# **BELL POTTER**

#### Analyst

TS Lim 612 8224 2810

#### Authorisation

Chris Savage 612 8224 2835

## Recommendation

Buy (unchanged)

**Price** 

\$31.72

Target (12 months)

\$34.50 (previously \$32.50)

### **GICS Sector**

**Banks** 

Expected Return	
Capital growth	7.2%
Dividend yield	4.0%
Total expected return	11.2%
Company Data & Rat	ios
Enterprise value	n/m
Market cap	\$102,157m
Issued capital	3,221m
Free float	100%
Avg. daily val. (52wk)	\$187.2m
12 month price range	\$25.08 - \$31.74

Price Performance							
	(1m)	(3m)	(12m)				
Price (A\$)	30.58	28.83	25.93				
Absolute (%)	3.73	10.02	22.33				
Rel market (%)	1.54	9.12	12.19				

# National Australia Bank (NAB)

Further buy-back

# Another \$2.5bn buy-back

NAB has announced the completion of its \$2.5bn on-market share buy-back. In addition, it has also announced a further buy-back of up to \$2.5bn. The total combined size is therefore \$5.0n. This will enable NAB to manage its CET1 capital ratio towards the target range of 10.75-11.25%. The bank expects to commence the latest buy-back following its 1H22 result, subject to market conditions. The capital management strategy reflects its strong balance sheet, further saying "...the further \$2.5bn onmarket buy-back announced today supports our ambition to reduce share count and increase sustainable ROE benefits for our shareholders".

APRA's Unquestionably Strong CET1 benchmark remains at 10.5%. reported ratio is at 12.4% at the end of December 2021, the further buy-back will reduce the Group's CE1 ratio by roughly 58bp. Pro-forma including other adjustments, CET1 ratio is 11.3% and the movements include: 1) shares bought back and cancelled -32bp; 2) proposed acquisition of the Citigroup Australian consumer business -31bp; 3) BNZ divestment +6bp; and 4) further proposed buy-back of \$2.5bn -58bp. This is subject to timing and number of shares purchased.

# Price target increased to \$34.50, Buy rating maintained

NAB's cash earnings are increased by 3% from FY25e, mainly due to higher net interest income (up to 1% from FY25e) and even higher other banking income (3-12% in FY23e through to FY25e from reversion back to normalcy especially in business/private and corporate/institutional banking). These are offset to some extent by higher credit impairment charges (by up to 15bp - previously 12bp - in FY25e). In addition to lower dividend valuation yield of 3.75% (discount rate is maintained), the price target is therefore increased by \$2.00 to \$34.50. NAB's Buy rating is retained.

Absolu	te Price
\$35.0	
\$30.0	Noha
\$25.0	MARKAL PARTY
\$20.0	Mary Mary Mary
\$15.0	
\$10.0	
M	ar Aug Jan 21 Jun 21 Nov
2	0 20 21
_	NAB ——S&P 300 Rebased

Earnings Forecast				
Year end 30 September	2021	2022e	2023e	2024e
Statutory earnings (A\$m)	6,364	6,625	7,006	7,404
Cash earnings (A\$m)	6,558	6,743	7,124	7,522
EPS (cash) (A¢)	199	204	213	224
EPS (cash) growth (%)	65%	2%	4%	5%
PER (x)	15.9	15.5	14.9	14.2
P/Book (x)	1.6	1.5	1.5	1.4
P/NTA (x)	1.7	1.6	1.5	1.5
Dividend (A¢)	127	137	143	150
Yield (%)	4.0%	4.3%	4.5%	4.7%
ROE (%)	10.8%	10.5%	10.5%	10.7%
NIM (%)	1.72%	1.66%	1.66%	1.67%
Franking (%)	100%	100%	100%	100%
SOURCE: BELL POTTER SECURITIES ESTIMATES				

SOURCE: IRESS

# **Further buy-back**

# Price target increased to \$34.50, Buy rating maintained

NAB's cash earnings are increased by 3% from FY25e, mainly due to higher net interest income (up to 1% from FY25e) and even higher other banking income (3-12% in FY23e through to FY25e from reversion back to normalcy especially in business/private and corporate/institutional banking). These are offset to some extent by higher credit impairment charges (by up to 15bp – previously 12bp – in FY25e). In addition to lower dividend valuation yield of 3.75% (discount rate is maintained), the price target is therefore increased by \$2.00 to \$34.50. NAB's Buy rating is retained.

National Australia Bank		FY22e			FY23e			FY24e		FY25e		
Y/e September 30 (\$m)	Current	Previous	Change									
Profit & Loss												
Net interest income	13,826	13,826	0%	14,391	14,364	0%	14,869	14,813	0%	15,284	15,196	1%
Other income	3,503	3,503	0%	3,878	3,770	3%	4,222	3,897	8%	4,499	4,029	12%
Net operating income	17,330	17,330	0%	18,270	18,134	1%	19,091	18,710	2%	19,783	19,225	3%
Operating expenses	-7,504	-7,504	0%	-7,521	-7,521	0%	-7,498	-7,498	0%	-7,466	-7,466	0%
Credit impairment charge	-216	-216	0%	-595	-549	-8%	-871	-731	-16%	-1,079	-865	-20%
Cash earnings b4 tax/distributions	9,610	9,610	0%	10,154	10,065	1%	10,723	10,481	2%	11,238	10,893	3%
Income tax expense	-2,867	-2,867	0%	-3,030	-3,003	-1%	-3,201	-3,128	-2%	-3,355	-3,251	-3%
Distributions	0	0	n/m									
Cash earnings	6,743	6,743	0%	7,124	7,061	1%	7,522	7,353	2%	7,883	7,642	3%
Statutory earnings	6,625	6,625	0%	7,006	6,943	1%	7,404	7,235	2%	7,765	7,524	3%
Cash earnings ex-notable items	6,700	6,700	0%	7,081	7,018	1%	7,479	7,310	2%	7,840	7,598	3%
DPS (c)	137	137	0%	143	143	0%	150	150	0%	157	157	0%
EPS (cash basis) (¢)	204	204	0%	213	210	1%	224	218	3%	234	226	3%
- ex-notable items (¢)	203	203	0%	211	209	1%	222	217	3%	232	225	4%
Cash payout ratio	67%	67%	0%	67%	68%	-1%	67%	69%	-2%	67%	69%	-2%
- ex-notable items	67%	67%	0%	67%	68%	-1%	67%	69%	-2%	67%	70%	-2%
ROE	10.5%	10.5%	0.0%	10.5%	10.4%	0.1%	10.7%	10.5%	0.2%	10.7%	10.4%	0.3%
NIM	1.66%	1.66%	0.00%	1.66%	1.65%	0.00%	1.67%	1.66%	0.01%	1.67%	1.66%	0.01%
CIR	43%	43%	0%	41%	41%	0%	39%	40%	1%	38%	39%	1%
- ex-notable items	44%	44%	0%	42%	42%	0%	40%	40%	-1%	38%	39%	-1%
Underlying cost base	7,566	7,566	0%	7,583	7,583	0%	7,560	7,560	0%	7,528	7,528	0%
Impairment expense as % of GLA	0.03%	0.03%	0.00%	0.09%	0.08%	-0.01%	0.13%	0.11%	-0.02%	0.15%	0.12%	-0.03%
Effective tax rate	30%	30%	0%	30%	30%	0%	30%	30%	0%	30%	30%	0%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# **National Australia Bank**

# **Company description**

NAB is a well-diversified financial services organisation providing a comprehensive range of retail and wholesale banking products and services. The bank largely operates in Australia (under the NAB umbrella brands) and in New Zealand (under the BNZ brand) and remains a leader in SME/business banking.

# Investment strategy

NAB's turnaround and de-risking phase is complete following the demerger and IPO of CYB. The bank is now focused on the lower risk, capital efficient Australian and New Zealand retail, business and corporate banking market space. Our investment strategy is predicated upon NAB improving its NIM (through repricing and pricing discipline), maintaining tight cost management and lifting its overall ROE to levels that are closer to those of its major bank peers.

## Valuation

Our price target is broadly based on a blend of DCF, sustainable dividend yield play, sustainable ROE and fully de-risked SOP valuation weighted equally and as its ROE outlook normalises towards at least 10-12% in the medium term.

Table 2 – Composite valuation										
Composite Valuation	Value (\$m)	Per NAB share	Weighting	Composite value per NAB share						
DCF	97,000	\$30.12	25%	\$7.53						
Dividend yield (sustainable)	119,806	\$37.20	25%	\$9.30						
ROE (sustainable)	114,776	\$35.64	25%	\$8.91						
Sum-of-Parts	105,239	\$32.68	25%	\$8.17						
Surplus capital*	1,612	\$0.50		\$0.50						
Total				\$34.41						
* Less estimated NZ new capital requirement SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES										

FY22e NPAT	Pros. PE (times)	Value (\$m)	Per NAB share
2,715	16.0	43,439	\$13.49
1,664	15.5	25,795	\$8.01
1,272	15.0	19,080	\$5.92
0	-	-	-
1,092	15.5	16,926	\$5.26
0	0.0	0	\$0.00
6,743	15.6	105,239	\$32.68
	NPAT 2,715 1,664 1,272 0 1,092 0 6,743	NPAT (times) 2,715 16.0 1,664 15.5 1,272 15.0 0 - 1,092 15.5 0 0.0	NPAT         (times)         Value (\$m)           2,715         16.0         43,439           1,664         15.5         25,795           1,272         15.0         19,080           0         -         -           1,092         15.5         16,926           0         0.0         0           6,743         15.6         105,239

# **SWOT** analysis

# Strengths

- 1. Agribusiness and SME / commercial banking capabilities;
- 2. Highest proportion of investment grade exposures in the sector;
- Lowest exposure to mining and energy;
- 4. High quality mortgage loan book;
- 5. Well diversified geographically;
- 6. Management execution; and
- 7. Cost and growth discipline, and ROE focus.

#### Weaknesses

- 1. NIM still soft in business lending; and
- 2. Market share loss in SME and business banking segments.

## **Opportunities**

- 1. Further domestic banking and wealth management opportunities based on securing alternate distribution strategies;
- 2. Upside risk to planned cost savings following \$1.5bn investment spend; and
- 3. Driving the Personal and Business Banking cost ratio to below 35%.

#### **Threats**

- 1. Slippage in planned productivity increases;
- 2. Royal Commission and other political uncertainties;
- 3. Macroeconomic factors, e.g. unemployment and slowing credit growth;
- 4. Changes in regulatory environment, especially higher liquidity/capital/funding constraints under proposed global regulatory reforms, and the potential capping of funds management and advice fees that would crimp wealth management earnings growth; and
- 5. Increased competition specifically from the majors and disruptors on the domestic front in retail and wholesale banking and wealth management.

# **Sensitivities**

Table 4 – Sensitivities									
Y/e September 30	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Sensitivities									
Group NIM +10bp									
- NPAT upside (cash basis)	8.7%	8.5%	8.3%	8.1%	8.0%	7.9%	7.7%	7.6%	7.4%
- Price target upside	\$2.99	\$2.94	\$2.87	\$2.81	\$2.77	\$2.72	\$2.66	\$2.61	\$2.55
Group Loans +1%									
- NPAT upside (cash basis)	0.7%	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%
- Price target upside	\$0.24	\$0.23	\$0.23	\$0.23	\$0.23	\$0.22	\$0.22	\$0.22	\$0.21
Australian loans +1%									
- NPAT upside (cash basis)	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
- Price target upside	\$0.14	\$0.14	\$0.14	\$0.14	\$0.14	\$0.13	\$0.13	\$0.13	\$0.13
NZ loans +1%									
- NPAT upside (cash basis)	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
- Price target upside	\$0.06	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
Other income +1%									
- NPAT upside (cash basis)	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
- Price target upside	\$0.13	\$0.13	\$0.14	\$0.14	\$0.14	\$0.13	\$0.13	\$0.13	\$0.13
BDD +1%									
- NPAT upside (cash basis)	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
- Price target upside	-\$0.01	-\$0.02	-\$0.03	-\$0.03	-\$0.04	-\$0.04	-\$0.03	-\$0.03	-\$0.03
Costs +1%									
- NPAT upside (cash basis)	-0.8%	-0.7%	-0.7%	-0.7%	-0.6%	-0.6%	-0.6%	-0.5%	-0.5%
- Price target upside	-\$0.27	-\$0.25	-\$0.24	-\$0.23	-\$0.22	-\$0.21	-\$0.20	-\$0.18	-\$0.17

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# National Australia Bank as at 24 March 2022

RecommendationBuyPrice\$31.72Target (12 months)\$34.50

Table 5 – Financial summary											
National Australia Bank							Share Price				31.72
As at	24-Mar-22						Market Cap	(A\$M)			102,157
PROFIT AND LOSS	2020	2021	2022e	2023e	2024e	VALUATION DATA	2020	2021	2022e	2023e	2024e
Y/e September 30 (\$m) Net interest income	13,920	13,797	13,826	14,391	14,869	Y/e September 30 Cash earnings (\$m)	3,710	6,558	6,743	7,124	7,522
Other banking income	3,270	3,009	3,503	3,878 <b>18,270</b>	4,222	EPS (statutory basis) (cps)	82 -51%	193	201	209 4%	220 5%
Total banking income Funds management income	<b>17,190</b> 0	<b>16,806</b> 0	<b>17,330</b> 0	18,270	<b>19,091</b> 0	- Growth EPS (cash basis) (cps)	-51% 121	135% 199	4% 204	213	5% 224
Insurance income	0 47 400	0	0 47 220	19 270	10.001	- Growth	-42%	65%	2%	4%	5%
Net operating income Operating expenses	<b>17,190</b> -9,007	<b>16,806</b> -7,817	<b>17,330</b> -7,504	<b>18,270</b> -7,521	<b>19,091</b> -7,498	P / E ratio (times) P / Book ratio (times)	26.2 1.7	15.9 1.6	15.5 1.5	14.9 1.5	14.2 1.4
Credit impairment charge	-2,762	217	-216	-595	-871	P / NTA ratio (times)	1.8	1.7	1.6	1.5	1.5
Cash earnings b4 tax/distributions Income tax expense	<b>5,421</b> -1,672	<b>9,206</b> -2,635	<b>9,610</b> -2,867	<b>10,154</b> -3,030	<b>10,723</b> -3,201	Net DPS (cps) Yield	60 1.9%	127 4.0%	137 4.3%	143 4.5%	150 4.7%
Outside equity interests	0	0	0	0	0	Franking	100%	100%	100%	100%	100%
Investment experience Distributions	0 -39	0 -13	0	0	0	Payout (cash basis)	49%	63%	67%	67%	67%
Cash earnings	3,710	6,558	6,743	7,124	7,522	CAPITAL ADEQUACY					
Large notable items, discontinued operations and other adjustments	-1,151	-194	-118	-118	-118	Y/e September 30	2020	2021	2022e	2023e	2024e
Statutory earnings	2,559	6,364	6,625	7,006	7,404	Risk weighted assets (\$m)	425,147	417,163	469,662	511,028	532,577
CASUELOW						Average risk weight	53%	48%	51%	53%	53%
CASHFLOW Y/e September 30 (\$m)	2020	2021	2022e	2023e	2024e	Tier 1 ratio CET1 capital ratio	13.2% 11.5%	14.6% 13.0%	13.7% 12.2%	13.1% 11.8%	13.1% 11.9%
NPAT (cash basis)	3,710	6,558	6,743	7,124	7,522	Total capital ratio	16.6%	18.9%	17.5%	16.6%	16.5%
Increase in loans	7,300	-32,448	-24,564	-21,831	-17,710	Equity ratio	7.1%	6.8%	7.0%	6.9%	7.0%
Increase in other assets	-18,320	-39,767	-19,269	-20,842	-22,542	DIVISIONAL					
Capital expenditure Investing cashflow	-1,257 <b>-12,277</b>	-440 <b>-72,655</b>	-85 <b>-43,918</b>	-88 <b>-42,760</b>	-90 <b>-40,343</b>	Y/e September 30 (\$m)	2020	2021	2022e	2023e	2024e
_						Business/Private/Consumer Banking					
Increase in deposits & borrowings Increase in other liabilities	29,922 -16,170	30,556 27,361	12,953 26,229	13,433 26,517	13,917 23,427	Net interest income Other operating income	9,417 1,392	9,301 1,360	9,440 1,670	9,858 1,920	10,182 2,133
Ordinary equity raised	5,160	72	0	20,317	0	Net operating income	10,809	10,661	11,110	11,778	12,314
Other	-1,414	-5,448	-2,007	-4,314	-4,523	Operating expenses	-4,633 -578	-4,744	-4,766	-4,786	-4,768 -510
Financing cashflow	17,498	52,541	37,175	35,636	32,821	Credit impairment charge  Cash earnings b4 tax/distributions	5,598	-14 <b>5,903</b>	-68 <b>6,276</b>	-317 <b>6,675</b>	7,036
Net change in cash	8,931	-13,556	0	0	0	Income tax expense	-1,684	-1,773	-1,897	-2,017	-2,126
Cash at end of period	64,388	50,832	50,832	50,832	50,832	Cash earnings Home loans	<b>3,914</b> 290,910	<b>4,130</b> 300,464	<b>4,379</b> 312,424	<b>4,658</b> 325,212	<b>4,910</b> 333,342
BALANCE SHEET						Other loans	116,891	123,990	131,121	134,399	137,759
Y/e September 30 (\$m) Cash and liquid assets	<b>2020</b> 64,388	<b>2021</b> 50,832	<b>2022e</b> 50,832	<b>2023e</b> 50,832	<b>2024e</b> 50,832	Deposits	270,016	295,641	305,988	316,698	327,782
Divisional gross loans	585,416	619,666	645,656	668,866	687,734	Corporate & Institutional Banking					
Provisions	-6,376	-5,379	-5,964	-6,503	-6,819	Net interest income	2,075	1,918 1,304	1,945 1,305	2,054	2,168 1,530
Other gross loans / inter div. Other IEA	15,012 196,247	12,213 236,142	11,372 255,411	10,531 276,253	9,691 298,795	Other operating income  Net operating income	1,382 <b>3,457</b>	3,222	3,249	1,414 <b>3,467</b>	3,697
Intangibles	3,809	4,113	4,113	4,113	4,113	Operating expenses	-1,388	-1,369	-1,379	-1,383	-1,384
PP&E Insurance assets	2,374 0	2,814 0	2,899 0	2,987 0	3,077 0	Credit impairment charge  Cash earnings b4 tax/distributions	-170 <b>1,899</b>	-186 <b>1,667</b>	-53 <b>1,817</b>	-163 <b>1,921</b>	-227 <b>2,086</b>
Other assets	5,695	5,567	5,567	5,567	5,567	Income tax expense	-483	-460	-545	-576	-626
Total assets	866,565	925,968	969,886	1,012,646	1,052,989	Cash earnings Loans	<b>1,416</b> 96,039	<b>1,207</b> 104,478	<b>1,272</b> 109.581	<b>1,345</b> 114,875	<b>1,460</b> 120,364
Divisional deposits	330,573	361,129	374,082	387,515	401,433	Other IEA	182,561	148,122	153,694	159,451	165,401
Other borrowings Other liabilities	461,419 13,280	490,100 11,960	516,329 11,960	542,846 11,960	566,272 11,960	Wealth Management					
Total liabilities	805,272	863,189	902,371	942,321	979,665	Wealth management income	0	0	0	0	0
0.5	40 504	40.047	45 004	40.470	40.070	Insurance income	0	0	0	0	0 <b>0</b>
Ordinary share capital Other equity instruments	43,531 1,945	43,247 0	45,691 0	46,170 0	46,673 0	Net operating income Wealth management expense	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	0
Reserves	99	550	550	550	550	Other expenses	0	0	0	0	0
Retained profits Minority interests	15,717 1	18,982 0	21,274 0	23,605 0	26,102 0	Cash earnings b4 tax/distributions Income tax expense	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
Total shareholders' equity	61,293	62,779	67,515	70,325	73,324	Investment experience	0	0	0	0	0
Total sh. equity & liabs.	866,565	925,968	969.886	1,012,646	1.052.989	Cash earnings FUMA	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0	<b>0</b> 0
							3	3	3	3	J
WANOS - statutory (m) WANOS - cash (m)	3,068 3,068	3,290 3,290	3,300 3,300	3,352 3,352	3,362 3,362	NZ Banking Net interest income	1,872	2,017	1,943	1,982	2,022
	-,500	-,	-,200	-,552	-,502	Other operating income	520	505	529	544	560
PROFITABILITY RATIOS Y/e September 30	2020	2021	2022e	2023e	2024e	Net operating income Operating expenses	<b>2,392</b> -894	<b>2,522</b> -933	<b>2,473</b> -920	<b>2,527</b> -914	<b>2,582</b> -907
Return on assets	0.4%	0.7%	0.7%	0.7%	0.7%	Credit impairment charge	-140	12	-36	-55	-74
Return on equity	<b>6.5%</b> 6.5%	<b>10.8%</b> 6.6%	<b>10.5%</b> 6.6%	<b>10.5%</b> 6.6%	<b>10.7%</b> 6.7%	Cash earnings b4 tax/distributions	<b>1,358</b> -381	<b>1,601</b> -447	<b>1,517</b> -425	<b>1,558</b> -436	<b>1,600</b> -448
Leverage ratio Net interest margin	1.77%	1.72%	1.66%	1.66%	1.67%	Income tax expense Outside equity interests	-361	0	-425	-436	-440
CIR	52%	47%	43%	41%	39%	Investment experience	0	0	0	0	0
Cost / average assets Growth in net operating income	1.00% -1%	0.87% -2%	0.79% 3%	0.76% 5%	0.72% 4%	Cash earnings Loans	<b>977</b> 81,576	<b>1,154</b> 90,734	<b>1,092</b> 92,530	<b>1,121</b> 94,380	<b>1,152</b> 96,268
Growth in operating expenses	11%	-13%	-4%	0%	0%	Deposits	60,557	65,488	68,094	70,817	73,650
Jaws Effective tax rate	<b>-12%</b> 31%	<b>11%</b> 29%	<b>7%</b> 30%	<b>5%</b> 30%	<b>5%</b> 30%	EX-LARGE NOTABLE ITEMS					
						Y/e September 30 (\$m)	2020	2021	2022e	2023e	2024e
ASSET QUALITY Y/e September 30	2020	2021	2022e	2023e	2024e	Cash earnings Add back:	3,710	6,558	6,743	7,124	7,522
Credit impairment charge / GLA	0.47%	-0.04%	0.03%	0.09%	0.13%	- Customer remediation income loss	90	0	0	0	0
Credit impairment charge / RWA Total provisions (\$m)	0.65% <b>6,376</b>	-0.05% <b>5,379</b>	0.05% <b>5,964</b>	0.12% <b>6,503</b>	0.16% <b>6,819</b>	<ul> <li>Customer remed'n costs, ASIC, etc.</li> <li>Restructuring costs</li> </ul>	932 0	0	-43 0	-43 0	-43 0
Total provisions (\$M)	1.50%	1.29%	1.27%	1.27%	1.28%	Cash earnings ex-large notable	4,732	6,558	6,700	7,081	7,479
IAP / GIA	45%	53%	53%	53%	53%	items	4,732 154	199	203	211	222
IBL / IEA	100%	99%	98%	98%	98%	Cash EPS ex-large notable items - Growth	-32%	29%	203 2%	4%	5%
Total provisions / GLA	1.09%	0.87%	0.92%	0.97%	0.99%	Operating expenses (underlying)	7,679	7,817	7,566	7,583	7,560
						Payout (cash basis) Return on equity (underlying)	39% 8.3%	63% 10.8%	67% 10.5%	67% 10.5%	67% 10.6%
SOLIDOE: BELL BOTTED SECUDITIES ES						CIR (underlying)	45%	47%	44%	42%	40%

SOURCE: BELL POTTER SECURITIES ESTIMATES

## **Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

#### Research Team

Staff Member	Sector	Phone	@bellpotter.com.au
Chris Savage	Head of Research/Industrials	612 8224 2835	csavage
Analyst			
TS Lim	Banks	612 8224 2810	tslim
John Hester	Healthcare	612 8224 2871	jhester
Anubhav Saxena	Healthcare	612 8224 2846	asaxena
Tara Speranza	Healthcare	612 8224 2815	tsperanza
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Sam Brandwood	Industrials	612 8224 2850	sbrandwood
Olivia Hagglund	Industrials	612 8224 2813	ohagglund
Hamish Murray	Industrials	613 9235 1813	hmurray
Jonathan Snape	Industrials	613 9235 1601	jsnape
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9235 1856	showe
Joseph House	Resources	613 9235 1625	jhouse
Regan Burrows	Resources	618 9326 7677	rburrows
Brad Watson	Resources	618 9326 7672	bwatson
Associate			
Michael Ardrey	Associate Analyst	613 9256 8782	mardrey
Daniel Laing	Associate Analyst	612 8224 2886	dlaing

Bell Potter Securities Limited ACN 25 006 390 7721 Level 29, 101 Collins Street Melbourne, Victoria, 3000 Telephone +61 3 9256 8700

www.bellpotter.com.au

Bell Potter Securities (HK) Limited Room 1701, 17/F Posperity Tower, 39 Queens Road Central, Hong Kong, 0000 Telephone +852 3750 8400 Bell Potter Securities (US) LLC Floor 39 444 Madison Avenue, New York NY 10022, U.S.A Telephone +1 917 819 1410 Bell Potter Securities (UK) Limited 16 Berkeley Street London, England W1J 8DZ, United Kingdom Telephone +44 7734 2929

### The following may affect your legal rights. Important Disclaimer:

This document is a private communication to clients and is not intended for public circulation or for the use of any third party, without the prior approval of Bell Potter Securities Limited. In the USA and the UK this research is only for institutional investors. It is not for release, publication or distribution in whole or in part to any persons in the two specified countries. In Hong Kong, this research is being distributed by Bell Potter Securities (HK) Limited which is licensed and regulated by the Securities and Futures Commission, Hong Kong. In the United States, this research is issued and distributed by Bell Potter Securities (US) LLC which is a registered broker-dealer and member of FINRA. Any person receiving this report from Bell Potter Securities (US) LLC and wishing to transact in any security described herein should do so with Bell Potter Securities (US) LLC.

This is general investment advice only and does not constitute personal advice to any person. Because this document has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited investment adviser (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this document.

While this document is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in the document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee, expressly or impliedly, that the information contained in this document is complete or accurate. Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views opinions, or recommendations contained in this document or for correcting any error or omission which may become apparent after the document has been issued.

Except insofar as liability under any statute cannot be excluded. Bell Potter Securities Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of this document or any other person.

#### Research Policies

For Bell Potter's Research Coverage Decision Making Process and Research Independence Policy, please refer to our company website:

 $\underline{\text{https://www.bellpotter.com.au/research-independence-policy/}}$ 

#### Disclosure of interest:

Bell Potter Securities Limited, its employees, consultants and its associates within the meaning of Chapter 7 of the Corporations Law may receive commissions, underwriting and management fees from transactions involving securities referred to in this document (which its representatives may directly share) and may from time to time hold interests in the securities referred to in this document.

T S Lim, authoring analyst, holds a long position in NAB.

#### ANALYST CERTIFICATION

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

