

Tatts Group

(TTS.AX / TTS AU)

Rating	(from Underperform) NEUTRAL*
Price (20 Aug 15, A\$)	3.81
Target price (A\$)	(from 3.55) 3.40 ¹
Market cap. (A\$mn)	5,565.68
Yr avg. mthly trading (A\$mn)	297
Last month's trading (A\$mn)	305
Projected return:	
Capital gain (%)	-10.8
Dividend yield (net %)	10.4
Total return (%)	-0.39
52-week price range	4.2 - 3.0

* Stock ratings are relative to the relevant country benchmark.
¹Target price is for 12 months.

Research Analysts

Larry Gandler
61 3 9280 1855
larry.gandler@credit-suisse.com

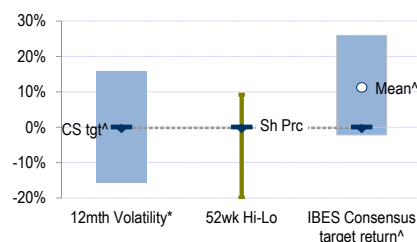
Ben Levin
61 3 9280 1766
ben.levin@credit-suisse.com

UPGRADE RATING

FY15 results: FY16 supported by lotteries

- **FY16-FY17 EPS downgraded** 1-2% on slight FY15 earnings miss.
- **Lotteries Upgraded:** We project 7% EBITDA growth in FY16 with significant player stimulation. A new national lottery game, *Set For Life*, was launched in August. Early evidence suggests good player interest. Management emphasised the game's strong online take up. *Lucky Lotteries* was just expanded into VIC and QLD. TTS is trialling lottery products in 54 Woolworths convenience/fuel outlets. Higher-margin online sales grew 22% in FY15 and represent 10.4% of all sales including South Australia. Digital development continues with a new website, phone app and up-weighted CRM activities.
- **Wagering downgraded:** Management guided for 24% EBITDA margins and cautioned investors that business rebranding is a two-year journey. 2H15 revenue fell 3.5%, affected by weak regional QLD. Entrenched mining weakness may inhibit revenue growth in FY16. Directionally revenue should accelerate through FY16 to FY18 as Tatts's *Ubet* rebranding involves installing new betting kiosks, upgrading retail venues (50 by 31 Dec.) and digital marketing. We envision most of Tatts' growth to come stimulating its existing customer base in its home states of QLD, SA, NT and TAS which have not seen investment in many years.
- **Our DCF-based target price falls to A\$3.40 (vs A\$3.55) on downgraded earnings.** Our financial model incorporates a successful outcome from the A\$540mn VIC licence compensation such that we model a 25.5c special dividend in 2H 16. TTS is arguing that the High Court upholds favourable lower court judgements. Our rating moves to NEUTRAL (vs Underperform) with a lower share price and prospects of a special dividend.

Total return forecast in perspective



Performance over	1M	3M	12M
Absolute (%)	-7.1	-4.0	5.2
Relative (%)	0.3	2.6	11.4

Relative performance versus S&P ASX 200. See Reference Appendix for a description of the chart. Source: Credit Suisse estimates, * Consensus, mean range from Thomson Reuters

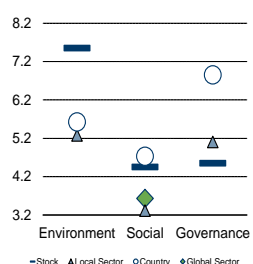
Financial and valuation metrics

Year	06/15A	06/16E	06/17E	06/18E
Revenue (A\$mn)	2,919.9	3,048.7	3,120.5	2,539.1
EBITDA (A\$mn)	507.4	531.0	523.6	492.7
EBIT (A\$mn)	420.3	441.7	432.5	400.1
Net income (A\$mn)	259.6	273.4	258.1	231.8
EPS (CS adj.) (Ac)	17.94	18.62	17.48	15.62
Change from previous EPS (%)	n.a.	-1.3	-1.7	-0.1
Consensus EPS (Ac)	n.a.	19.10	20.10	19.20
EPS growth (%)	0.6	3.8	-6.1	-10.6
P/E (x)	21.2	20.5	21.8	24.4
Dividend (Ac)	16.50	43.00	18.00	15.00
Dividend yield (%)	4.3	11.3	4.7	3.9
P/B (x)	1.9	1.6	1.8	1.8
Net debt/EBITDA (x)	1.31	1.39	2.11	2.06

Source: Company data, ASX, Credit Suisse estimates, * Adj. for goodwill, notional interest and unusual items. Relative P/E against ASX/S&P200 based on pre GW in AUD. Company PE calculation is based on displayed EPS Currency.

DISCLOSURE APPENDIX AT THE BACK OF THIS REPORT CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, AND THE STATUS OF NON-US ANALYSTS. US Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Figure 1: Financial Summary

Tatts Group (TTS)						Year ending 30 Jun						In AUDmn, unless otherwise stated					
Share Price: A\$3.81						20-Aug-2015											
Rating		NEUTRAL															
Target Price		A\$		3.40													
vs Share price		%		-10.76													
<div>Tatts Group is an Australia-based company. It is engaged in the operation of licensed gaming machines, conducting wagering and sports betting, conducting gaming machine monitoring and supply of jackpot and other services.</div>																	
Profit & Loss		06/14A	06/15A	06/16E	06/17E	06/18E											
Sales revenue		2,868.9	2,919.9	3,048.7	3,120.5	2,539.1											
EBITDA		498.4	507.4	531.0	523.6	492.7											
Depr. & Amort.		83.9	87.1	89.3	91.1	92.6											
EBIT		414.5	420.3	441.7	432.5	400.1											
Net interest		87.9	54.2	48.3	61.1	66.6											
Reported PBT		326.6	366.1	393.3	371.3	333.6											
Income tax		100.0	110.3	120.0	113.3	101.7											
Profit after tax		226.6	255.8	273.4	258.1	231.8											
Associates		0.0	0.0	0.0	0.0	0.0											
Minorities		0.0	0.0	0.0	0.0	0.0											
Normalised NPAT		252.8	259.6	273.4	258.1	231.8											
Analyst adjustments		-26.2	-3.8	0.0	0.0	0.0											
Unusual item after tax		0.0	0.0	378.3	0.0	0.0											
Reported NPAT		226.6	255.8	651.7	258.1	231.8											
Balance Sheet		06/14A	06/15A	06/16E	06/17E	06/18E											
Cash & equivalents		583.3	259.1	252.8	257.6	245.7											
Inventories		8.2	3.7	3.9	4.0	4.1											
Receivables		132.5	80.6	82.3	83.2	84.3											
Other current assets		187.0	212.6	220.9	227.3	177.2											
Current assets		910.9	556.1	559.9	572.1	511.3											
Property, plant & equip.		205.6	210.2	249.4	319.6	353.4											
Intangibles		4,540.0	4,652.5	4,609.5	4,566.6	4,523.6											
Other non-current assets		43.6	106.5	106.5	106.5	106.5											
Non-current assets		4,789.2	4,969.3	4,965.5	4,992.7	4,983.4											
Total assets		5,700.2	5,525.3	5,525.4	5,564.8	5,494.8											
Payables		591.0	598.5	624.9	639.6	657.8											
Interest bearing debt		1,359.3	925.2	990.0	1,360.0	1,260.0											
Other liabilities		913.8	1,030.5	489.5	489.5	489.5											
Total liabilities		2,864.1	2,554.3	2,104.4	2,489.1	2,407.3											
Net assets		2,836.0	2,971.1	3,421.0	3,075.8	3,087.5											
Ordinary equity		2,836.0	2,971.1	3,421.0	3,075.8	3,087.5											
Minority interests		0.0	0.0	0.0	0.0	0.0											
Preferred capital		0.0	0.0	0.0	0.0	0.0											
Total shareholder funds		2,836.0	2,971.1	3,421.0	3,075.8	3,087.5											
Net debt		776.0	666.2	737.2	1,102.4	1,014.3											
Cashflow		06/14A	06/15A	06/16E	06/17E	06/18E											
EBIT		414.5	420.3	441.7	432.5	400.1											
Net interest		-84.7	-48.9	-48.3	-61.1	-66.6											
Depr & Amort		83.9	87.1	89.3	91.1	92.6											
Tax paid		-114.9	-84.0	-282.1	-113.3	-101.7											
Working capital		87.2	69.1	12.3	5.1	4.3											
Other		-107.7	-3.8	3.4	2.2	2.8											
Operating cashflow		278.4	439.8	216.2	356.5	331.5											
Capex		-75.4	-64.4	-85.5	-80.9	-83.3											
Acquisitions & Invest		0.0	-37.5	0.0	-37.5	0.0											
Asset sale proceeds		0.3	34.3	0.0	0.0	0.0											
Other		-0.6	0.0	0.0	0.0	0.0											
Investing cashflow		-75.7	-67.6	-85.5	-118.4	-83.3											
Dividends paid		-126.6	-121.0	-249.2	-626.5	-244.6											
Equity raised		0.0	2.4	47.4	23.2	24.5											
Net borrowings		-300.0	-520.0	64.8	370.0	-40.0											
Other		540.5	0.0	0.0	0.0	0.0											
Financing cashflow		113.9	-638.6	-137.0	-233.3	-260.1											
Total cashflow		316.6	-266.4	-6.3	4.9	-11.9											
Adjustments		14.8	0.9	0.0	0.0	0.0											
Net Change in Cash		331.5	-265.5	-6.3	4.9	-11.9											
Earnings		06/14A	06/15A	06/16E	06/17E	06/18E											
Equiv. FPO (period avg.)		mn	1,417.3	1,447.1	1,468.2	1,476.1	1,483.7										
EPS (Normalised)		c	17.8	17.9	18.6	17.5	15.6										
EPS Growth		%		0.6	3.8	-6.1	-10.6										
Consensus EPS		c	16.1	18.1	19.1	20.1	19.2										
Consensus EBITDA		mn	499.9	523.4	549.5	575.6	543.5										
DPS		c	13.5	16.5	43.0	18.0	15.0										
Dividend Payout		%	75.7	92.0	230.9	103.0	96.0										
Free CFPS		c	14.3	25.9	8.9	18.7	16.7										
Valuation		06/14A	06/15A	06/16E	06/17E	06/18E											
P/E		x	21.4	21.2	20.5	21.8	24.4										
EV/EBIT		x	15.3	14.8	14.3	15.4	16.4										
EV/EBITDA		x	12.7	12.3	11.9	12.7	13.4										
Dividend Yield		%	3.5	4.3	11.3	4.7	3.9										
FCF Yield		%	3.8	6.8	2.3	4.9	4.4										
Price to Book		x	1.9	1.9	1.6	1.8	1.8										
Returns		06/14A	06/15A	06/16E	06/17E	06/18E											
Return on Equity		%	8.9	8.7	8.0	8.4	7.5										
Profit Margin		%	8.8	8.9	9.0	8.3	9.1										
Asset Turnover		x	0.5	0.5	0.6	0.6	0.5										
Equity Multiplier		x	2.0	1.9	1.6	1.8	1.8										
Return on Assets		%	4.4	4.7	4.9	4.6	4.2										
Return on Invested Cap.		%	8.0	8.1	7.4	7.2	6.8										
Gearing		06/14A	06/15A	06/16E	06/17E	06/18E											
Net Debt to Equity		%	27.4	22.4	21.5	35.8	32.9										
Net Debt to EBITDA		%	1.6	1.3	1.4	2.1	2.1										
Int Cover (EBITDA/Net Int.)		x	5.7	9.4	11.0	8.6	7.4										
Int Cover (EBIT/Net Int.)		x	4.7	7.8	9.1	7.1	6.0										
Capex to Sales		%	2.6	2.2	2.8	2.6	3.3										
Capex to Depreciation		%	176.7	146.0	184.7	167.9	168.1										
MSCI IVA (ESG) Rating A		Credit Suisse View															
		TP ESG Risk (%): 0															
		TP Risk Comment: No material ESG risks. TTS valuation already captures social concerns related to problem gambling. TTS has established responsible gambling codes of conduct for some of its lottery games. We see some, limited downside risk for the wagering division, which is currently investigating the deductibility of race information fees on interstate content with Queensland Racing.															
		MSCI IVA Risk: Neutral															
		MSCI IVA Risk Comment: CS ESG risk assessment in line with MSCI rating															
																	
		Source: MSCI IVA Rating															
Segmentals																	
EBITDA																	
Lotteries			296.6	313.6	333.5	348.9	309.5										
% chg			0.7%	5.8%	6.3%	4.6%	-11.3%										
% sales			15.4%	15.9%	16.1%	16.2%	20.0%										
Wagering			160.8	153.5	152.9	159.0	167.9										
% chg			-7.6%	-4.5%	-0.4%	4.0%	5.6%										
% sales			25.0%	24.3%	23.8%	23.9%	24.5%										
Maxgaming			63.1	64.6	65.9	36.1	36.4										
% chg			0.1%	2.4%	1.9%	-45.2%	0.9%										
% sales			55.2%	55.3%	55.7%	50.0%	49.9%										
UK Gaming			13.6	16.4	19.1	19.8	20.4										
% chg			76.7%	20.3%	16.6%	3.6%	3.0%										
% sales			13.1%	14.1%	14.5%	14.5%	14.5%										
Bytecraft			-0.4	2.8	3.9	5.0	5.1										
% chg			-63.9%	-854.5%	38.4%	28.5%	2.0%										
% sales			-0.3%	2.7%	3.6%	4.6%	4.6%										
Corporate			-35.3	-43.5	-44.3	-45.2	-46.5										
Total			498.4	507.4	531.0	523.6	492.7										
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Lotteries – FY16 to be stimulated by new games

Early signs from Tatts' new game Set for Life are encouraging and should assist Tatts in achieving above CPI lottery revenue growth in FY16. The game was launched on 3 August, and has provided incremental revenue growth, particularly in the online channel, which has quickly grown to over 20% of game sales. Tatts has also seen success in the launch of *Lucky Lotteries*, a game that Tatts has taken from NSW and the ACT and introduced nationally.

Set for Life features a nightly draw with the chance to win \$20,000 per month for 20 years. Tatts has said that it is delivering on its target to achieve growth in a younger, 25-40 age group.

Virtually the same game was introduced into the Illinois Lottery in the US three years ago. Perhaps a sign of its success is that the game is still running today. The Illinois Lottery saw 8.5% growth in FY13 instant lottery sales, although it remains unclear how much this game contributed to the growth.

The last new national game, *Powerball*, took about a year to gain traction before it contributed to growth. The game was introduced in May 1996; however, FY97 Australian lottery sales fell 3%. FY98 and FY99 had two good years of growth in excess of 5%.

1H16 has started with a better run of jackpots, and larger average jackpot size than 2H15. 1H16 has eight jackpots year to date, including a \$60mn jackpot in the past week.

2H15 Lotteries revenue growth of 4.4% was in line with expectations. About 100bp of growth was also related to the re-introduction of Victorian Scratchies, which Tatts has deemed a success.

Figure 2: Tatts jackpots over \$15mn excluding planned super-draws

	1H13	2H13	FY13	1H14	2H14	FY14	1H15	2H15	FY15
Powerball Jackpot weeks at and above \$15mn	14	8	22	10	6	15	11	7	18
Oz Lotto Jackpot weeks at and above \$15mn	7	10	17	12	8	20	7	9	16
Total jackpots	21	18	39	22	14	35	18	16	34
Average Jackpot Value	\$31.7mn	\$25.8mn	\$29.0mn	\$28.6mn	\$21.1mn	\$25.7mn	\$26.9mn	\$23.4mn	\$25.3mn

Source: Company data, Credit Suisse estimates

Margins expansion continued in 2H15 as Tatts grew digital lottery sales 21% and also kept opex in-check with lower telecommunication and IT costs. We expect internet penetration to reach 14% (from 11.2% currently) by FY17, providing about 50bp of margin expansion.

Despite this trend, Tatts will need to grow the dollar value of commissions over time, in our view. Tatts' agency network is responsible for nearly 90% of sales and therefore an integral part of its distribution. It would not be in Tatts' interest to see falling commissions contribute to agency closures.

Wagering – UBET'cha

New investment may add 300bp of wagering revenue growth in each of FY17 and FY18. Growth in FY16 may be constrained by a soft retail environment in regional Queensland, continued competition, and only a minor benefit from retail refurbishment due to part-year contribution.

Pilot site retail refurbishment: early signs positive. During the half, Tatts launched a new concept retail store at three sites, which each delivered double-digit turnover growth. Tatts will target 50 store refurbishments by the end of CY15, which the refurbishment process accelerating in CY16 and 2017.

There are a few easy wins from Tatts' investment initiatives which we outline below. Tatts is addressing some fundamental gaps in product—for example, cash self-service terminals and in-play, which have been in Tabcorp venues for several years. Tatts has also never implemented a large scale marketing campaign for its wagering division.

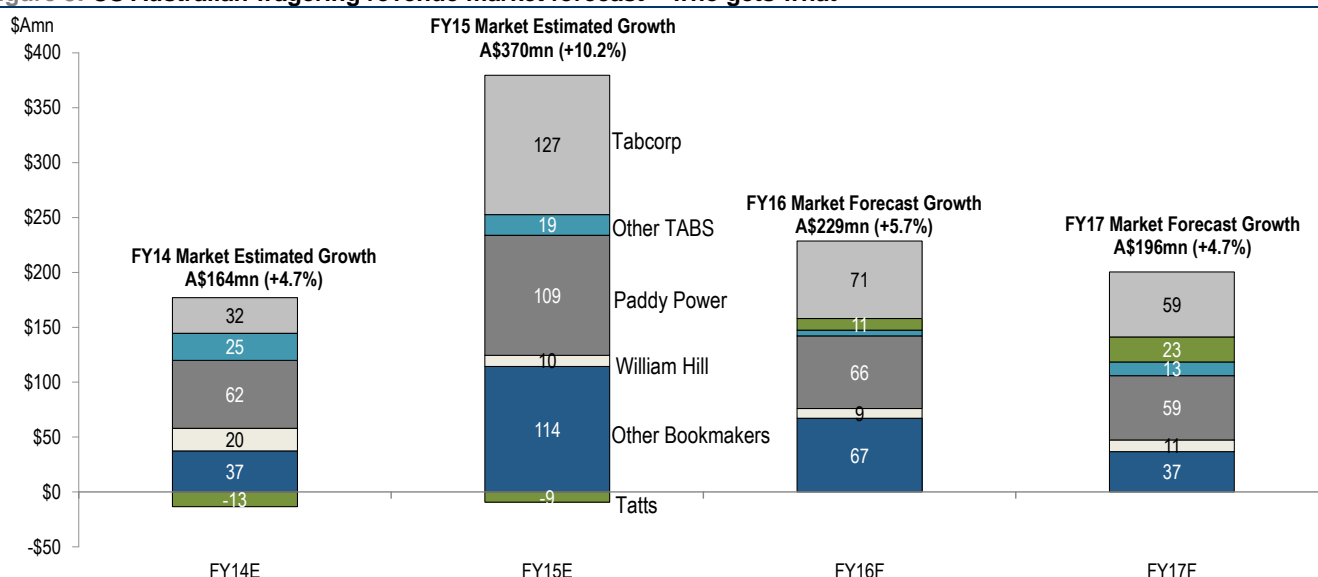
Tatts wagering initiatives

1. The launch of a new brand UBET, across retail and digital
2. New mobile apps and website launched since the end of April 2015.
3. Retail refurbishment mentioned above
4. "Next-generation" sports betting platform that enhances the number of sports markets on offer. This platform is the same one implemented by Tabcorp last year. UBET now has 130,000 live sports markets available, up from 5,000 a year ago.
5. Additional self-service terminals in retail that can accept cash. Tatts is targeting 1,500 units over three years.
6. Trial of in-venue live betting.

Tatts has also beefed up its wagering team adding 30 bookmakers, 10 marketing staff and nine in the area of customer relationship management.

Tatts is, however, missing out on accelerated market growth: 2H15 Wagering revenue was below expectations and fell 3.5%, in a market that grew by an estimated 10%. Growth in mobile, impulsive punter habits and innovative marketing stimulate wagering demand. Lack of wagering revenue growth suggests that the company is not currently participating in this trend with a lack of competitive product and brand reach. Even with some investment, it will take time for punters to sign-up with UBET and gain familiarity with the brand.

Figure 3: CS Australian wagering revenue market forecast – who gets what



Source: Company data, Credit Suisse estimates

We assume flat wagering margins of 24% in FY16/FY17 with further investment required to support growth in a competitive wagering market. Opex grew an estimated A\$15mn in FY15 vs FY14, and we expect a further A\$11mn in cost growth over the next two years.

A note on FY17 EPS decline

We model an EPS decline in FY17 because we assume Tatts loses the NSW gaming machine monitoring contract – worth over A\$20mn in EBITDA. And, we assume Tatts flushes out the VIC pokies licence compensation by way of a special dividend at the end of FY16, thereby, increasing debt levels and interest costs in FY17.

Balance sheet

Capital management options are likely assuming no adverse outcome regarding the VIC pokies licence compensation case. The Victorian government has sought special leave to appeal to the High Court; however, we assume Tatts is successful in its defence. Tatts won A\$540mn compensation from the Victorian government last year

We currently assume Tatts will pay a special dividend of about 27cps in FY16. Tatts' current leverage ratio is below 1.5x net debt to EBITDA after incorporating the value of compensation.

However, the capital management decision may coincide with the desire to extend the Victoria lottery licence. The original ten-year licence was too short and Tatts may seek a 40-year extension, commensurate with other jurisdictions. Tatts may also seek to negotiate a reduction in the lottery tax in that State – the highest in the country. This will, of course, come with a price tag. Tatts may use the proceeds of the Victoria poker machine licence refund – something that Victoria might be loath to pay – in exchange for a licence extension.

Net interest is expected to fall through FY16 and FY17 from lower average net debt and lower funding costs. Tatts is currently working on refinancing an A\$350mn debt tranche, and expects to improve its funding terms.

Valuation—Lotteries implied multiple is 14.7x

Tatts' current share price implies **14.7x CS FY17E EBITDA** for the lottery division – a multiple that we see as unjustifiably high. CPI style growth and dividend yield may have attracted income seekers; however Tatts lottery division is trading at or above infrastructure assets with arguably superior cash flow stability and less volatility. Even assuming a high multiple for Tatts' wagering business, for an unlikely break-up or sale, cannot yield a lottery multiple below 14x.

Figure 4: Tatts's current share price implies a lofty multiple of 14.7x CS FY17E EBITDA for the lottery business

Business segment	FY17 EBITDA	EBITDA Multiple	Value A\$m	Per Share	Comment
Lotteries	348.9	14.7x	5,139.9	\$3.49	Implied Multiple for Lotteries based on current share price
Wagering	159.0	8.0x	1,271.7	\$0.86	Tabcorp trading on 8.3x FY17 EBITDA. Value Tatts' wagering business at a discount
Max Gaming	36.1	6.0x	216.6	\$0.15	We assume Max Gaming loses the NSW monitoring licence.
Talarius	19.8	8.0x	158.4	\$0.11	Value similar to UK Retail Wagering Comps ~8x EBITDA
Bytecraft	2.7	6.0x	16.4	\$0.01	
Corporate	(45.2)	7.0x	(316.1)	-\$0.21	
Total	521.4	12.4x	6,486.9	\$4.40	
less FY16 Net Debt (Including Vic Licence Refund)			(737.2)	-\$0.50	
PV of Vic Licence Tax Payment			(141.1)	-\$0.10	
Equity Value			5,608.6	\$3.81	

Source: Company data, Credit Suisse estimates

Reference Appendix

Our new “**Total return forecast in perspective**” chart helps visualize Credit Suisse and consensus views of a company’s 12-month return within the context of forecasting risks and its historical trading pattern:

12mth Volatility is calculated as the annualised standard deviation of weekly total return series over the past 12 months. It illustrates variability of stock returns; in other words, risk. The way to think about it is that one would rather take 10% forecast return from a stock that has 20% volatility, than from the stock that has 40% volatility. The shaded area shows the one standard deviation range based on past 12 months volatility. In statistical terms, once you make a number of brave assumptions, there is a 68% probability that the share price will end up inside that range in 12 months’ time.

52wk Hi-Lo is maximum and minimum daily closing price over the past 52 weeks. It is often handy to know the price momentum especially when the stock is trading close to its highs and lows: Is the stock trading close to its peak? Is the momentum against the stock?

***Consensus is IBES consensus supplied by Thomson Reuters.** IBES is a survey of sell side research analysts, collecting a few dozen data points such as EPS, DPS, Sales, Target Price, ROE and so on. ***Mean is the average of target returns**, while the shaded area around the mean represents the range of estimates from the lowest to the highest estimate. This aids visualisation of a number of important factors such as: the range of analyst estimates; where Credit Suisse’s estimates on this stock sit relative to consensus; and where the share price is relative to consensus mean and consensus range target.

Target return is calculated as capital gain plus forecast dividend yield (net) over the next 12 months. For “CS tgt” we have used Credit Suisse’s target price and Credit Suisse forecast for 12-month forward dividend, grossed up for franking. For the consensus mean and range, we have used consensus target price and consensus dividend forecasts for 12 month forward.

Companies Mentioned (Price as of 20-Aug-2015)**Tabcorp Holdings** (TAH.AX, A\$4.79)**Tatts Group** (TTS.AX, A\$3.81, NEUTRAL, TP A\$3.4)**William Hill** (WMH.L, 378.7p)**Woolworths** (WOW.AX, A\$26.57)

Disclosure Appendix

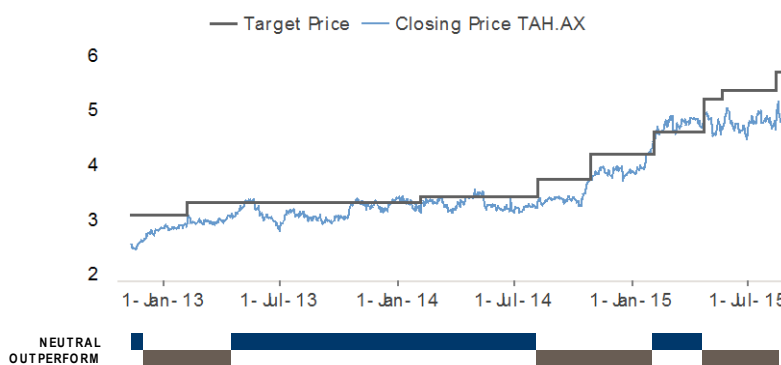
Important Global Disclosures

I, Larry Gandler, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Tabcorp Holdings (TAH.AX)

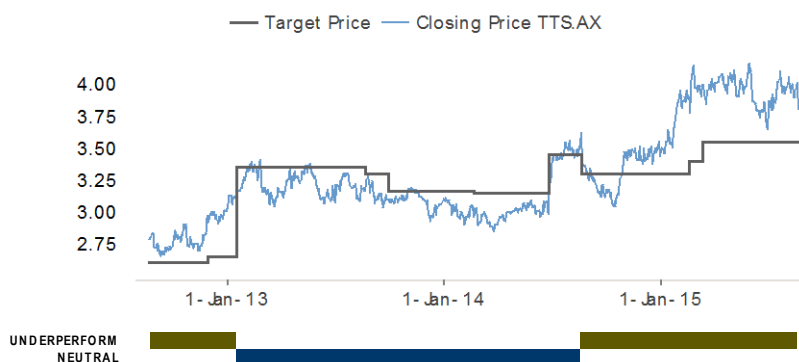
TAH.AX	Closing Price	Target Price	
Date	(A\$)	(A\$)	Rating
12-Nov-12	2.54	3.08	N
30-Nov-12	2.61	3.08	O
07-Feb-13	2.95	3.31	
17-Apr-13	3.10	3.31	N
06-Feb-14	3.12	3.40	
07-Aug-14	3.32	3.73	O
29-Oct-14	3.73	4.20	
05-Feb-15	4.39	4.60	N
23-Apr-15	4.73	5.20	O
22-May-15	4.66	5.35	
13-Aug-15	4.64	5.70	

* Asterisk signifies initiation or assumption of coverage.

**3-Year Price and Rating History for Tatts Group (TTS.AX)**

TTS.AX	Closing Price	Target Price	
Date	(A\$)	(A\$)	Rating
23-Aug-12	2.79	2.60	U
29-Nov-12	2.92	2.65	
17-Jan-13	3.19	3.35	N
22-Aug-13	3.21	3.30	
30-Sep-13	3.10	3.16	
20-Feb-14	2.96	3.15	
27-Jun-14	3.21	3.45	
21-Aug-14	3.41	3.30	U
18-Feb-15	3.87	3.40	
13-Mar-15	3.99	3.55	

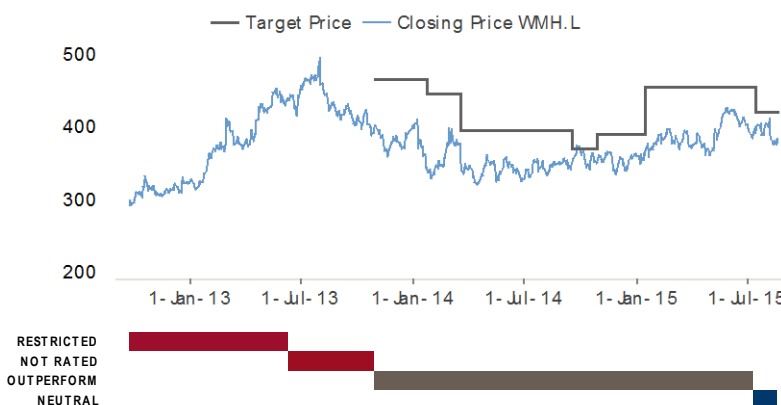
* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for William Hill (WMH.L)

WMH.L	Closing Price	Target Price	
Date	(p)	(p)	Rating
23-Sep-12	289.39		R
10-Jun-13	439.00		NR
30-Oct-13	401.20	465.00	O *
24-Jan-14	336.90	445.00	
19-Mar-14	351.50	400.00	
20-Mar-14	346.60	395.00	
18-Sep-14	355.50	370.00	
29-Oct-14	356.40	390.00	
15-Jan-15	367.10	455.00	
14-Jul-15	392.20	420.00	N

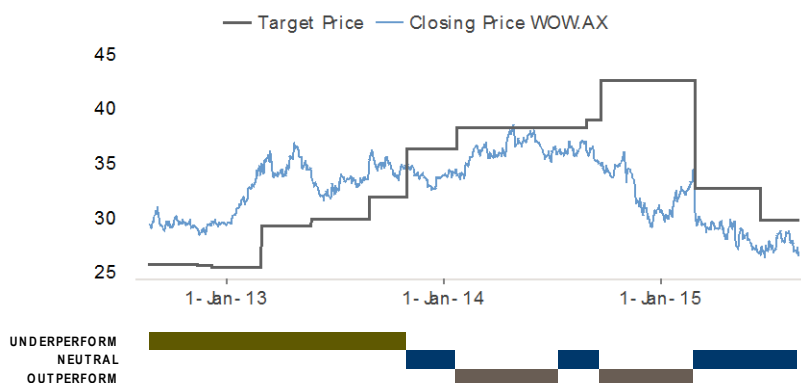
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3-Year Price and Rating History for Woolworths (WOW.AX)

WOW.AX	Closing Price	Target Price	
Date	(A\$)	(A\$)	Rating
24-Aug-12	29.35	25.70	U
12-Nov-12	28.97	25.60	
06-Dec-12	29.31	25.45	
28-Feb-13	34.93	29.25	
23-May-13	33.97	29.85	
28-Aug-13	34.59	31.85	
31-Oct-13	34.90	36.30	N
23-Jan-14	33.86	38.25	O
14-Jul-14	36.21	38.25	N
29-Aug-14	36.16	39.00	
23-Sep-14	34.99	42.60	O
27-Feb-15	30.71	32.70	N
17-Jun-15	26.80	29.75	

* Asterisk signifies initiation or assumption of coverage.



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Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

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Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

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Underperform/Sell*	12%	(33% banking clients)
Restricted	3%	

**For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

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Price Target: (12 months) for Tatts Group (TTS.AX)

Method: Our Tatts Group (TTS.AX) target price of A\$3.40 approximates our discounted cashflow (DCF) of \$3.54 less next 12 months dividend of 17c. We assume a competitive advantage period of 20 years. Over this time frame, the company's growth rate is assumed to steadily diminish from 2% to zero and its return on new capital from 9.5% to weighted average cost of capital of 7.2%.

Risk: The key risks to our A\$3.40 target price for Tatts Group include increased government regulation (including factors such as wagering limits, gaming machines per venue, etc.) and market share losses in wagering.

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See the Companies Mentioned section for full company names

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An analyst involved in the preparation of this report has visited certain material operations of the subject company (WOW.AX) within the past 12 months

The travel expenses of the analyst in connection with such visits were not paid or reimbursed by the subject company, other than de minimus local travel expenses.

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