

Equity Matrix

Code	FLT
Company Name	Flight Centre

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ACTUAL EARNINGS	First half actual	H1FY13 numbers (comparison)	H1 Contribution	Comments	
Revenue (million)	\$1,034.1	\$893.8	15.70%	Continues the trend of under promising and over-delivering	2
Underlying Net Profit (million)	\$104.7	\$91.8	14.05%	Results show that FLT on actuals are ahead of guidance estimates & continue to see strength	2
ACTUAL V CONSENSUS	Actuals	Analysis Consensus	Difference	Comments	
Revenue (million)	\$1,034.1	\$1,006.0	2.79%	Slight beat is impressive considering seasonality and lower cash flows	1
Earnings Per Share (cents)	\$1.05	\$1.03	1.94%	The Australian division saw 20% growth (80% of total earnings) coupled with a lower tax rate	0
Underlying Net Profit (million)	\$104.7	\$103.0	1.65%	Consensus estimates are above guidance. Result was supported by Aus and UK numbers	0
Final Dividend	\$0.55	\$0.51	7.84%	Solid beat as usual and continues FLT's with its current payout ratio policy	2
HISTORICAL PERFORMANCE V ESTIMATES (incl. H1FY14)	Actuals	Beat/Miss	Historical	Comments	
Revenue (million)	\$1,034.1	Beat	Beat 5/9	Continues its trend of beating the market, as its highly diverse portfolio continues to deliver	1
Earnings Per Share (cents)	\$1.05	Beat	Beat 6/9	FLT help here by more accommodative tax rates and accounting changes in the UK	1
Underlying Net Profit (million)	\$104.7	Beat	Beat 6/9	Underlying profit see the profit line now beating for the last 4 halves	1
COMPANY FY14 GUIDANCE V MARKET CONSENSUS FY14	Company	Fwd Consensus (FY14)	Difference	Comments	
Revenue	9.0%	10.7%	-1.7%	Company has reaffirmed its 8 to 12% guidance numbers with its profit before tax estimates at \$370 million to \$385 million. As seen by the results and in the historical numbers; the estimates look to be FLT's familiar under promising tendencies	0
Earnings Per Share	Not Given	9.0%	N/A		0
Net Profit	10.0%	9.9%	0.1%		0
BROKER CALLS	Consensus Call*	Mode	Average	Comments	
No. of Brokers = 18	4.06	Buy	Buy	Very strong buy rating with 13 out 18 brokers rating FLT as a buy	2
	<i>Current Price</i>	<i>Consensus Price</i>	<i>Upside/Downside</i>	Comments	
Price Target	\$48.75	\$51.64	5.93%	Upside is limited having appreciated 56% over the past 12 months; might be full valued	0
Short Interest as % of free float					
*5 = Buy, 4= Partial Buy, 3 = Hold, 2 = Partial Sell, 1 = Sell					

Total IG Matrix Score **12**

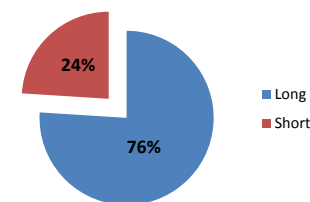


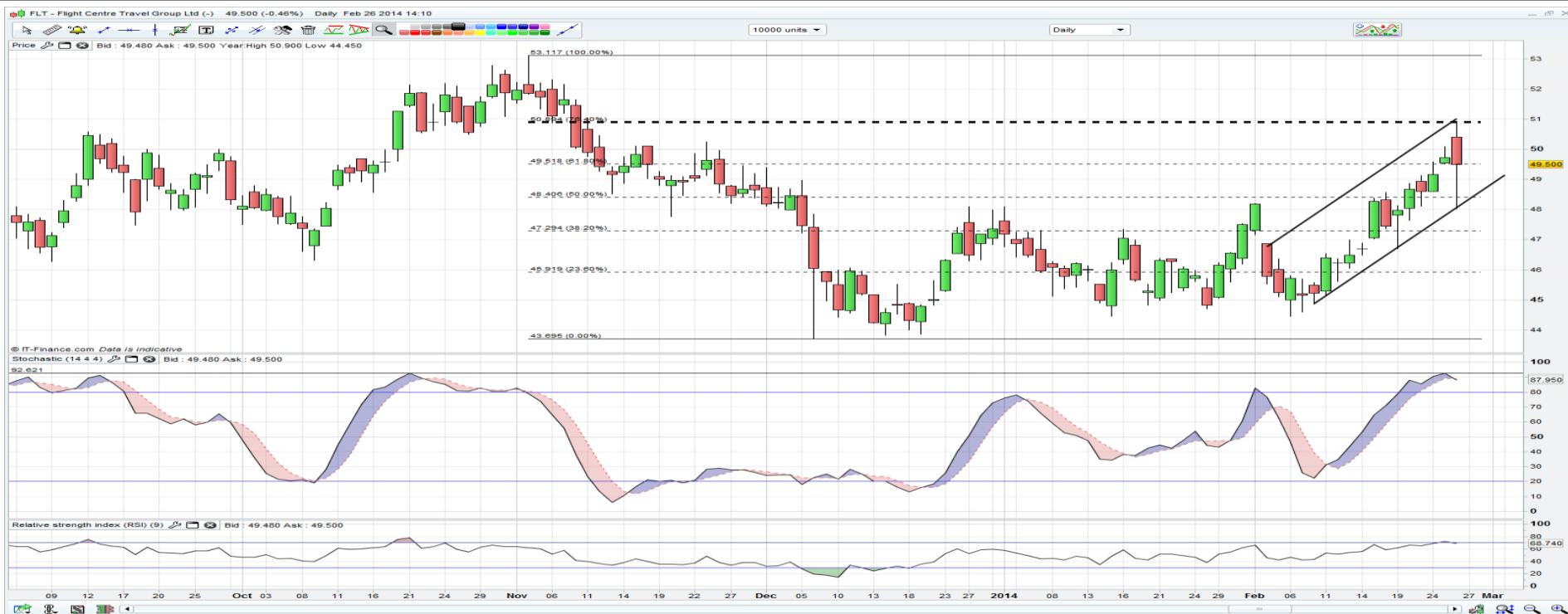
SUMMARY OF RESULTS

A typical FLT result; very solid set of numbers as key markets continue to deliver even with the current conditions. The Australian division, which makes up 80% of total earnings, accounts for the majority of the uplift in earnings; with a 20% increase over the first half of 2013; increasing to \$124 million. There were also solid moves in earnings from the Rest of the World (ROW) and UK which saw the numbers improve by 33% across both divisions. These three combined account for 95% of earnings in the business and are expected to strengthen further in the 2H. On a historical basis the 15% move over the half shows once again the growth in the company continues at a healthy pace. It also continues its tradition of under promising and over delivering on a guidance level. However most analysts are well aware of this and the current growth trend is what is expected and therefore sees FLT walking a tight line to maintain its record as an earnings darling. As expected the cash flow was weaker which is a seasonality issue and should rebound in the second half plus the earnings losses in the US asset were slightly higher than expected but this can be explained by seasonality, and the back end of the second half is likely to see this reverse. The matrix sees FLT as a **LONG** and will likely remain so over the coming half.

Sources: Consensus numbers - Bloomberg Actuals - FLT media presentations.

Composition of IG's clients open positions FLT





TECHICALS

FLT has found good selling at the 76.4% retracement of the November to December sell-off at A\$50.89, so clearly the bulls will want to see a close above here. Momentum seems to be waning and after a strong uptrend we are seeing oscillators rolling over and a close below 80 on the daily stocharistic could see the February uptrend give way.

Caution is warranted from here, however with the MACD nicely above the zero level, pullbacks to the A\$47.30 look like a good entry point for the bulls.

Description	Matrix Scoring
Actuals	Points will be awarded on a 4 point range of -2 to +2. +/-2 will be awarded if the actuals are over or under 10% previous half or year. If the actuals are between +/-2% to +/-10% of the previous half or year will be awarded +/-1 point with 0 points for a results within +/-2% of last half or year numbers (considered in line).
Consensus	Points again will be spread over a 4 point range of -2 to +2. If the actuals managed to be over or under 5% of the consensus estimates a score of +/-2 will be awarded. If the actuals are between +/-2% to +/-5% +/-1 point with be given with 0 points for a results under +/-2% no points awarded (considered in line).
Historicals	If more than 80% of the previous and current releases beats or misses estimates +/-2 points will be awarded. 45% to 80% of previous and current periods beat or misses estimates +/-1 points and under 45% of previous and current releases 0 points.
Forward Guidance	Points will be awarded on a 4 point range of -2 to +2. If guidance is expected to grow/contract by more than +/-15% a score of +/-2 will be given (above market trend). Guidance between +/-7% to +/-15% +/-1 point will be awarded with 0 points awarded for estimates under +/-7% (considered trend).
Broker Calls	2 points for a strong buy, 1 points for a buy call, 0 points hold, -1 for a sell, -2 for a strong sell. +/-2 points will be awarded for the current share price that has +/- 15% upside or down side from target price, +/-1 points for a price between +/-7% to +/-15% and 0 points for a price only +/-6% away from price target.

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