**Results Note**
**27 August 2014**

# ARB Holdings Ltd
## FY 14 Results – Growth Despite the Odds

**Share Code: ARH – Market Cap: R1.8bn – PE: 15.5x – DY: 3.8%**

| | |
|---|---|
| **12m Target Price** | **836cps** |
| **Share Price** | **780cps** |
| **Implied Return** | **7%** |

**Industrials | South Africa**

### FY 14: In Line With Our Expectations

- ARB Holdings reported their FY 14 results with revenue growing by 14% to R2,2bn (FY 13: R1,9bn) versus our forecasts of R2,3bn.
- The Group achieved better margins than we had expected due to both a rising contribution from the higher margin Lighting segment and from the Group driving purchasing savings across its business in H2:14, which saw HEPS rising nicely by 27% to 50.3cps (FY 13: 39.6cps) versus our expectation of 52.1cps.
- The Group remains highly cash generative and declared both a dividend of 20.1cps (FY 13: 16.2cps) and a special dividend of 10cps (FY 13: 10cps), yet remained ungeared (R197m net cash).
- While cognisant of the tough trading environment, management remain focussed on both organic growth and, potentially, adding the elusive "third pillar" (acquisition) to the Group.

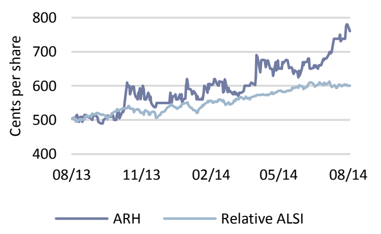
### Our Thoughts: High Quality Group, High Quality Share

- ARB has proven itself a remarkably high quality group in some very tough trading conditions as it successfully executes on its communicated strategies of expanding product lines, geographies and markets (both organically and acquisitively).
- While our valuation metrics indicate the share is fully valued, the "quality" quotient is a hard one to quantify and likely to prove very valuable for the long-term investor.

### Forecast, Valuation and Implied Return: Attractively Priced

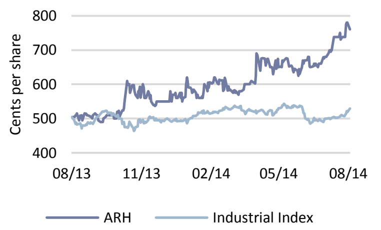
- Our fair value for ARH is 715cps on a PE of 14.2x (previously 622cps). Rolling this forward at our Cost of Equity (CoE), we arrive at a 12m TP of 836cps (previous 12m TP: 727cps) on an Exit PE of 14.7x implying a total return of c.7%.
- The key risks stated in this report remain the same from our Initiation of Coverage on the Group. Also note the newly added risk relating to the phasing out of incandescent lamps in South Africa and the uncertainty it creates in the Lighting segment.

**Share Price against the ALSI**



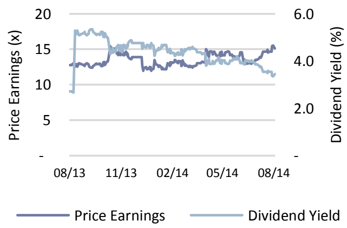

*Sources: Bloomberg, Blue Gem Research*

**Share Price against the Relevant Index**




*Sources: Bloomberg, Blue Gem Research*

**Price Earnings (x) and Dividend Yield (%)**




*Sources: Bloomberg, Blue Gem Research*

| Key Forecast (R m) | FY 12A | FY 13A | *YoY %* | FY 14A | *YoY %* | FY 15E | *YoY %* | FY 16E | *YoY %* |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 1565 | 1945 | *24%* | 2217 | *14%* | 2552 | *15%* | 2787 | *9%* |
| EBITDA | 133 | 167 | *26%* | 210 | *26%* | 241 | *13%* | 262 | *8%* |
| HEPS (cps) | 34.2cps | 39.5cps | *15%* | 50.3cps | *27%* | 56.8cps | *13%* | 61.9cps | *9%* |
| *Return on Equity (%)* | *14.5%* | *15.4%* | - | *17.3%* | - | *17.7%* | - | *17.4%* | - |
| Price Earnings Ratio (x) | 22.8x | 19.7x | - | 15.5x | - | 13.7x | - | 12.6x | - |
| DPS (cps) | 13.7cps | 26.2cps* | *>100%* | 30.0cps* | *15%* | 22.7cps | *-24%* | 24.7cps | *9%* |
| *Dividend Yield (%)* | *1.8%* | *3.4%* | - | *3.8%* | - | *2.9%* | - | *3.2%* | - |

*Sources: ARB Holdings, Bloomberg, Blue Gem Research; * FY 13 and FY 14's total distributions include a special dividend of 10cps*


**Keith McLachlan***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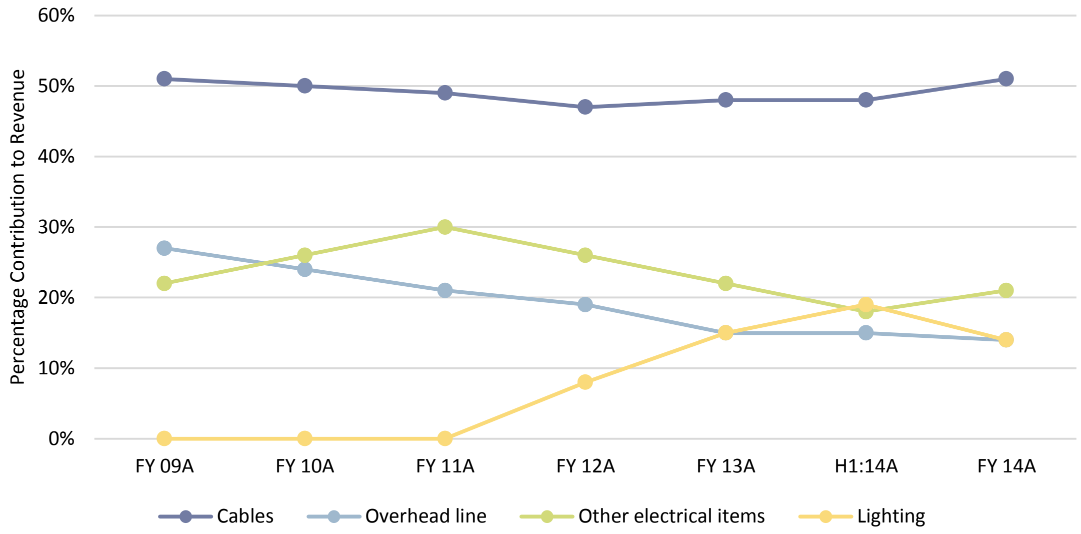
| **Key Forecast (R m)** | **FY 12A** | **FY 13A** | ***YoY %*** | **H1:14A** | **FY 14A** | ***YoY %*** | **FY 15E** | ***YoY %*** | **FY 16E** | ***YoY %*** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | **1565** | **1945** | ***24%*** | **1154** | **2217** | ***14%*** | **2552** | ***15%*** | **2787** | ***9%*** |
| Electrical Wholesaling | 1449 | 1679 | *16%* | 985 | 1876 | *12%* | 2157 | *15%* | 2330 | *8%* |
| Lighting | 120 | 281 | *135%* | 174 | 351 | *25%* | 403 | *15%* | 464 | *15%* |
| **Gross Profit** | **307** | **425** | ***38%*** | **250** | **527** | ***24%*** | **575** | ***9%*** | **619** | ***8%*** |
| *Gross Profit Margin (%)* | *19.6%* | *21.9%* | - | *21.6%* | *23.8%* | - | *22.5%* | - | *22.2%* | - |
| Operating expenses | -186 | -270 | *45%* | -151 | -329 | *22%* | -352 | *7%* | -376 | *7%* |
| **EBITDA** | **133** | **167** | ***26%*** | **104** | **214** | ***28%*** | **241** | ***13%*** | **262** | ***8%*** |
| *EBITDA Margin (%)* | *8.5%* | *8.6%* | - | *9.0%* | *9.7%* | - | *9.5%* | - | *9.4%* | - |
| Operating Profit/(Loss) Before Interest | 128 | 160 | *26%* | 100 | 203 | *27%* | 229 | *13%* | 248 | *8%* |
| Interest Received | 18 | 10 | *-42%* | 6 | 11 | *10%* | 12 | *5%* | 14 | *19%* |
| Finance Charges | -1 | -1 | *37%* | -0 | -0 | *-80%* | - | *-100%* | - | - |
| **Net Profit (Parents)** | **81** | **95** | ***18%*** | **59** | **118** | ***24%*** | **133** | ***13%*** | **145** | ***9%*** |
| Weighted Ave. Number of Shares (millions) | 235.0 | 235.0 | *0%* | 235.0 | 235.0 | *0%* | 235.0 | *0%* | 235.0 | *0%* |
| **EPS (cps)** | **34.3** | **40.5** | *18%* | **24.9** | **50.3** | *24%* | **56.8** | *13%* | **61.9** | *9%* |
| **HEPS (cps)** | **34.2** | **39.5** | *15%* | **24.9** | **50.3** | *27%* | **56.8** | *13%* | **61.9** | *9%* |
| Gross Ordinary DPS (cps) | 14 | 26 | *>100%* | - | 30 | *15%* | 23 | *-24%* | 25 | *9%* |
| *Dividend Yield (%)* | *1.8%* | *3.4%* | - | *3.4%* | *3.8%* | - | *2.9%* | - | *3.2%* | - |
| Dividend Cover (x) | 2.5 | 1.5 | *-40%* | - | 1.7 | *11%* | 2.5 | *49%* | 2.5 | *0%* |
| Property, Plant & Equipment | 163 | 194 | *19%* | 205 | 206 | *6%* | 230 | *12%* | 251 | *9%* |
| Intangible Assets | 78 | 84 | *8%* | 84 | 84 | *-1%* | 84 | *0%* | 84 | *0%* |
| Current Assets | 737 | 857 | *16%* | 814 | 931 | *9%* | 1071 | *15%* | 1206 | *13%* |
| Net Cash | 179 | 203 | *13%* | 120 | 198 | *-3%* | 267 | *35%* | 349 | *31%* |
| Cash | 185 | 203 | *9%* | 120 | 198 | *-3%* | 267 | *35%* | 349 | *31%* |
| Overdraft | -6 | - | - | - | - | - | - | - | - | - |
| Interest-bearing Liabilities | - | - | - | - | - | - | - | - | - | - |
| Shareholder's Equity (Parent) | 582 | 656 | *13%* | 653 | 712 | *9%* | 792 | *11%* | 880 | *11%* |
| Non-current Liabilities | 41 | 38 | *-8%* | 36 | 35 | *-9%* | 39 | *11%* | 42 | *9%* |
| Current Liabilities | 210 | 279 | *33%* | 245 | 287 | *3%* | 328 | *15%* | 352 | *7%* |
| NAV per share (cps) | 247.8 | 279.2 | *13%* | 277.9 | 303.1 | *9%* | 337.2 | *11%* | 374.3 | *11%* |
| TNAV per share (cps) | 214.4 | 252.4 | *18%* | 250.9 | 275.9 | *9%* | 301.5 | *9%* | 338.6 | *12%* |
| Cash Generated by Operations | 95 | 197 | *107%* | 23 | 144 | *-27%* | 224 | *56%* | 246 | *10%* |
| Cash Conversion Ratio (%) | 72% | 118% | - | 22% | 67% | - | 93% | - | 94% | - |
| Net Cash Flow from Financing Activities | -112 | -79 | *-29%* | -17 | -25 | *-69%* | -37 | *50%* | -35 | *-5%* |
| Net Increase / (Decrease) in Cash | -7 | -16 | *120%* | -1 | -2 | *-86%* | 3 | *-221%* | 2 | *-12%* |
| *Return on Equity (%)* | *14.5%* | *15.4%* | - | *17.3%* | *17.3%* | - | *17.7%* | - | *17.4%* | - |
| *Return on Capital Employed (%)* | *11.6%* | *12.9%* | - | *16.0%* | *14.9%* | - | *14.8%* | - | *14.3%* | - |
| *Return on Assets (%)* | *10.3%* | *10.8%* | - | *13.8%* | *12.5%* | - | *12.4%* | - | *12.1%* | - |
| Price Earnings Ratio (%) | 22.8 | 19.7 | - | 17.0 | 15.5 | - | 13.7 | - | 12.6 | - |
| Price-to-Book (x) | 3.1 | 2.8 | - | 2.8 | 2.6 | - | 2.3 | - | 2.1 | - |
| Price-to-Tangible-Book (x) | 3.6 | 3.1 | - | 3.1 | 2.8 | - | 2.6 | - | 2.3 | - |
| Current Ratio | 3.5 | 3.1 | - | 3.3 | 3.2 | - | 3.3 | - | 3.4 | - |
| Quick Ratio | 2.3 | 1.8 | - | 1.7 | 1.9 | - | 1.9 | - | 2.1 | - |

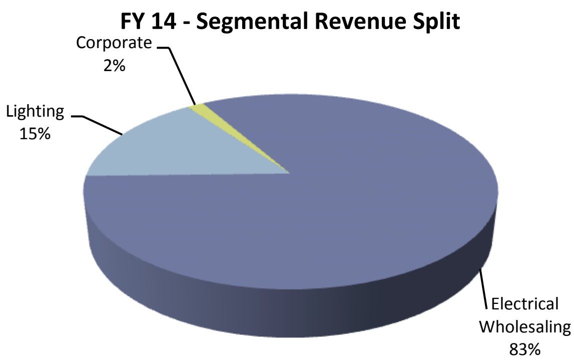
*Sources: ARB Holdings, Bloomberg, Blue Gem Research workings, assumptions and forecasts*

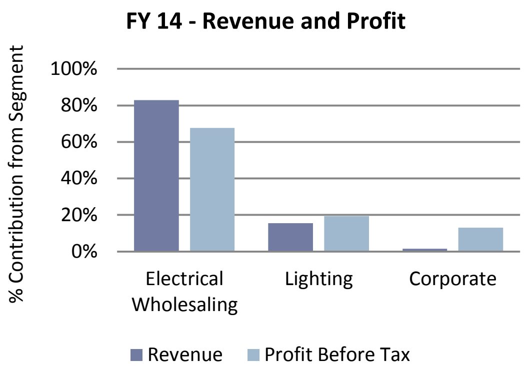
## FY 14 Results Highlights

- ARB Holdings reported their FY 14 results with the following key attributes:
  - Revenue grew by 14% to R2,2bn (FY 13: R1,9bn).
  - While the revenue growth was just shy of our forecasts of R2,3bn, the Group achieved better margins than we had expected due to both a rising contribution from the higher margin Lighting segment (Figure 1) and from the Group driving purchasing savings across its business in H2:14 (the latter are benefits of an enlarge group creating purchasing power).
  - This resulted in HEPS rising nicely by 27% to 50.3cps (FY 13: 39.6cps) versus our expectation of 52.1cps.
  - The Group remains highly cash generative and declared both a dividend of 20.1cps (FY 13: 16.2cps) and a special dividend of 10cps (FY 13: 10cps).

**Figure 1: Expansion of ARB Holdings' Product Range**




*Sources: Various ARB Holdings' presentations, Blue Gem Research workings*

- The Group's retail, cash and export sales performed well, while the mining, industrial and government markets disappointed as labour unrest/strikes and post-election slumps negatively impacted volumes.
- Overall, management remain cognisant of the tough trading environment the business is operating in, but they emphasise their continued focus on organic growth (via product, geography and market expansion) while actively pursuing acquisitions to build the elusive "third pillar" of the Group.

## Electrical Division segment

**Table 1: Electrical Division – Key Revenue History and Forecasts**

| Key Forecasts (R m) | FY 09A | FY 10A | FY 11A | FY 12A | FY 13A | FY 14A | FY 15E | FY 16E |
|---|---|---|---|---|---|---|---|---|
| Revenue | 1 209 | 1 088 | 1 258 | 1 449 | 1 679 | 1 876 | 2 157 | 2 330 |
| *Change in Revenue* | *-* | *-10%* | *16%* | *15%* | *16%* | *12%* | *15%* | *8%* |

*Sources: Bloomberg, Blue Gem Research and ARB Holdings*

- The Electrical Division segment experienced a poor Q4:14 due to the combination of a post-election public sector slow-down and the continuing knock-on effects of labour unrest and strikes in the mining, industrial and related sectors of South Africa.
- Despite this context, the segment grew revenues 12% and delivered an impressive 37% rise in operating profit largely driven by procurement and trading efficiencies being leveraged across the enlarged business (predominantly coming through in H2:14 and likely quite sustainable).
- ICS was rebranded and absorbed into the Group, Elektro Vroomen continues to improve and turned profitable during H2:14, and the Group's exclusive agencies (ACCC, CHINT and Copperweld) continue to gain traction in the local (and some cases, African) market(s).
- The softness experienced in Q4:14 has somewhat continued into early FY 15E, but we expect the backlog within the industrial and mining markets to create a small volume spike during FY 15E as it plays catch up off FY 14's low base. Hence, we have raised our FY 15E revenue expectation from 10% to 15%. This creates a high-base for FY 16E and therefore we see this year only growing by c.8%.

## Lighting segment

**Table 2: Lighting – Key Revenue History and Forecasts**

| Key Forecasts (R m) | FY 09A* | FY 10A* | FY 11A* | FY 12A* | FY 13A | FY 14A | FY 15E | FY 16E |
|---|---|---|---|---|---|---|---|---|
| Revenue | - | - | - | 120 | 281 | 351 | 403 | 464 |
| *Change in Revenue* | *-* | *-* | *-* | *>100%* | *135%* | *25%* | *15%* | *15%* |

*Sources: Bloomberg, Blue Gem Research and ARB Holdings*

** Eurolux was acquired in January 2012, therefore there was no contribution before then, 6 months contribution in FY 12 and a full 12 months contribution in FY 13.*

- The Lighting segment beat our expectation as it continued to roll-out across Cashbuild stores and expanded its product range driving revenue growth of 25% and operating profit growth of 30%.
- Adding to this base, the segment has signed another large customer, added hazardous and warning lighting and magnetic ballasts to its product range and continues to aggressively pursue more of both new customers and new products.
- Note that the phasing out of incandescent lamps is likely to impact the segment's performance during the next year or two, but the quantum of the effect is hard to judge (a "known unknown"). On the one hand, the incandescent lamps are high volume due to faster replacement cycles than their replacement products, but they are also lower margin on an individual product level. We have assumed a net nil effect in our model going forward, though this could well be proven wrong.

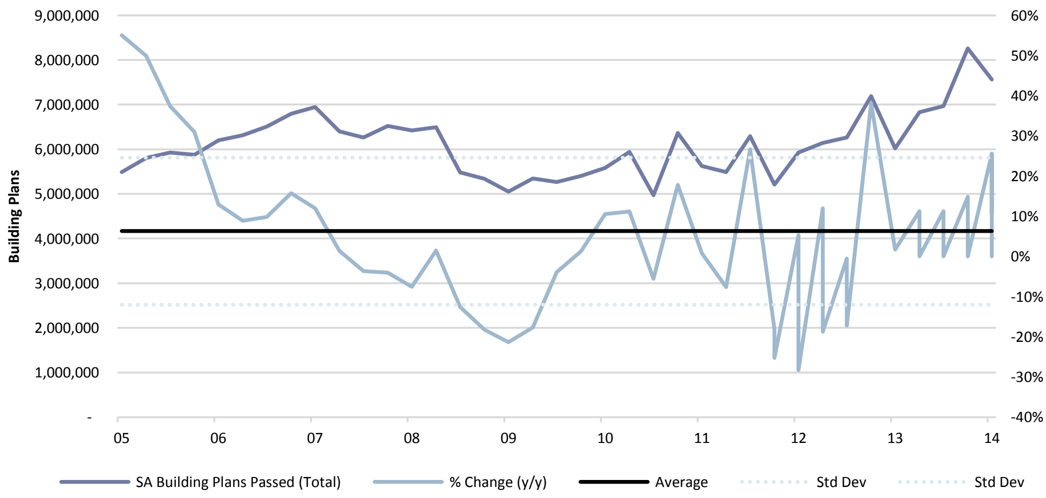
## Group services segment

- **Strategic acquisitions**: The Group made no acquisition during FY 14, focussing rather on bedding down the acquisitions made in previous years. Management continue to actively seek out acquisitions and, in our opinion, there will likely be some activity on this front during the FY 15/16E period.
- **IT software (Xact ERP Solution)**: XACT II saw no roll-out during this period, thus seeing implementation revenue fall away. Other than that, the ICT revenue at Group-level was in line with expectations.
- **Property**: The property segment operated in line with expectations and was valued at R163m.

## Construction, Building Materials & Electrical Wholesaling Industries

- In essence, the building materials and related cabling industries remain in limbo where the slow roll-out of public sector infrastructure projects and Eskom spending softness (likely due to funding difficulties and, perhaps, a management change) have seen growth as flat to non-existent. The domestic mining sector slowdown during the abnormally long and violent strike season has further negatively impacted on this picture.
- Despite this, we do note some activity picking up in the residential sector (anecdotal evidence from other businesses we interact with in this market) and expect both Transet and Eskom spend to gain momentum in CY 15 given the spending cycles these respective institutions find themselves in. Furthermore, the mining sector's labour disruptions have largely passed and spending in this sector should normalize going forward.
- Building plans remain volatile, though arguable with a positive trend (Figure 2).

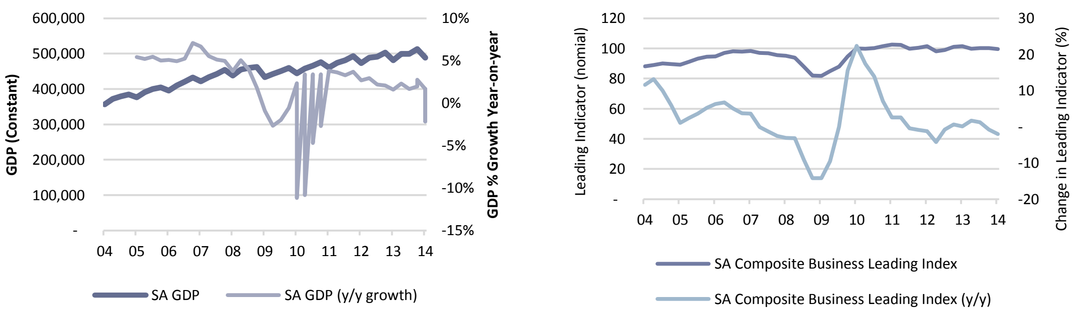
**Figure 2: Building Plans Passed, Growth in Building Plans and Various Statistics**




*Sources: Bloomberg, Blue Gem Research workings*

- South Africa's GDP remains soft and, indeed, slipped in negative territory in Q1:14 (Figure 3). It is no surprise therefore that the country's Leading Indicator has softened and its trend moved into negative territory.
- This is probably a direct impact of the labour unrest and strikes experienced in the mining, upstream mining supply industries and broader heavy and light industries impacting on volumes across the broader economy. This is compounded by the weak local consumer.

**Figure 3: South African GDP (Historical and Forecast) and South African Leading Indicator**




*Sources: Economist Consensus (Bloomberg), Bloomberg, Blue Gem Research workings*

- Overall, we see continued pressure across these industries and markets in the short-term, the result of continued labour unrest knock-on effects, soft consumer demand and stagnant economic growth.
- Despite this, we do believe that the broader construction and infrastructure market is likely to correct to more normalized levels in the medium-term as the pent-up infrastructural demand comes to market, mining and industrial activity resume at normalized levels and the general South African economy stabilises and begins to grow again at more historically normal rates.
- Refer to our Initiation of Coverage for further information regarding our view of this market.

## Forecasts

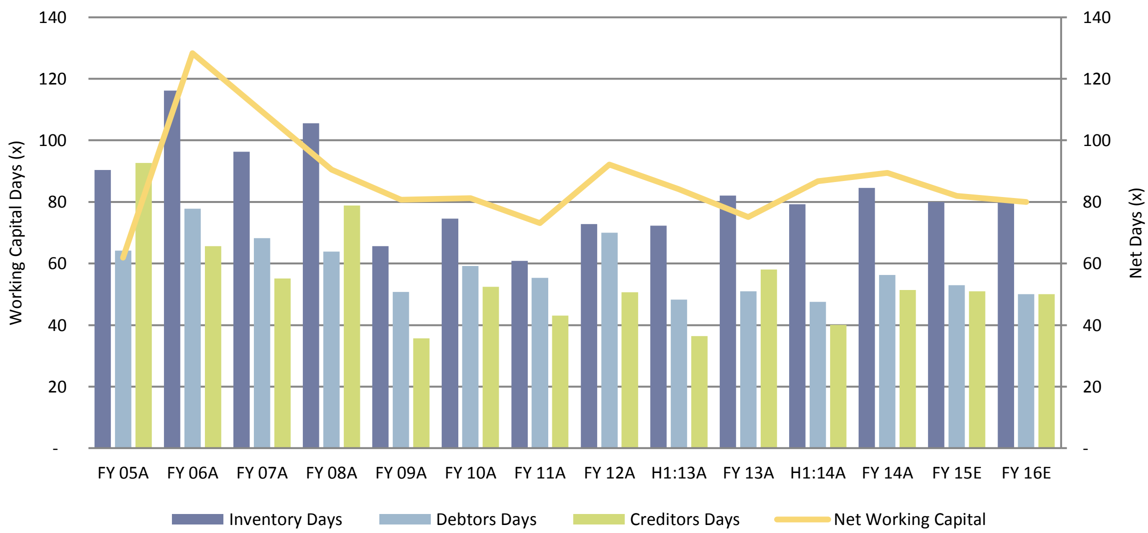
### Revenues and profitability

- We have raised ARB's Lighting segment's forecast revenue from 10% to 15% on growing volumes through existing and new customers coupled with product range expansion see this business performing well.
- We have also adjusted the Electrical Wholesaling segment's FY 15E growth rate from 10% to 15%, while softening it in FY 16E (due to the Base Effect).
- Overall, these major changes and a number of other minor ones see our FY 15E HEPS coming in at 56.8cps (previous forecast: 59.9cps) and FY 16E HEPS growing to 61.9cps.
- Note that these forecasts assume no acquisitions being made during the period.

### Liquidity, solvency and assets

- The Group continues to manage its working capital excellently with key ratios and days remains relatively stable during the period (Figure 5).

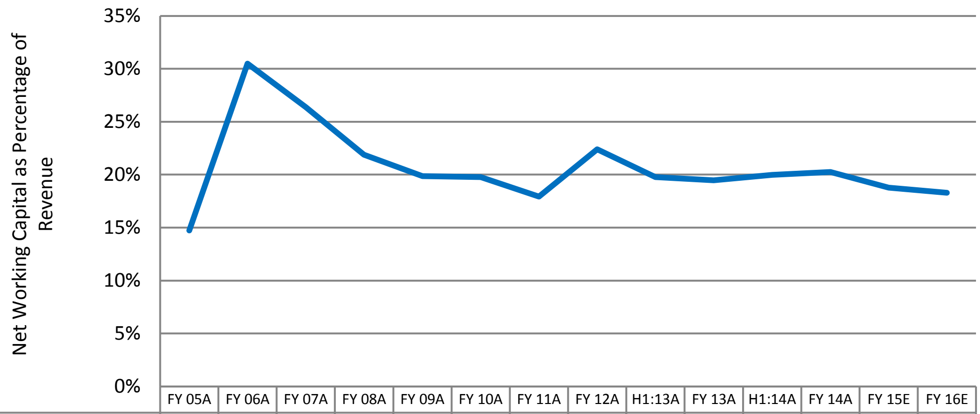
**Figure 5: Working Capital History of ARB Holdings**




*Sources: ARB Holdings, Blue Gem Research workings*

- Viewed slightly different, the Group's investment into its net working capital has remained relatively stable versus its revenue (Figure 6). Further, we do not expect any major change to this relationship.

**Figure 6: Net Working Capital as Percentage of Revenue**




| | FY 05A | FY 06A | FY 07A | FY 08A | FY 09A | FY 10A | FY 11A | FY 12A | H1:13A | FY 13A | H1:14A | FY 14A | FY 15E | FY 16E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Working Capital as % of Revenue | 15% | 30% | 26% | 22% | 20% | 20% | 18% | 22% | 20% | 19% | 20% | 20% | 19% | 18% |

*Sources: ARB Holdings, Blue Gem Research workings*

## Valuation and 12m TP

### Valuation Models

- A key consideration in all of our valuation models of ARB Holdings is that we do not value the property portfolio on the Group's balance sheet separately. This remains unchanged from our Initiation of Coverage.

### Discounted Free Cash Flow (DCF) Model

- Our DCF core assumptions remain unchanged, except for the following minor changes:
- Cost of Equity (CoE) of 16.8% based off a "Rule of Thumb" beta of 1.4x and an Equity Risk Premium of 5.5%.
- Real growth rates of the following:
  - FY 15E to FY 16E: per our forecasts in this report.
  - FY 17E to FY 23E: 15% y/y
  - FY 23E/Terminal Year: 3.5% y/y
- Finally, we take out an effective minority interest of c.30% from the Group (attributable to Eurolux and the outside shareholders in ARB Electrical Wholesalers).

**Table 5: DCF Model – ARB Holdings**

| | FY 15E | FY 16E | FY 17E | FY 18E | FY 19E | FY 20E | FY 21E | FY 22E | FY 23E | Terminal year |
|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA | 241 | 262 | 314 | 377 | 453 | 543 | 652 | 782 | 939 | 1018 |
| Less: Tax | -67 | -73 | -88 | -106 | -127 | -152 | -183 | -219 | -263 | -285 |
| Less: Working Capital | -29 | -30 | -36 | -43 | -52 | -62 | -74 | -89 | -107 | -116 |
| Less: Capex | -20 | -25 | -30 | -36 | -43 | -52 | -62 | -75 | -90 | -49 |
| Free Cash Flow (FCF) | 125 | 134 | 160 | 192 | 231 | 277 | 332 | 399 | 479 | 568 |
| Discounted FCF | 107 | 98 | 101 | 103 | 106 | 109 | 112 | 115 | 118 | 1234 |
| NPV (Enterprise Value) | | | | | | | | | | 2204 |
| Add: Net Cash | | | | | | | | | | 198 |
| Fair Value, inc. Minorities (R m) | | | | | | | | | | 2402 |
| **Fair Value, ex. Minorities (R m)** | | | | | | | | | | **1681** |
| **Fair Value of ARB shares (cps)** | | | | | | | | | | **715cps** |
| *Implied Price Earnings (x)* | | | | | | | | | | *14.2x* |
| *Discount to Fair Value (%)* | | | | | | | | | | *-8%* |
| **12m TP (cps)** | | | | | | | | | | **836cps** |
| *Exit Price Earnings (x)* | | | | | | | | | | *14.7x* |
| *Implied Return (%)* | | | | | | | | | | *7%* |

*Sources: ARB Holdings, Bloomberg, Blue Gem Research workings and assumptions*

- We arrive at a fair value of 715cps (previously: 622cps) on an implied Price Earnings (PE) of 14.2x. Rolling this forward at our CoE, this fair value implies a 12m TP of 836cps (previous 12m TP: 727cps) on an Exit PE of 14.7x.

### Dividend Discount (DD) Model

- Other than those indicated in the DCF model above, our DD model remains unchanged (Table 6):

**Table 6: DCF Model – ARB Holdings**

| | FY 14A | FY 15E | FY 16E | FY 17E | FY 18E | FY 19E | FY 20E | FY 21E | FY 22E | FY 23E | Terminal year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| HEPS (cps) | 50.3 | 57.0 | 61.8 | 71.1 | 81.8 | 94.0 | 108.1 | 124.4 | 143.0 | 164.5 | 148.0 |
| Dividend Cover (x) | 2.5x | 2.5x | 2.5x | 2.5x | 2.5x | 2.5x | 2.5x | 2.5x | 2.5x | 2.5x | 1.0x |
| DPS (cps) | 30.1 | 22.8 | 24.7 | 28.4 | 32.7 | 37.6 | 43.3 | 49.7 | 57.2 | 65.8 | 148.0 |
| DWT (15%) | -4.5 | -3.4 | -3.7 | -4.3 | -4.9 | -5.6 | -6.5 | -7.5 | -8.6 | -9.9 | -22.2 |
| Net DPS (cps) | 26 | 19 | 21 | 24 | 28 | 32 | 37 | 42 | 49 | 56 | 126 |
| Discount Factor | 1.00 | 0.86 | 0.73 | 0.63 | 0.54 | 0.46 | 0.39 | 0.34 | 0.29 | 0.25 | 0.29 |
| Discounts DPS (cps) | 25.6 | 16.6 | 15.4 | 15.2 | 14.9 | 14.7 | 14.5 | 14.3 | 14.0 | 13.8 | 438.5 |
| **Fair Value (cps)** | | | | | | | | | | | **598cps** |
| **Implied PE Ratio (x)** | | | | | | | | | | | **11.9x** |

*Sources: ARB Holdings, Bloomberg, Blue Gem Research workings and assumptions*

### Price Earnings (PE) Model

- The Group's PE re-rating appears to be stabilising (Figure 7).
- Given this re-rating, we would *not* consider the mean and standard deviations of the stock to be all that insightful (i.e. they are likely too low). Rather we would consider the fact that the stock trades on an historical PE of 15.5x with a forecast growth rate of c.13% (i.e. a PEG ratio of c.1.1x) as a better indication of the appropriateness of this market multiple.

**Figure 7: ARB Holdings Price Earnings Historical Discount versus the Electrical and Electrical Components Index**


*Sources: Bloomberg, Blue Gem Research workings*

## Valuation, 12m TP and Implied Return

- We reiterate our preferred valuation methodology as the DCF, therefore implying that our fair value for ARH is 715cps (previously: 622cps) on a PE of 14.2x. Rolling this forward at our CoE, we arrive at a 12m TP of 836cps (previous 12m TP: 727cps) on an Exit PE of 14.7x implying a return of 7% from the current levels.

## Key risks to our valuation

- The major macro-economic variables in South Africa (specifically, GDP growth, construction and building sectors, labour environment, amongst other variables),
- The timing and successful implementation of ARB's product, store and market expansion drive (including any potential future acquisitions, which we have *not* forecast), and
- Finally, the phasing out of incandescent lamps in South Africa and the effect of this on the Group's Lighting segment could be an upside, downside or neutral event (we have chosen "neutral", therefore anything other than this implies a risk to our valuation of the Group).

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