A VINTAGE YEAR

Investors can raise a glass to an exceptional results season, writes **Karina Barrymore**

HEAVY HITTERS

THE 20 BIGGEST ASX 200 COMPANIES WHO REPORTED FULL-YEAR RESULTS LAST MONTH, AND HOW THE MARKET REACTED

	NET PROFIT THIS YEAR	NET PROFIT LAST YEAR	SHARE PRICE IN WEEK FOLLOWING RESULTS
BHP BILLITON	$5.01bn	$7.66bn	▼ 0.3%
CBA	$9.33bn	$9.93bn	▲ 4.1%
CSL	$2.34bn	$1.74bn	▲ 8.6%
WESFARMERS	$1.2bn	$2.87bn	▲ 0.8%
WOOLWORTHS	$1.72bn	$1.53bn	▼ 2%
TELSTRA	$3.56bn	$3.89bn	▲ 13.5%
TRANSURBAN	$485m	$239m	▼ 0.4%
RESMED	$427m	$445m	▲ 0.5%
SUNCORP	$1.06bn	$1.08bn	▲ 0.3%
GOODMAN GROUP	$1.1bn	$778m	▲ 2.9%
IAG	$947m	$929m	▼ 8.3%
SOUTH32	$1.8bn	$1.6bn	▲ 9.5%
BRAMBLES	$1.01bn	$238m	▲ 9.5%
AMCOR	$980m	$776m	▼ 0.3%
NEWCREST MINING	$273m	$400m	▼ 3.3%
TREASURY WINE	$360m	$269m	▲ 1.1%
ORIGIN ENERGY	$218m	-$2.23bn	▼ 15.5%
AGL ENERGY	$1.59bn	$539m	▼ 1.6%
ASX LIMITED	$445m	$434m	▼ 3.3%
COCHLEAR	$246m	$224m	▲ 3.5%

Sources: CommSec, Bloomberg, company accounts

AUSTRALIA'S major listed companies have turned in a bumper performance for the past financial year, according to analysts.

The proportion of companies in the benchmark ASX 200 index that increased their bottom lines was the biggest in more than a decade, with many declaring generous dividends.

Of companies reporting full-year results, about 93 per cent reported a profit during the August reporting season — higher than the long-term average of 87 per cent.

The proportion chalking up increases in their profit was 78 per cent, up from 67 per cent last year and the most since 2007 — on the eve of the global financial crisis — when 89 per cent of companies lifted their earnings.

CommSec chief economist Craig James said the results across the ASX 200 had been "impressive".

"The percentage of companies issuing a dividend is near record highs, expenses have matched sales and cash levels are at record highs and up 8.5 per cent on a year ago," Mr James said.

Business confidence was also positive, he said, and this pointed to a stronger outlook for capital investment and continued growth in revenue.

And in most cases, those companies that reported falls in profit still had strong underlying results.

But it wasn't all smooth sailing.

Among companies to suffer a fall in profit was Australia's most widely-held stock, Telstra.

The telco reported an 8.4 per cent slide in net profit to $3.56 billion as strong competition took a toll.

Still, the result was better than analysts had forecast and was welcomed by investors, who pushed Telstra shares higher on the day, AMP Capital chief economist Shane Oliver said.

"Telstra was one of those perverse results — despite the profit fall, the result was actually seen as good," he said.

"The share price bounced up because the profit met guidance and the market had feared it would be worse."

TELSTRA shares surged almost 6 per cent to $3.02 on the day the results were released and gained more ground in subsequent sessions before sliding back toward $3 in the past two weeks.

Dr Oliver said market expectations dictated how companies fared on the stock market after they published their results.

He noted Insurance Australia Group, the company behind brands including CGU and NRMA, only reported a small fall in profit — down 0.6 per cent.

"But the profit number was almost 10 per cent below what the market was expecting, so investors hit the share price hard," he said.

Shares in IAG tumbled about 5 per cent on the day and have fallen further since.

Dividends were also broadly higher across the ASX 200 this season.

About 76 per cent of companies increased their payouts to shareholders, compared with 60 per cent last year.

Motley Fool analyst Tom Richards nominated the performance of Melbourne-basedbiotechnology titan CSL as the season highlight.

"CSL handed in a full-year result 29 per cent above the previous year at $US1.73 billion — and ahead of analysts' average estimates," he said.

CSL shares have since increased more than 12 per cent and the group has a market value approaching $105 billion.

"It's now worth more than all the banks, except for CBA, and boasts stronger long-term growth prospects," Mr Richards said.

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The slowdown on Australia's horizon is no mirage

THE SHORT CUT
with ROGER MONTGOMERY

REPORTING season produced some terrific results. Yet UBS found negative financial year 2019 revisions outweighed positive ones by almost three to one.

Consequently, analysts now expect earnings per share growth to be slower this financial year than it was in the previous one.

Perhaps the most troublesome theme that emerged was a combination of announcements and statements from the Commonwealth Bank, Mirvac Group, AGL Energy and Genworth Mortgage Insurance Australia.

Together, their results provided anecdotal evidence the situation for property investors and perhaps retailers was going to get tougher.

Genworth is one of Australia's largest mortgage insurers. When a property buyer provides a very small deposit, the bank will insist mortgage insurance is taken out by the borrower.

Genworth covers the banks for the risk of non-performance by borrowers.

And although it was off a very low base, Genworth reported a rise in delinquencies in each state.

Then, in the CBA results, chief executive Matt Comyn noted home loan-growth had fallen to just 2 per cent, adding that he expected arrears to rise over the next few years as more borrowers on interest-only loans were moved across to principal-and-interest loans — something we have been warning about for several years.

The peak of interest-only loans was written in 2015 — about $159 billion — and many of these will need to be refinanced in 2020.

These loans have higher repayment requirements for the borrower and lower margins for the banks, ensuring consumers will be under more financial pressure, as will profit growth and profit margins for the banks.

Perhaps it should come as no surprise Westpac last week raised rates by 0.14 of a percentage point for variable mortgages.

It's also important to remember consumption could be further affected by the negative wealth effect from falling property prices.

And keep in mind the CBA also noted in its results presentation that personal loan and credit-card arrears have risen significantly since the start of the year.

Reinforcing the possibility of a more challenging consumer backdrop is any evidence that contractors and builders in the construction industry — the nation's third largest employer — have less work.

When Mirvac reported its results, we received precisely that evidence. Mirvac shocked the market by forecasting residential sales would fall substantially from 3277 the past financial year to 2500 this financial year. That's a 24 per cent volume decline.

Then there is the reported rise in the number of Melbourne developers going into administration, as well as AGL reporting a 22 per cent jump in bad and doubtful debts: that would be people unable to pay their utilities bill.

Combining all of the above, we wonder whether less work for building contractors in the year ahead and weaker consumer activity overall will be a dark cloud over the economy and particularly the investment returns for shareholders in banks, retailers and builders.

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