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Solvar Limited (SVR)

H1 figures shows credit quality maintained, resilient margins, but lower FY guidance

Recommendation

Buy (unchanged)

Price

\$1.86

Target (12 months)

\$3.01 (previously \$2.90)

GICS Sector

Diversified Financials

Expected Return

Capital growth	61.8%
Dividend yield	7.4%
Total expected return	69.2%

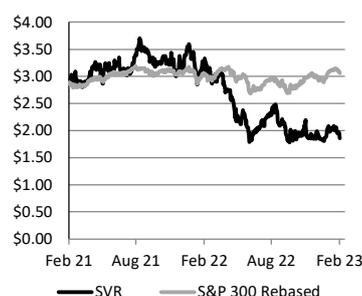
Company Data & Ratios

Enterprise value	\$821m
Market cap	\$394m
Issued capital	212m
Free float	84%
Avg. daily val. (52wk)	\$804k
12 month price range	\$1.78-3.33

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	1.99	1.92	3.28
Absolute (%)	-6.5	-3.1	-43.3
Rel market (%)	-7.4	-8.6	-43.6

Absolute Price



SOURCE: IRESS

Key figures (Solvar was formerly Money3)

Overall this was a good set of figures showing a 13.1 increase in gross loans, and top line growth of 13.5% in revenue, with EBITDA up 16.2% to \$56.7m and above expectations. The fully franked dividend grew 25% to 7.5cps.

There was no sign of worsening stress in credit quality, and the net profit grew, despite an increase in bad debts (rising at 7%) and increased interest costs. These figures could have been worse given the impact of rising rates on the economy. The lowering of NPAT guidance to \$48.0m (from \$52.0m at AGM in November) is disappointing but attributed to higher funding costs and recent flooding in NZ.

Investment View: target price \$3.01/ share

We have reviewed our assumptions and forecasts with the revised guidance. We have decreased the growth rate in the loan book in FY23 (from \$968m to \$896m) and lowered our modelled net interest margin by 1% (to 21.0% in FY23 and to 20.1% in FY24), to reflect the increased funding cost. Our earnings estimates fall by 8.5% in FY23, 10.1% in FY24 and 12.6% in FY25, reflecting the higher funding cost and slower loan growth

Our valuation rises though as SVR replaces expensive equity, with relatively cheaper debt in the funding mix. We value SVR at \$3.01 per share (\$2.90 previously) share using a NPV based approach, and our recommendation remains BUY.

It may be tempting for investors to dismiss this high price target as based upon assumptions that are far too optimistic, but we would make the following points: this company is highly profitable making very high margins and tapping into a large potential market. While the economy may slow, the company is good at managing its customers and collecting cash. The company will increase the debt backing of its loan book, which should increase the RoE, and allow shareholder capital to be released, enhancing cash generation, and ultimately dividends.

Earnings Forecast

Year end June 30	2022E	2023E	2024E	2025E
Sales revenue (\$m)	187.9	218.2	248.3	272.2
EBITDA (Adjusted) (A\$m)	99.0	114.5	120.0	133.2
NPAT (reported) (A\$m)	51.6	50.4	49.1	54.6
NPAT (adjusted) (A\$m)	51.6	50.4	49.1	54.6
Diluted adjusted EPS (cps)	24.2	23.6	23.1	25.7
EPS growth (%)	16%	-2%	-2%	11%
Diluted adjusted PER (x)	7.7	7.9	8.0	7.2
EV/EBITDA (x)	8.3	7.2	6.8	6.2
Dividend (¢ps)	13	13.7	12.3	13.7
Franking (%)	100%	100%	100%	100%
Yield (%)	7.0%	7.4%	6.6%	7.4%
ROE (%)	14%	13%	12%	13%
ROA (%)	7%	5%	5%	5%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Key figures

Results

The following figure shows a summary of the H1 FY23 results, the change year on year as well as our forecasts for H1 FY 23 and the variation from our forecasts.

Figure 1 – H1 FY23 results									
INTERIM INCOME STATEMENT									
Y/e June 30 (\$m)	2021A	1H22A	2H22A	2022A	1H23A	Chg YoY (%)	BPe 1H 23E	Diff A/E(%)	
Total Operating Revenue	145.1	91.3	96.5	187.9	103.6	13.5%	106.4	-2.6%	
Operating expense	45.1	28.8	27.5	56.3	30.3	5.0%	30.9	-1.9%	
Bad debt expense	18.2	13.6	13.6	27.2	16.6	22.5%	20.3	-18.2%	
Movement in BDD Provision	0.9	0.1	5.2	5.3					
Reported EBITDA	80.9	48.8	50.2	99.0	56.7	16.2%	55.2	2.7%	
Margin (%)	55.8%	53.5%	52.0%	52.7%	54.7%	2.4%	51.9%	5.5%	
Underlying EBITDA	82.4	48.8	50.2	99.0					
Depreciation & Amortisation	2.3	1.1	1.4	2.2	1.1	2.1%	1.1	0.0%	
EBIT	80.1	47.7	48.8	96.8	55.6	16.5%	54.1	2.8%	
Margin (%)	55.2%	52.2%	50.6%	51.5%					
Net Interest Expense	-20.2	-11.1	-12.6	-23.1	-19.1	72.3%	-14.5	31.2%	
Pre-tax profit	59.9	36.6	36.2	73.6	36.5	-0.3%	39.6	-7.7%	
Operating income tax expense	-18.3	-10.8	-10.9	-22.0	-10.8	-0.2%	-11.9	-8.9%	
Adjusted NPAT	41.6	25.8	25.3	51.6	25.7	-0.4%	27.7	-7.1%	
One-off items	-2.5	0.1	0.0	0.0	1.2	na	0.0	na	
Reported profit	39.2	25.9	25.3	51.6	26.9	3.9%	27.7	-2.8%	
Closing Gross Loan Receivable	600.9	690.8	733.4	733.4	829.7	13.1%	850.7 Vs FY 22	-2.5%	
Earnings Per Share (EPS) - Underlying	20.8	12.1	11.7	24.2	12.0	-0.7%	12.9	-6.5%	
Dividend Per Share (DPS)	10.0	6.0	7.0	13.0	7.5	25.0%	6.6	13.6%	
Dividend Payout Ratio (%) - Underlying	47.4%	48.9%	58.9%	53.3%	62.1%	26.9%	50.7%	22.4%	
Gross loan receivables by segments									
Y/e June 30 (\$m)	2021A	1H22A	2H22A	2022A	1H23A	Chg YoY (%)	1H23E	Diff A/E(%)	
Money3 (A\$m)									
Gross loan receivables	382.9	414.5	429.1	429.1	487.1	13.5%	464.3 Vs FY 22	4.9%	
Average	364.4	398.7	421.8	408.8	458.1	12.1%	446.7 Vs FY 22	2.6%	
Go Car Finance, New Zealand (A\$m)									
Gross loan receivables	158.0	193.4	190.8	190.8	205.4	7.7%	202.5 Vs FY 22	1.4%	
Average	118.5	175.7	192.1	180.7	198.1	9.6%	196.6 Vs FY 22	0.7%	
Automotive Financial Services AFS (A\$m)									
Gross loan receivables	60.0	82.9	113.5	113.5	137.2	20.9%	183.9 Vs FY 22	-25.4%	
Average	60.0	82.9	113.5	113.5	137.2	20.9%	183.9 Vs FY 22	-25.4%	
Gross loan receivables	600.9	690.8	733.4	733.4	829.7	13.1%	850.7	-2.5%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Key Points:

- **The Gross loan book** rose by 13.2% in the half year to \$829.7m (from \$733.4m at FY 22 and \$690.8m at H1 FY22). This was slightly below our expectation of \$850.7m. The company guidance is targeting \$900m by FY23. (target was previously \$1bn by CY23).
- **Revenue** increased by 13.5% year on year to \$103.6m, (\$91.3m in H1 FY22). This was slightly below our forecast of \$106.4m and consensus of \$106.0m from Bloomberg

- **EBITDA** increased by 16.2% to \$56.7m (\$48.8m in H1 FY22). This was ahead of our forecast of \$55.2m and cons of \$54.1m. Compared to our expectation this was helped by lower bad debt charges than we were expecting.
- **Net profit** of \$25.7m was down 0.4% (\$25.8m in H1 FY22). This was below our forecast of \$27.7m, but above consensus of \$25.1m. Compared to our expectation this was held back by higher interest costs than we were expecting.
- **EPS** was 12.07cps down 0.4% (12.26cps in H1 FY22). Shown as 12.0cps and 12.1cps in table above.
- **The interim dividend** increased by 25.0% to 7.5cps (H1 FY 22: 6.0cps) and above our forecast of 6.0cps. Consensus was 6.0cps.
- **Capital:** The company has bought back 3.0m shares for \$5.8m in H1.
- **Available funds for lending** was \$450m with undrawn debt facilities of \$335m (\$898.0m total facility) and free cash of \$110.4m. At FY22, the corresponding figures were \$300m, \$235m and c\$65m.
- **The impairment provision** increased by \$2.1m to \$41.5m. (This increased by \$0.1m in H1 FY22 although this followed an unwinding of a higher Covid related provision in the previous year).
- **The bad debt charge** was \$14.5m up 7.2% vs \$13.6m in H1 FY22 and growing at a slower rate than the loan book.
- **This bad debt charge** equated to 3.5% (annualised) of the loan book in H1 FY23, (down from 3.9% in H1 FY22) and at the bottom end of the target range of 3.5-4.5%.
- The bad debt charge is expected to be 3.5-4.5% of the loan book in FY23.

Forecasts and assumptions

Our forecasts for FY23 through FY 25 are shown in Figure 2 and the changes to our forecasts in Figure 3.

Figure 2 - Forecasts

INTERIM INCOME STATEMENT										
Y/e June 30 (\$m)	2020A	2021A	1H22A	2H22A	2022A	1H23A	2H23E	2023E	2024E	2025E
Total Operating Revenue	124.0	145.1	91.3	96.5	187.9	103.6	114.5	218.2	248.3	272.2
Operating expense	37.0	45.1	28.8	27.5	56.3	30.3	33.2	63.5	74.5	81.7
Bad debt expense and provisions	38.0	19.1	13.7	18.8	32.5	16.6	23.2	40.2	53.9	57.3
Reported EBITDA	49.1	80.9	48.8	50.2	99.0	56.7	58.0	114.5	120.0	133.2
Depreciation & Amortisation	1.9	2.3	1.1	1.4	2.2	1.1	1.6	2.7	2.7	2.7
EBIT	58.8	80.1	47.7	48.8	96.8	55.6	56.5	111.8	117.3	130.5
Net Interest Expense	-15.2	-20.2	-11.1	-12.6	-23.1	-19.1	-21.0	-40.0	-47.1	-52.5
Pre-tax profit	43.6	59.9	36.6	36.2	73.6	36.5	35.5	71.8	70.2	78.0
Operating income tax expense	-13.4	-18.3	-10.8	-10.9	-22.0	-10.8	-10.6	-21.5	-21.1	-23.4
Adjusted NPAT	30.1	41.6	25.8	25.3	51.6	25.7	24.8	50.4	49.1	54.6
One-off items	-6.1	-2.5	0.1	0.0	0.0	1.2	0.0	0.0	0.0	0.0
Reported profit (A\$m)	24.0	39.2	25.9	25.3	51.6	26.9	24.8	50.4	49.1	54.6
<i>Earnings Per Share (EPS) - Underlying</i>	16.3	20.8	12.1	11.7	24.2	12.0	11.7	23.6	23.1	25.7
<i>Dividend Per Share (DPS)</i>	8.0	10.0	6.0	7.0	13.0	7.5	6.2	13.7	12.3	13.7
<i>Dividend Payout Ratio (%) - Underlying</i>	48.8%	47.4%	48.9%	58.9%	53.3%	62.1%	52.8%	57.7%	53.0%	53.1%
Gross loan receivables by segments										
Y/e June 30 (\$m)	2020A	2021A	1H22A	2H22A	2022A	1H23A	2H23E	2023E	2024E	2025E
Money3 (A\$m)										
Gross loan receivables	351.2	382.9	414.5	429.1	429.1	487.1	526.9	526.9	593.4	634.5
Average	336.8	364.4	398.7	421.8	408.8	458.1	507.0	481.0	559.8	613.8
Go Car Finance New Zealand (A\$m)										
Gross loan receivables	82.7	158.0	193.4	190.8	190.8	205.4	215.4	215.4	232.0	248.4
Average	74.3	118.5	175.7	192.1	180.7	198.1	210.4	203.8	223.6	240.1
Automotive Financial Services AFS (A\$m)										
Gross loan receivables	0.0	60.0	82.9	113.5	113.5	137.2	153.8	153.8	181.5	206.1
Average	0.0	60.0	82.9	113.5	113.5	137.2	153.8	153.8	181.5	206.1
Total loan receivables	433.9	600.9	690.8	733.4	733.4	829.7	896.1	896.1	1006.8	1089.0

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 3 - Changes to forecasts

Earnings Revisions	FY23e (new)	FY23e (previous)	% Change	FY24e (new)	FY24e (previous)	% Change	FY25e (new)	FY25e (previous)	% Change
Revenue	218.2	224.5	-2.8%	248.3	264.5	-6.1%	272.2	295.4	-7.9%
EBITDA	114.5	114.4	0.0%	120.0	125.2	-4.2%	133.2	143.1	-6.9%
Underlying NPAT	50.4	55.6	-9.4%	49.1	55.5	-11.4%	54.6	63.4	-13.9%
Adjust EPS (cps)	23.6	25.8	-8.5%	23.1	25.7	-10.1%	25.7	29.4	-12.6%
Dividend (cps)	13.7	13.6	0.7%	12.3	13.8	-10.9%	13.7	15.8	-13.3%
Loanbook	896.0	968.0	-7.4%	1006.8	1093.9	-8.0%	1088.9	1203.3	-9.5%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Valuation

DCF

We value these cashflows using NPV/DCF valuation, with a WACC of 9.5%. A summary of our valuation is shown in Figure 4 below.

We value the next 10 years cash flows at \$485m. We value the terminal value at \$581m assuming no long-term growth.

This gives a total NPV/enterprise value of \$1065m. Deducting FY22e net debt of \$425m (borrowing net cash and excluding loans) gives a value of \$640m or \$3.01 per share.

Figure 4 - DCF Valuation

WACC calculation/key assumptions											
Risk Free rate	6.0%										
Market risk Premium	6.0%										
Beta	1.0										
Tax Rate	30%										
LT Target D/E	70%										
Discount rate (WACC)	9.5%										
Inflation	1.5%										
Nominal growth rate	0.0%										
Long-term real growth rate	1.5%										
		30/06/2023	30/06/2024	30/06/2025	30/06/2026	30/06/2027	30/06/2028	30/06/2029	30/06/2030	30/06/2031	30/06/2032
		Jun 23	Jun 24	Jun 25	Jun 26	Jun 27	Jun 28	Jun 29	Jun 30	Jun 31	Jun 32
EBITDA		114.5	120.0	133.2	141.9	179.0	175.1	175.4	175.4	175.4	175.4
Provisions		0.6	0.4	0.4	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Working Capital (lending)		-137.8	-94.0	-55.6	-75.0	-2.6	0.7	0.0	0.0	0.0	0.0
Increase in Funding (borrowing)		172.3	62.8	46.5	50.6	3.7	-0.2	0.0	0.0	0.0	0.0
Net Interest		-40.0	-47.1	-52.5	-55.9	-42.1	-37.9	-33.4	-28.8	-24.1	-19.1
Tax paid		-21.5	-21.1	-23.4	-25.0	-40.2	-40.4	-41.8	-43.2	-44.6	-44.6
Maintenance Capex		-2.7	-2.7	-2.7	-2.7	-2.7	-2.7	-2.7	-2.7	-2.7	-2.7
Growth & Acquisition Capex		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Cashflow		85.5	18.4	45.8	34.2	95.3	94.8	97.5	100.7	104.1	109.0
Discount term (years)		0.370	1.373	2.373	3.373	4.373	5.375	6.375	7.375	8.375	9.378
PV of Cashflow		82.7	16.2	36.9	25.2	64.1	58.2	54.6	51.5	48.6	46.5
Total operational NPV	484.6										
Terminal Value	580.9										
Target Enterprise Value	1065.5										
FY22 Net Cash/(Debt)	-425.2										
Total NPV	640.3										
Shares on issue	212.9										
Value per share (AUDs)	3.01										

SOURCE: BELL POTTER SECURITIES ESTIMATES

SVR Overview

Company description

Solvar Corporation (SVR) is an Australian consumer finance company that specialises in Secured Vehicle and Secured/Unsecured Personal lending. SVR was established via the consolidation of nine 'Money Plus' short-term loan businesses in November 2005, and subsequently listed on the ASX in October 2006. SVR now has 60,000+ active customers, and manages a growing profitable lending book across Australia and New Zealand.

Investment strategy & Risks

SVR is growing business that has a proven track record of profitability across its auto lending book. Our favourable view is founded on SVR's improving ability to scale through increasing market share, distribution and favourable funding terms. Key risks to our thesis include the following.

- **Regulation & licensing risk** – SVR is subject to regulations and licensing requirements. Any changes to regulations, policies, or laws, as well as requirements or revocation of financial licenses could hamper the function to SVR's business.
- **Credit risk** – SVR originates both secured and unsecured loans to customers who generally have a poor credit history. While SVR obtains collateral on loans greater than \$5,000, and makes efforts to help customers avoid default, the company is still exposed to the risk of default or a loss of principle. The ability of SVR to manage and recover bad debt is crucial to the company's ongoing viability.
- **Funding risk** – SVR funds its loan book by a mixture of both debt and equity. Therefore SVR may not be sufficiently funded to maintain and grow its loan book if it cannot secure new financing facilities or refinance maturing bonds.
- **Fraud risk** – There is a risk that loan applications and/or supporting documents used to apply for loans could be fraudulent. This could result in a loss of principle, adversely affecting SVR's performance.
- **Technology risk** – There is a risk that SVR's IT systems could fail or be hacked by an external party. This could result in an interruption of service, or the loss/theft of private data and information.
- **Market risk** – A prolonged recession, economic crisis/shock, or other factors that may lead to a sustained weak market environment have the ability to increase the levels of defaults and adversely affect the earnings potential of the company. In addition, being a listed stock, the share price may be subject to volatility and fluctuations in price.
- **Operational risk** – The operation of SVR relies on internal policies and procedures in relation to lending practices and anti-fraud. Any failures in internal controls could be harmful to MNY's performance.
- **Key person risk** – The loss of any key staff may be detrimental to SVR.
- **Acquisition risk** – The integration of acquired loan books or businesses, may result in outcomes that vary from management's expectations. Should synergies or benefits of acquisitions not materialise this may result in negative outcomes for the business.

Table 1 - Financial summary

Solvar Limited (SVR)	Price Target (A\$)	3.01	Share Price (A\$)	1.86
	Recommendation:	Buy	Market Cap (A\$m)	396.1

INCOME STATEMENT						VALUATION DATA					
Y/e June 30 (\$m)	2021	2022A	2023E	2024E	2025E	Y/e June 30 (\$m)	2021	2022A	2023E	2024E	2025E
Operating revenue	145.1	187.9	218.2	248.3	272.2	Adjusted NPAT (\$m)	41.6	51.6	50.4	49.1	54.6
Operating expenses	45.1	56.3	63.5	74.5	81.7	Adjusted EPS (fully diluted) (c)	20.8	24.2	23.6	23.1	25.7
Impairment expenses	19.1	32.5	40.2	53.9	57.3	Adjusted EPS growth (%)	27.9%	16.3%	-2.2%	-2%	11%
Reported EBITDA	80.9	99.0	114.5	120.0	133.2	Diluted adjusted P/E ratio (x)	8.9	7.7	7.9	8.0	7.2
Depreciation & Amortisation	2.3	2.2	2.7	2.7	2.7	DPS (c)	10.0	13.0	13.7	12.3	13.7
EBIT	80.1	96.8	111.8	117.3	130.5	Yield (%)	5.4%	7.0%	7.4%	6.6%	7.4%
Net Interest	-20.2	-23.1	-40.0	-47.1	-52.5	Franking (%)	100%	100%	100%	100%	100%
Pre-tax profit	59.9	73.6	71.8	70.2	78.0	Payout Ratio (%)	47%	53%	58%	53%	53%
Tax	18.3	22.0	21.5	21.1	23.4	EV/EBITDA (x)	10.1	8.3	7.2	6.8	6.2
Adjusted NPAT	41.6	51.6	50.4	49.1	54.6	Price/book (x)	1.1	1.1	1.0	1.0	0.9
One-off items	-2.5	0.0	0.0	0.0	0.0	NTA (\$)	1.5	1.6	1.7	1.8	1.9
Reported NPAT	39.2	51.6	50.4	49.1	54.6						
CASHFLOW						PROFITABILITY RATIOS					
Y/e June 30 (\$m)	2021	2022A	2023E	2024E	2025E	Y/e June 30 (\$m)	2021	2022A	2023E	2024E	2025E
EBITDA	80.9	99.0	114.5	120.0	133.2	APR - Auto Lending (%)	29%	28%	27%	26%	26%
Change in provisions	0.3	0.4	0.6	0.4	0.4	Net Interest Margin (%)	24%	24%	21%	20%	20%
Working capital change	-151.4	-124.8	-137.8	-94.0	-55.6	EBIT/sales (%)	55%	52%	51%	47%	48%
Net interest	-18.6	-21.9	-40.0	-47.1	-52.5	Return on assets (%)	8%	7%	5%	5%	5%
Tax paid	-20.2	-19.7	-21.5	-21.1	-23.4	Return on equity (%)	14%	14%	13%	12%	13%
Other	57.5	1.2	-12.1	0.0	0.0	Dividend cover (x)	2.0	1.9	1.7	1.9	1.9
Operating cashflow	-51.4	-65.8	-96.2	-41.7	2.0	Effective tax rate (%)	31%	30%	30%	30%	30%
Capex	-0.9	-0.8	-1.7	-1.7	-1.7	LIQUIDITY AND LEVERAGE RATIOS					
Investments	-22.1	-2.3	0.0	0.0	0.0	Y/e June 30 (\$m)	2021	2022A	2023E	2024E	2025E
Asset sales	0.0	0.0	0.0	0.0	0.0	Net debt/(cash) (\$m)	205.5	301.0	425.2	495.4	523.6
Other	0.0	0.0	0.0	0.0	0.0	Gearing (%)	44%	53%	61%	62%	62%
Investing cashflow	-23.0	-3.1	-1.7	-1.7	-1.7	Current ratio (x)	3.8	5.7	6.7	6.8	6.0
Change in borrowings	45.6	161.7	172.3	62.8	46.5	INTERIMS					
Equity raised	50.1	1.0	-5.8	0.0	0.0	Half end December 31 (\$m)	1H21	1H22	1H23A	1H24E	1H25E
Dividends paid	-11.8	-25.7	-30.8	-25.8	-27.5	Operating revenue	67.9	91.3	103.6	120.7	133.6
Other	2.6	0.0	0.0	0.0	0.0	EBIT	39.3	47.7	55.6	57.0	64.1
Financing cashflow	86.4	137.0	135.8	37.0	19.0	Pre tax profit	29.2	36.6	36.5	34.2	38.0
Net change in cash	12.0	68.1	37.9	-6.4	19.3	Adjusted profit	19.9	25.8	25.7	24.0	26.6
Cash at end of period	55.6	122.5	172.5	165.1	183.4	One-off items	0.0	0.1	1.2	0.0	0.0
BALANCE SHEET						Loan Book Assumptions					
Y/e June 30 (\$m)	2021	2022A	2023E	2024E	2025E	Y/e June 30 (\$m)	2021	2022A	2023E	2024E	2025E
Cash	55.6	122.5	172.5	165.1	183.4	Australia	383	429	527	593	634
Loan receivables	521.5	644.6	786.1	882.7	954.2	New Zealand	158	191	215	232	248
PPE	2.0	1.7	1.7	1.7	1.7	Gross loan receivables	601	733	896	1007	1089
Right of Use Asset	1.6	2.1	2.1	2.1	2.1	Deferred revenue	45.3	49.7	62.5	70.2	76.0
Intangibles	32.5	31.6	31.6	31.6	31.6	Net loans receivable	556	684	834	937	1,013
Other	15.5	19.6	25.8	25.8	25.8	Allowance for impairment	34	39	47	54	59
Total assets	628.6	822.2	1,019.8	1,109.1	1,198.9	Total loan receivables	522	645	786	883	954
Payables	21.1	19.5	23.1	25.7	41.6	Provision of BDD/ Avg. Gross loans	5.8%	5.8%	5.7%	5.6%	5.6%
Debt	261.1	423.5	597.7	660.6	707.0	BDD / Avg. Gross Loans	4.0%	3.9%	5.0%	5.0%	5.0%
Lease Liabilities	1.9	2.4	2.9	2.9	2.9						
Provisions	2.9	3.2	3.8	4.3	4.7						
Other	5.1	4.7	5.3	5.3	5.3						
Total liabilities	292.1	453.3	632.9	698.8	761.5						
Contributed equity	229.3	238.8	236.4	236.4	236.4						
Total shareholders funds	336.5	368.9	387.0	410.3	437.4						
W/A shares on issue	197.3	211.6	212.3	211.6	211.6						

*Adjusted for AASB16 From FY19 onwards

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.

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