Company analysis: Understanding the industry

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Contents

Introduction

- When analysing a company, it is important to understand its broader context.
  - What is happening in the industry?
  - How do the company’s metrics compare to industry averages?
  - Why do they differ?
  - What risks are evident in the broader industry?
- This is relevant to business buyers (individual, corporate, or PE) conducting due diligence, business owners, equities research analysts, students, and more

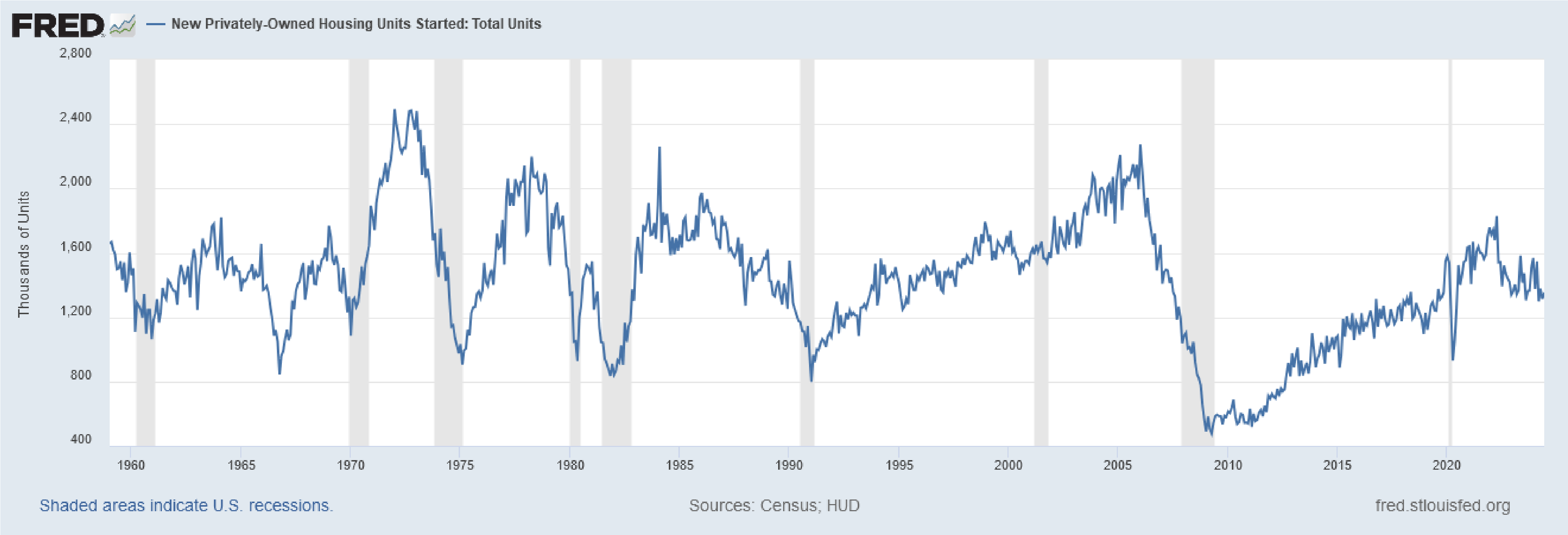
How to find this information

- You can accomplish everything here via desktop research
- Listed public companies will probably be the best source of data
  - Go to the investor relations section of the website or look at their announcements on the relevant stock exchange
- Official sources: national statistical agencies, central banks, etc
- Government reports
- Industry associations
- Don’t forget qualitative information as well
  - E.g. earnings call transcripts (or listen to the call)

Economic indicators

- What economic indicators are relevant to the company you are analysing?
- What do they say about the business environment?
- E.g.
  - For a building materials company -> building approvals or housing starts

Economic indicators: an example



Source: US Census Bureau and US Department of Housing and Urban Development, New Privately-Owned Housing Units Started: Total Units [HOUST], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/HOUST, August 3, 2024

Across comparable companies

- Are there publicly listed companies in the same industry, and ideally the same industry segment, that publish the relevant data?
- Think about what broader trends you can see
- Think about why the company might differ
- E.g.
  - For a retailer -> other retailers in the same segment
  - For an office REIT -> other office REITs

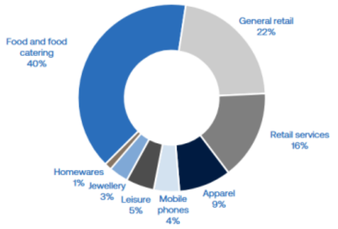
Across comparables – example

Specialty Tenants

- 172 specialty leases completed in the period
- Leasing spreads over the period were +1.2%
  - 70 new leases (+0.1% leasing spread)
  - 102 renewals (+1.6% leasing spread)
- Retention rate remains high at 83%
- Specialty productivity across the portfolio is at a historical high level of $10,710 per sqm
- Occupancy cost of 11.3% allowing for further growth in market rental

Specialty performance	Jun 23	Dec 23
MAT growth[1]	9.0%	3.6%
Sales productivity (per sqm)	$10,489	$10,710
Average gross rent (per sqm)	$1,191	$1,215
Specialty occupancy cost	11.4%	11.3%
Average rental increase p.a.	4.0%	4.1%
Retention rate	83%	83%

Specialty sales MAT by category



1. Like for like sales

LEASING

Acting at pace to embed earnings resilience in FY24 and beyond with high-quality, long-term leasing deals, despite moderating sales

VICINITY CENTRES

RETAILER CONFIDENCE TO COMMIT TO LONG-TERM LEASES REMAINS ROBUST

676 comparable deals at +3.3% leasing spread

Apparel & Footwear, Leisure and Jewellery delivered high single digit spreads, highlighting resilient retailer confidence, despite moderating retail sales growth rates

Demand for premium centres continued; collectively, Chadstone and Outlets delivered +12.6% leasing spread

Specialty occupancy cost ratio of 13.7% provides opportunity for continued rental income growth

HIGH QUALITY DEALS SUPPORT CURRENT AND FUTURE INCOME GROWTH

Occupancy increased to 99.1%; highest level since pre-COVID

Average tenure of leases increased to 4.5 years, up from 4.1 years over FY23

83% of new leases had fixed annual escalators of 5% and in total, 97% of new leases have fixed annual escalators of at least 4%, equating to an average annual escalator of 4.8%

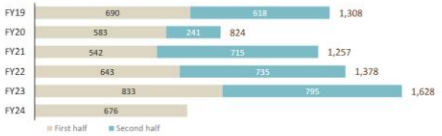
133 vacancies leased during 1H FY24 representing c.16,000 sqm

Portfolio holdovers reduced (by count) and remain low at 4% of income (Jun 23: 4% of income)

LEASING SPREADS	OCCUPANCY	TENANT RETENTION	1H FY24 LEASE TENURE
+3.3%	99.1%	77%	4.5 years
FY23: +0.3%	Jun 23: 98.8%	FY23: 74%	FY23: 4.1 years

LEASING STATISTICS	1H FY24	FY23	1H FY23
Total[1] deals completed	1,006	2,249	1,163
Comparable deals completed	676	1,628	833
Leasing spreads (%)	3.3	0.3	(0.1)
Specialty occupancy cost ratio[3] (%)	13.7	13.5	13.9
Specialty MAT productivity[3] ($/sqm)	12,733	12,644	12,159
Tenant retention (%)	77	74	76
WALE[2,3] – total portfolio (years)	3.6	3.3	3.3
Holdovers[3] – total portfolio	364	375	488
Holdovers[3] – excluding strategic development held	233	253	409

COMPARABLE LEASING DEALS COMPLETED[1]



1. Total leasing deals includes non-comparable deals – development-impacted, reconfigurations and third-party assets.
2. Weighted average lease expiry by income.
3. At period end.

Source: Charter Hall Retail (ASX: CQR); Vicinity Centres (ASX: VCX)

Across geographies

- It can help to look at what similar companies are doing in other parts of the world
- While many factors will be locally specific, some will affect companies worldwide
- E.g.
  - Are raw material prices up? How is this affecting margins?
  - How are customers in the target demographic responding to current conditions?
  - What are companies doing about this?

Across time

- It also helps to look at how data is trending over time
- This applies to both data from the company you are looking at, and data from peers

Across the value chain

- Besides looking at directly comparable companies, you can also find insights by looking at other companies along the value chain
- This might include suppliers or customers
- E.g.
  - For a supermarket -> look at food & beverage companies
  - For a software training provider -> look at the software vendor

Across the value chain: example

Microsoft | Investor Relations | Investor Relations ⌄ | Earnings Releases ⌄ | Financial Statements ⌄ | All Microsoft ⌄ | Search

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Fiscal Year: 2025 | Quarter: Q4 | Go › | Reset Filter ›

Earnings Release FY25 Q4

Investor Metrics

(in millions, except for percentages and where otherwise noted)	Q424	FY24	Q125	Q225	Q325	Q425	FY25
► Commercial (Includes commercial portion of LinkedIn)							
Commercial bookings growth (y/y)*	**17% / 19%**	**20%**	30% / 23%	67% / 75%	18% / 17%	**37% / 30%**	**38%**
Commercial remaining performance obligation (in billions)	**$269**	**$269**	$259	$298	$315	**$368**	**$368**
Commercial revenue annuity mix	**97%**	**97%**	98%	97%	98%	**98%**	**98%**
Microsoft Cloud revenue (in billions)	**$36.9**	**$137.7**	$38.9	$40.9	$42.4	**$46.7**	**$168.9**
Microsoft Cloud revenue growth (y/y)*	**22% / 23%**	**23%**	22% / 22%	21% / 21%	20% / 22%	**27% / 25%**	**23% / 23%**
Microsoft Cloud gross margin percentage	**70%**	**72%**	71%	70%	69%	**68%**	**69%**
► Productivity & Business Processes and Intelligent Cloud							
Microsoft 365 Commercial cloud revenue growth (y/y)*	**15% / 16%**	**18%**	15% / 16%	16% / 15%	12% / 15%	**18% / 16%**	**15% / 15%**
Microsoft 365 Commercial seat growth (y/y)	**7%**	**7%**	8%	7%	7%	**6%**	**6%**
Microsoft 365 Consumer cloud revenue growth (y/y)*	**7% / 7%**	**8%**	6% / 7%	8% / 8%	10% / 12%	**20% / 20%**	**11% / 12%**
Microsoft 365 Consumer subscribers	**82.4**	**82.4**	84.4	86.3	87.7	**89.0**	**89.0**
LinkedIn revenue growth (y/y)*	**10% / 9%**	**9%**	10% / 9 %	9% / 9%	7% / 8%	**9% / 8%**	**9% / 9%**
Dynamics 365 revenue growth (y/y)*	**19% / 20%**	**23%**	18% / 19%	19% / 18%	16% / 18%	**23% / 21%**	**19% / 19%**

Download Earnings Related Files

Information contained in these documents is current as of the earnings date, and not restated for new accounting standards

- Earnings Call Slides ›
- Earnings Call Transcript ›
- Financial Statements ›
- Outlook ›
- Press Release ›
- 10K ›
- FY25Q4 Product Release List ›

ASSET PACKAGE ⤓

Earnings Release Pages

- Metrics ›
- Performance ›

Source: Microsoft

Conclusions

- There is often a lot of insight that can be gleaned from publicly available information, including economic data, industry peers, similar companies in other regions, and companies in different parts of the value chain
- While direct, 1:1 comparisons may be a stretch, it can still be valuable to look at proxies, or examine the industry through different lenses

Where you can reach me

- I help organisations make better decisions through thematic research, buy-side due diligence, and fractional corp dev
- With nearly 15 years' experience across private & public markets, I bring both depth and breadth of expertise
- If you need my skills, please get in touch
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Appendix: Deep Research

- Available as a paid feature with ChatGPT, Gemini, Claude
- In response to a prompt, the model will go off, consult Internet sources, and report back
- The model is limited to whatever is on the public Internet – no paywalled sources (databases/proprietary reports), books, etc.
- The value is generally in the sources rather than the write-up – surfacing reports that are in the public domain
- For more detail: https://www.insightdistillers.com/wp-content/uploads/2025/06/250627-Insight-Distillers-LLM-Guide.pdf