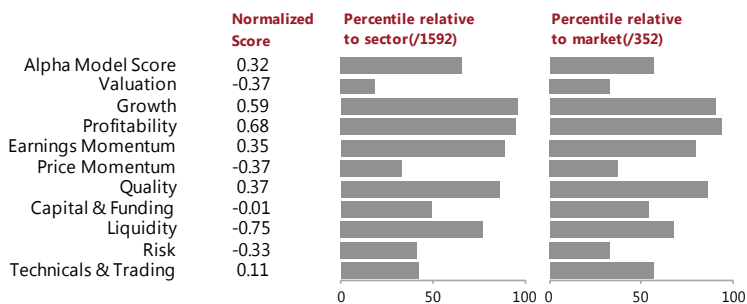
What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Quant. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group (cpg@macquarie.com)

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Recommendation definitions	Volatility index definition*	Financial definitions
<p>Macquarie – Asia, USA, Europe and Mazi Macquarie (SA): Outperform – expected return >10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie - Australia/New Zealand Outperform – expected return >10% Neutral – expected return from 0% to 10% Underperform – expected return <0%</p> <p>Note: expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk</p>	<p>This is calculated from the volatility of historical price movements.</p> <p>Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p>High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.</p> <p>Medium – stock should be expected to move up or down at least 30–40% in a year.</p> <p>Low–medium – stock should be expected to move up or down at least 25–30% in a year.</p> <p>Low – stock should be expected to move up or down at least 15–25% in a year. * Applicable to select stocks in Asia/Australia/NZ</p> <p>Recommendations – 12 months Note: Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p>All "Adjusted" data items have had the following adjustments made: Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests</p> <p>EPS = adjusted net profit / epowa* ROA = adjusted ebit / average total assets ROA Banks/Insurance = adjusted net profit / average total assets ROE = adjusted net profit / average shareholders funds Gross cashflow = adjusted net profit + depreciation *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>

Recommendation proportions – For quarter ending 30 September 2019

	AU/NZ	Asia	RSA	USA	EUR	
Outperform	43.12%	58.72%	48.53%	52.06%	54.02%	(for global coverage by Macquarie, 3.09% of stocks followed are investment banking clients)
Neutral	39.49%	28.86%	41.18%	44.19%	37.50%	(for global coverage by Macquarie, 3.35% of stocks followed are investment banking clients)
Underperform	17.39%	12.42%	10.29%	3.75%	8.48%	(for global coverage by Macquarie, 3.08% of stocks followed are investment banking clients)

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Date	Stock Code (BBG code)	Recommendation	Target Price
12-Sep-2019	SAR AU	Outperform	A\$4.30
05-Aug-2019	SAR AU	Underperform	A\$3.30
22-Jul-2019	SAR AU	Underperform	A\$3.50
09-Jul-2019	SAR AU	Neutral	A\$3.80
18-Jan-2019	SAR AU	Outperform	A\$3.30
04-Jan-2019	SAR AU	Neutral	A\$3.10
27-Nov-2018	SAR AU	Neutral	A\$2.60
16-Oct-2018	SAR AU	Outperform	A\$2.50
25-Sep-2018	SAR AU	Outperform	A\$2.10
31-Jul-2018	SAR AU	Outperform	A\$2.20
17-Jul-2018	SAR AU	Neutral	A\$2.20
26-Jun-2018	SAR AU	Neutral	A\$2.10
17-Apr-2018	SAR AU	Outperform	A\$2.00
15-Feb-2018	SAR AU	Outperform	A\$1.90
06-Jan-2018	SAR AU	Neutral	A\$1.90
01-Dec-2017	SAR AU	Outperform	A\$1.80
23-Oct-2017	SAR AU	Outperform	A\$1.60
10-Oct-2017	SAR AU	Outperform	A\$1.50
08-Sep-2017	SAR AU	Neutral	A\$1.50
02-Aug-2017	SAR AU	Outperform	A\$1.50
18-Jul-2017	SAR AU	Outperform	A\$1.40
11-May-2017	SAR AU	Outperform	A\$1.30
19-Apr-2017	SAR AU	Neutral	A\$1.00
11-Jan-2017	SAR AU	Neutral	A\$1.10
20-Dec-2016	SAR AU	Outperform	A\$1.00

Sensitivity analysis:

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Equities

Research

Head of Equity Research

Kristen Edmond (612) 8232 3111

Retail / Consumer / Food & Bev

Ross Curran (612) 8237 1152

Energy

Hayden Bairstow (618) 9224 0838

ESG

Anita Stanley (612) 8232 9869

Financials

Banks

Victor German (612) 8232 6089

Josh Freiman (612) 8232 3882

Diversified Financials

Brendan Carrig (612) 8237 6043

Insurance

Andrew Buncombe (612) 8232 0629

Healthcare

David Bailey (612) 8237 2427

Industrials

Capital Goods

John Purtell (612) 8232 8633

Infrastructure

Ian Myles (612) 8232 4157

Transport & Gaming

David Fabris (612) 8232 5705

Chemicals, D&C, Packaging, Builders, Steel

John Purtell (612) 8232 8633

Peter Steyn (612) 8232 5144

Resources

Hayden Bairstow (618) 9224 0838

Ben Crowley (618) 9224 0839

Real Estate

Stuart McLean (612) 8232 2859

Darren Leung (612) 8232 8544

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Andrew Levy (612) 8232 5165

Jay Shyam (613) 9635 8203

Utilities

Ian Myles (612) 8232 4157

New Zealand

Stephen Hudson (649) 363 1414

Warren Doak (649) 363 1416

Nick Mar (649) 363 1476

Tom Deacon (649) 363 1472

Emerging Leaders – Industrials

Tim Lawson (612) 8237 7332

Shaun Weick (612) 8232 8248

Mitchell Sonogan (612) 8232 0675

Matt Johnston (612) 8232 7007

Equity Strategy

Matthew Brooks (612) 8232 1982

Data Services

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Email addresses

FirstName.Surname@macquarie.com

Sales

Equities

Dan Ritchie (Australia) (612) 8232 3124

Dave Robertson (New Zealand) (649) 363 1498

Sales

Daniel Pittorino (Head of AU Sales) (612) 8237 0905

Mike Johnson (New Zealand) (612) 8232 4717

Kurt Dalton (Head of Property & Hedge Funds) (612) 8232 5943

Gavin Maher (Resources) (612) 8232 4151

Richard Weekes (Sydney) (612) 8232 7586

Alex Williams (Sydney) (612) 8232 3110

Phil Zammit (Emerging Leaders) (612) 8232 3122

Tiffany Ward (Emerging Leaders - Sydney) (612) 8232 5151

Julia Thomas (Melbourne) (613) 9635 9323

Aakash Saha (Auckland) (649) 363 1409

Andrew Haigh (Desk Head - London) (44 20) 3037 4843

Jack Whiting (London) (4420) 3037 4831

Daniel Raats (Desk Head - New York) (1 212) 231 2571

Leighton Patrick (New York) (1 212) 231 2552

Andrew Marson (New York) (1 212) 231 2491

Dominic Smith (Desk Head - Asia) (65) 6601 0212

Anura Logan (Asia) (613) 9635 8177

Stuart Murray (Derivatives) (612) 8232 5090

Angus Bottrell (Global) (612) 8232 5959

Sales Trading

Tim Shaw (Head of Execution) (612) 8232 4386

Andrew Donald (Desk Head - Melbourne) (613) 9635 8270

David Harris (Melbourne) (613) 9635 8595

Sam Molina (Sydney) (612) 8232 5935

Francis Sarks (Sydney) (612) 8232 4458

Ben McIntyre (Sydney) (612) 8237 2833

Luke Taper (Sydney) (612) 8232 4962

Sam Sheffield (Auckland) (649) 363 1431

Mike Keen (London) (44 20) 3037 4905

Harry Boghossian (Emerging Leaders) (612) 8237 5456

Electronic Execution

Valerie Kingsmill (612) 8237 2230

Darren Miller (612) 8232 8261

Tarinee De Silva (612) 8232 3151

Portfolio Trading

Garth Leslie (612) 8232 9982

Michael Khalife (612) 8232 8893

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Block Trading

Tim Shaw (Desk Head - Sydney) (612) 8232 4386

Equity Finance

Greg Mann (Equity Finance) (612) 8232 1820

Chris Hudson (Stock Borrow & Loan) (612) 8232 7664

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Paul Staines (612) 8232 7781

Angus Firth (612) 8232 4039

Corporate Access

Julie Loring (612) 8232 7543

Katherine Ridley (612) 8232 7784

Transition Management & Portfolio Solutions

Mick Larkin (612) 8232 0639

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Mark Levinson (612) 8232 5245

David Goodman (London) (612) 8232 5245