

11 February 2021

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Transurban Group

Transportation

HOLD

TCL A\$13.36 **TARGET PRICE A\$13.53**

Transurban Group (TCL) manages and develops urban toll road networks in Australia and the United States of America. The company engages in the development, operation, maintenance and financing of toll road networks as well as management of the associated customer and client relationships.

Company Data

Number of shares	2,736.5 M
Market Capitalisation	\$36,560.3M
Free float (%)	100
12-month high/low	\$16.37/\$10.04
Average Daily Turnover (\$m)	95.23
% S&P/ASX200	1.91%
DDM Ranking	355
% All Ordinaries	1.63%

GICS Industry Group Highways & Railtracks

Source: FactSet, Barclay Pearce Capital

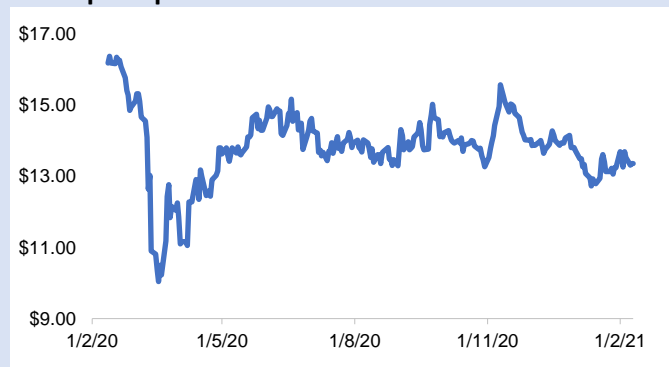
Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	3,616.0	3,744.8	4,046.6	4,178.5
EBITDA (\$M)	1,841.0	1,888.4	2,273.8	2,469.7
Reported NPAT (\$M)	-143.0	(44.4)	320.1	205.3
Adjusted NPAT (\$M)	-153.0	94.5	529.7	637.0
Reported EPS (c)	-5.6	-0.9	15.0	19.0
Adjusted EPS (c - FD)	-4.1	2.7	19.3	21.5
Adjusted EPS growth (%)	-162.1	-165.4	619.7	11.4
Adjusted P/E (x)	-325.9	498.4	69.2	62.1
Dividend (c/sh)	47.0	39.1	56.4	64.3
Gross yield (%)	3.8	3.2	4.5	5.2
Net yield (%)	3.5	2.9	4.2	4.8
ROIC (%)	-0.6	0.4	2.1	2.4

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

1H21 Results

On 11th February, Transurban Group (TCL) announced their results for the first half of FY21 with the following highlights:

1H21 summary

- Traffic impacts as a result of COVID-19 across all markets, with average daily traffic (ADT) decreasing by 17.8%;
- Traffic volumes improved at the Group level throughout the period, with ADT of 2.1 million in December vs. 1.8 million in July;
- Evolving stakeholder response to COVID-19 included actions to support our customers, communities and our people;
- Proportional toll revenue decreased by 16.6% to \$1,165 million;
- Proportional earnings before interest, tax, depreciation and amortisation (EBITDA) and before significant items decreased by 23.2% to \$840 million;
- Statutory loss of \$448 million (including discontinued operations);
- Resolution of spoil disposal issues on the West Gate Tunnel Project is ongoing, with project schedule review confirming 2023 project completion no longer considered achievable;
- M8 and NorthConnex both completed during period, and tolling commenced on the M5 East;
- North America partnership announced in December, introducing three strategically aligned partners into Transurban's Greater Washington Area assets for gross sale proceeds of USD2.1 billion;
- 361,000 hours average workday travel-time savings; and
- 1H21 interim distribution of 15.0 cents per stapled security (cps), 114% covered by 1H21 Free Cash.

CEO Scott Charlton highlighted the positive traffic trend during the first half of FY21 and the progress that the business had made on several key projects during the period. He noted that despite ongoing challenges in the global operating environment, the business was well positioned to pursue the pipeline of projects materialising in its core markets.

"Transurban was significantly impacted as a result of COVID-19 during the first half of FY21, particularly in Melbourne and Greater Washington Area where the virus and associated government restrictions were most severe. Pleasingly, traffic in Melbourne improved significantly through the half, with traffic in December down 19% compared to 66% in August, when restrictions were at their peak"

Earnings changes

For 1H21, TCL reported a statutory loss of \$448M and EBITDA of \$840M, this is in line with market expectations. Hence we don't expect any significant earnings revisions.

Valuation

We are initiating on TCL with a price target of \$13.53 and a HOLD recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)