



Regional Express Holdings Limited (REX)

Initiation - Battered but still standing - 21 May 2013

Regional Express Holdings Limited (REX) offers scheduled air passenger and freight transportation services within Australia.

Research Summary

This report is current at the date of publishing. Please speak with your advisor about updates to or the currency of this report.

Regional Express Holdings (REX) is an Australian regional airline and is the sole operator on the majority of its routes. REX has stronger margins, ROE, yield and a healthier balance sheet than its ASX-listed airline peers, but it trades at a discount. However, REX's monopoly position on the majority of its routes does not make it immune from competition as it competes with other forms of transport (road and rail).

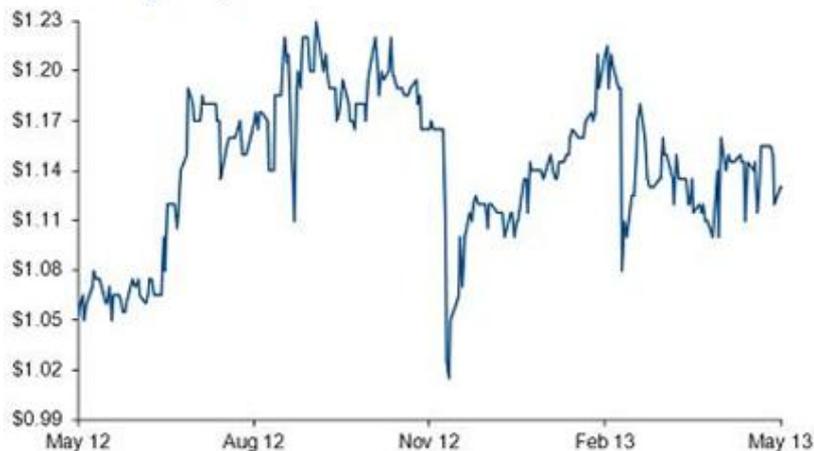
The removal of a government subsidy, the carbon tax and increased security requirements has resulted in REX expecting FY13 NPAT to be down 35-40% on FY12. Despite operating in a challenging industry, we expect REX to deliver resilient earnings going forward, although growth is likely to be limited. We initiate coverage with a BUY recommendation and A\$1.20/sh 12 month target price (7.8x FY14 EPS).

BBY Technical View - as at 21 May 2013

Exit Price	\$1.20	Resistance	\$1.22
Trend	Reversing up	Support	\$1.05

Prepared by RXL

REX share price performance



Contact your BBY advisor for valuation metrics including the company's financials such as Price-to-Earnings Ratio (PE), Dividend Returns and Return on Equity (ROE).

BUY 1.0X

CURRENT PRICE A\$1.13

TARGET PRICE A \$1.20

Key Contacts

Swapan Pandya, CFA
+61 2 9226 0073
sxp@bby.com.au

Maira Daw
+61 2 9226 0164
mxd@bby.com.au

BBY - Research

Phone: (02) 9226 0000
Fax: (02) 9226 0110

www.bby.com.au