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# Temple & Webster (TPW)

## Strong start to FY24

**Recommendation**  
**Hold** (unchanged)  
**Price**  
**\$6.42**  
**Target (12 months)**  
**\$6.40** (previously \$4.70)

**GICS Sector**  
**Retailing**

**Expected Return**

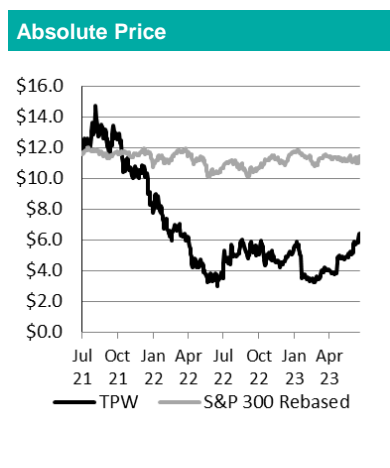
Capital growth	<b>0%</b>
Dividend yield	<b>0%</b>
Total expected return	<b>0%</b>

**Company Data & Ratios**

Enterprise value	<b>\$710m</b>
Market cap	<b>\$805m</b>
Issued capital	<b>125.3m</b>
Free float	<b>~69%</b>
Avg. daily val. (52wk)	<b>\$3.0m</b>
12 month price range	<b>\$3.21-\$6.51</b>

**Price Performance**

	(1m)	(3m)	(12m)
Price (A\$)	5.15	3.99	3.86
Absolute (%)	24.66	60.90	66.32
Rel market (%)	21.77	60.36	57.85



### Outperforming the Furniture & Homewares category

We have revisited the latest furniture & homewares (F&H) category trends and thereby our TPW forecasts/valuation. Although the overall furniture & homewares category (online & offline collectively) has trended downwards since mid-1Q2023, the online channel in terms of web traffic has reverted back to growth with consecutive positive trends on a pcp basis into June/July (month to-date). We note TPW outperforming the overall online market growth together with peers such as Adairs during the past 2 months. However we note supportive comps from mid-June given the softer trading in the pcp at the start of the monetary policy tightening cycle ~12 months ago and expect the continuation of a similar pace to drive upgrades to consensus expectations.

### Marginal upgrades in FY24/25

While our FY23e estimates remain unchanged, we make marginal changes to our FY24/25e revenue forecasts to incorporate the current pace in TPW's web traffic for the month of July (to-date). We remain cautious on the short term outlook and expect further easing in furniture & homewares category spend, however we note TPW's outperformance to the industry and somewhat stronger start to FY24 which has driven our 1H24 revenue uplift. Our EBITDA margin assumptions remain the same (4.0% and 4.8% for FY24/FY25e) given the company's focus on returning to high growth and we await guidance at the August FY result. We believe the company will be able to grow revenue in excess of \$1b over the next 5 years with higher margins than pre-COVID.

### Investment view: PT up 36% to \$6.40, Maintain HOLD

Our PT increases 36% to \$6.40/share (prev. \$4.70/share) driven by the rolling of forward earnings in the DCF (up to FY33e) & relative valuation (FY25e based) and the increase in our target multiple to 22x EV/EBITDA (prev. 19x) to reflect the re-rate in the global peer group average EV/EBITDA (CY23/24 based). We have seen the average group multiple expand 16% in the past 12 months. While we believe that TPW's longer term opportunities and ability to execute far outweighs peers, at our updated PT of \$6.40 the total expected return is still <15% so we maintain our HOLD rating.

**Earnings Forecast**

Year end	2022a	2023e	2024e	2025e
Sales (A\$m)	426.0	396.6	455.6	535.0
EBITDA (A\$m)	16.2	13.9	18.3	25.5
NPAT (reported) (A\$m)	11.7	6.5	9.8	15.5
NPAT (adjusted) (A\$m)	11.7	6.5	9.8	15.5
EPS (adjusted) (eps)	9.1	5.2	7.7	11.5
EPS growth (%)	-17.4%	-43.0%	48.8%	49.3%
PER (x)	70.5	123.7	83.1	55.7
FCF Yield (%)	1.6	1.8	1.5	1.3
EV/EBITDA (x)	43.0	49.9	38.1	27.3
Dividend (eps)	-	-	-	-
Yield (%)	0.0%	0.0%	0.0%	0.0%
Franking (%)	-	-	-	-
ROE (%)	12.5%	6.1%	9.2%	14.8%

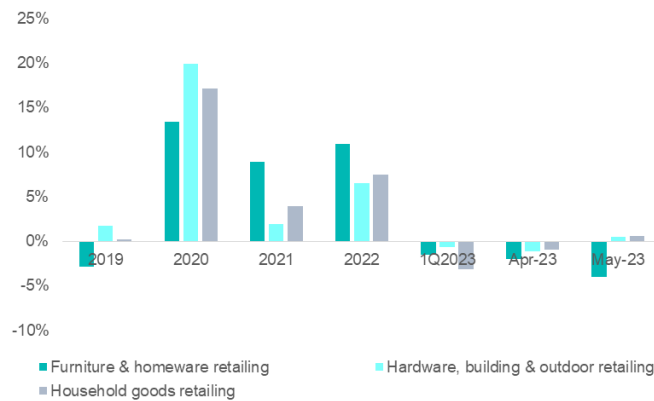
SOURCE: BELL POTTER SECURITIES ESTIMATES

# Recent performance of the category

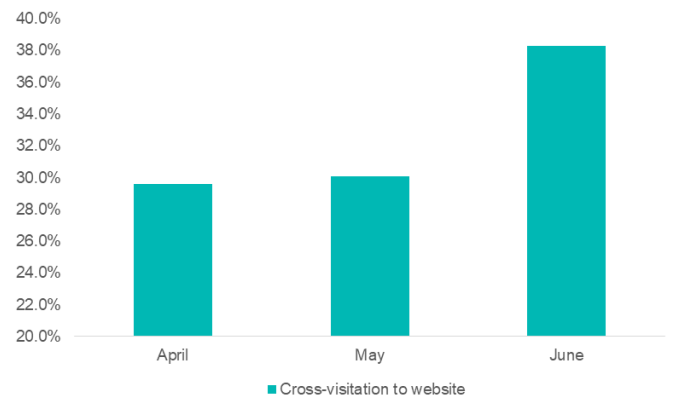
**Broader home retail trending up.** Household good retailing spend in Australia (as per ABS) has continued its downward re-basing trend from COVID highs, however the month of May has seen a marginal lift on pcp (+1%) in the broader category, driven by hardware & outdoor (+1%) and electrical & electronic (+1%) despite the declining furniture & homewares (F&H) category (-4%).

**TPW outperforming the F&H category growth.** Although the overall furniture & homewares category (online & offline collectively) has trended downwards since mid-1Q2023, we note that the online channel in terms of web traffic has reverted back to growth with consecutive positive trends on a pcp basis into June/July (month to-date). We also note TPW outperforming the overall online market growth together with peers such as Adairs (ADH) during the past 2 months. However we note supportive comps from mid-June given the softer trading in the pcp at the start of the monetary policy tightening cycle ~12 months ago.

**Figure 1 – Growth in category spend (on pcp): Pre-COVID to Post-COVID vs recent months**



**Figure 2 – Average cross-visitation to TPW from Nick Scali, Adairs, Freedom & Fantastic Furniture**



SOURCE: ABS, SIMILARWEB, BELL POTTER SECURITIES

**Supportive cross-visitation trends.** We also observe a notable increase in cross-visitation to the TPW platform from peer websites (Nick Scali, Adairs, Freedom & Fantastic Furniture) over the past 2 months. While the ongoing promotional activity to stimulate traffic could be a driver, we think these metrics are supportive of TPW’s growing brand awareness (63% on an aided basis as of 1H23). As the leading pure-play operator in the F&H category, we have seen TPW growing their market share of web traffic in the recent months compared to 2022.

# Earnings Changes and FY23 Preview

**FY24/25 earnings changes.** While our FY23e estimates remain unchanged, we make marginal changes to our FY24/25e revenue forecasts to incorporate the current pace in TPW's web traffic for the month of July (to-date). While we remain cautious on the short term outlook and expect further easing in furniture & homewares category spend, we note TPW's outperformance to the industry and somewhat stronger start to FY24 which has driven our 1H24 revenue uplift. Our EBITDA margin assumptions remain the same (4.0% and 4.8% for FY24/FY25e) given the company's focus on returning to high growth.

Figure 3 – TPW BPe changes

Earnings Changes June Year End	2023e			2024e			2025e		
	old	new	% change	old	new	% change	old	new	% change
Revenue (\$m)	396.6	396.6	0.0%	453.2	455.6	0.5%	532.1	535.0	0.5%
EBITDA (\$m)	13.9	13.9	0.0%	18.2	18.3	0.6%	25.4	25.5	0.5%
NPAT (Underlying) (\$m)	6.5	6.5	0.0%	9.8	9.8	0.1%	15.5	15.5	0.0%
EPS (Underlying) (cps)	5.2	5.2	0.0%	7.7	7.7	0.1%	11.5	11.5	0.0%
DPS (cps)	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a

SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 4 – FY23 earnings preview (unchanged)

Result summary YE 30-Jun A\$m	1H22 Actual	2H22 Actual	FY22 Actual	1H23 Actual	2H23e BPe	FY23e BPe	FY23e Consensus
<b>Revenue</b>	<b>235.4</b>	<b>190.6</b>	<b>426.0</b>	<b>207.1</b>	<b>189.5</b>	<b>396.6</b>	<b>396.0</b>
% growth on pcp	45.7%	15.7%	30.5%	-12.0%	-0.6%	-6.9%	-7.0%
Delivered Margin	71.7	57.0	128.7	61.8	56.9	118.7	
% margin of sales	30.5%	29.9%	30.2%	29.8%	30.0%	29.9%	
Advertising & Marketing	-32.0	-24.7	-56.7	-24.4	-22.4	-46.8	
% of sales	-13.6%	-12.9%	-13.3%	-11.8%	-11.8%	-11.8%	
Contribution Margin	32.4	25.5	57.9	31.3	28.9	60.2	
% margin of sales	14%	13%	14%	15%	15%	15%	
Other fixed costs	-20.3	-21.4	-41.7	-24.0	-22.3	-46.3	
<b>EBITDA</b>	<b>12.0</b>	<b>4.1</b>	<b>16.2</b>	<b>7.3</b>	<b>6.6</b>	<b>13.9</b>	<b>13.9</b>
% margin of sales	5.1%	2.2%	3.8%	3.5%	3.5%	3.5%	

SOURCE: COMPANY REPORTS, BLOOMBERG, BELL POTTER SECURITIES ESTIMATES

# Valuation up 36% to \$6.40

**Valuation, \$6.40/share.** Our 12-month price target (PT) is based on a 50:50 blend of: 1) Discounted Cash Flow (DCF) valuation methodology utilising a WACC of 12% and a terminal growth rate of ~3%; and 2) Target EV/EBITDA multiple of 22x (FY25e EBITDA).

Figure 5 – Change in BP Valuation

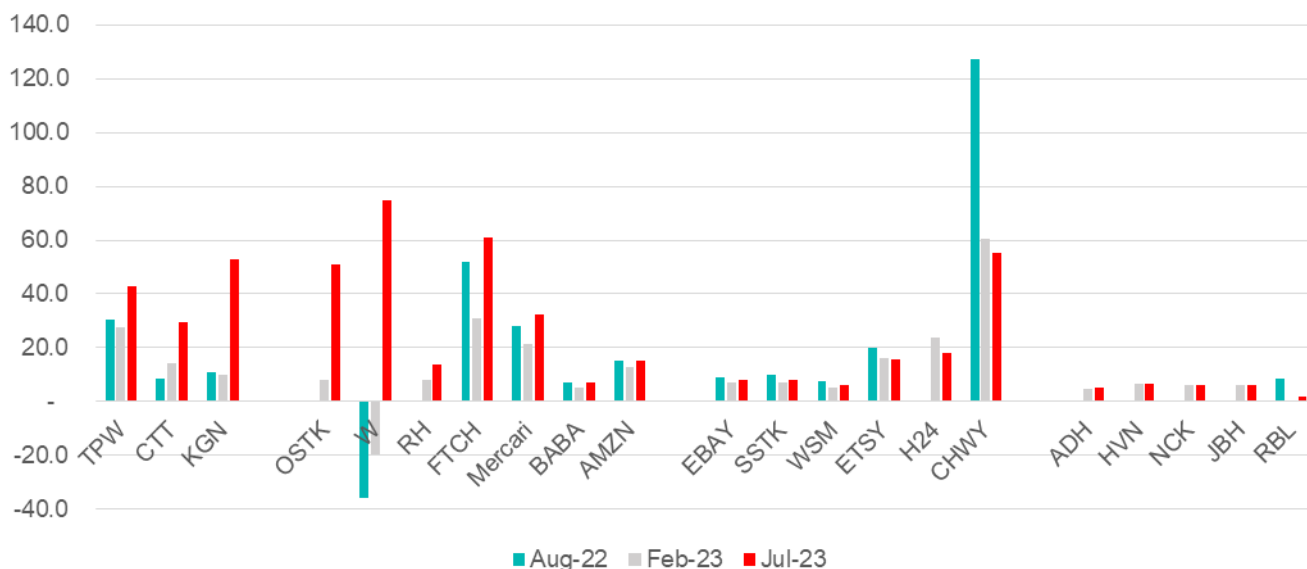
Methodology	New (as at 25 Jul 23)			Previous (as of 17 May 23)		
	Assumptions	Weighting	Valuation (per share, \$)	Assumptions	Weighting	Valuation (per share, \$)
DCF	FY23-32e DCF on 12% WACC, ~3% TGR	50%	8.30	FY24-33e DCF on 12% WACC, ~3% TGR	50%	5.90
Relative Valuation	22x target multiple on FY25e EBITDA	50%	4.68	19x target multiple on FY24e EBITDA	50%	3.45
<b>Blended valuation</b>			<b>6.40</b>			<b>4.70</b>

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Price target drivers.** Our PT increases ~36% to \$6.40/share (prev. \$4.70/share) driven by the rolling of forward earnings in the DCF (up to FY33e) & relative valuation (FY25e based) and the increase in our target multiple to 22x EV/EBITDA (prev. 19x) to reflect the re-rate in the global peer group.

**Peer group re-rate.** Our revised target multiple is based on the average multiple (blended CY23/24 EV/EBITDA) of the peer group consisting of online/omni-channel retailers in both Australia and international markets. We have seen the average EV/EBITDA multiple of the group expand 16% over the past 12 months, driven by the recent rally in most of these names.

Figure 6 – Re-rate in sector multiples: Blended CY23/24 EV/EBITDA multiple over the past 12 months (Consensus based)



SOURCE: BLOOMBERG, BELL POTTER SECURITIES ESTIMATES

**Earnings growth vs local peers.** While Cettire (CTT) is the fastest growing player within this peer group, we note that TPW is the name offering the second fastest growth in terms of revenue and EBITDA from 2020 to 2024e (consensus based). TPW has guided to a 3-5% EBITDA margin range for FY23 (BPe 3.5%), while we forecast 6.7% FY23e Adjusted EBITDA margins for CTT (6.8% reported for the first 10 months of FY23). Kogan.com (KGN), a domestic peer who provided a trading update yesterday has delivered ~3% Adjusted EBITDA margins for 2HFY23 (vs operating losses in 1H).

# Temple & Webster (TPW)

## Company Description

TPW is a leading online retailer of furniture and homewares. Founded in Australia, TPW has grown revenue to ~\$400m. The majority of products are drop-shipped (~70%) by one of its over 500 suppliers while the rest is sold under private label products, resulting in TPW carrying only a small level of inventory in a third-party warehouse.

## Investment Strategy

With the business now profitable, TPW will seek to accelerate top-line growth through a number of initiatives including: adding depth and breadth across core categories, expand private label offering, expand into adjacent categories, leverage scale to obtain cost advantage and exclusivity on new product ranges, increase brand awareness through digital & non-digital channels, accelerate investment into trade & commercial division.

## Valuation

Our blended 12-month price target is \$6.40. The PT is a 50/50 blend of DCF (WACC ~12%, TGR 3.3%) and Relative Valuation methodology (target EV/EBITDA multiple of ~22x on FY25e EBITDA).

## Risks

Key risks to our investment thesis include (but are not limited to):

- **Slowdown in consumer spending and rise in unemployment** – TPW's product portfolio is mainly furniture and homewares which are discretionary items. This sees exposure to consumer sentiment & spend risk, although TPW's portfolio is well diversified across all segments of the market including affordable to premium products.
- **Cyclicality** – We believe TPW is exposed to the housing turnover cycle & strength in consumer sentiment. A material deterioration in these factors may impact earnings.
- **Reliance on key personnel** – Loss of key staff including its founders, and the inability to replace them in a timely manner may impact TPW's financial performance.
- **Increased competition** – Increased competitive intensity via price/product range may place pressure on sales/margins. As the online market matures, competition may increase resulting in TPW losing some of its competitive advantage.
- **Supplier / aged inventory** – TPW has agreements with a large number of suppliers. There is a risk of non-renewal of contracts, deterioration in supplier relationships and the risk suppliers may not have sufficient stock to meet demand, although TPW's supplier base sees good diversity. Further with ~20% of its sales via its private label products for which the company holds stock, TPW also is exposed to ageing inventory risk in a weaker demand environment.
- **Reputation and brand** – Given TPW's online nature, reputation and brand recognition is particularly important. A loss of reputation and customer loyalty could impact repeat purchase behaviour and impact financial performance.
- **Technology** – TPW's website, databases and systems are highly important to the group's success in attracting & retaining customers and maximising sales conversion from them. TPW utilises a number of methods to attract website traffic and in a highly competitive environment, the reliance on SEM and the cost of SEM may increase, impacting financial performance.

#### Table 1 - Financial summary

Jun Year end	2020a	2021a	2022a	2023e	2024e	2025e
<b>Profit &amp; Loss (\$m)</b>						
<b>Sales revenue</b>	<b>176.3</b>	<b>326.3</b>	<b>426.0</b>	<b>396.6</b>	<b>455.6</b>	<b>535.0</b>
... Change	73.5%	85.1%	30.5%	-6.9%	14.9%	17.4%
<b>EBITDA</b>	<b>8.5</b>	<b>20.5</b>	<b>16.2</b>	<b>13.9</b>	<b>18.3</b>	<b>25.5</b>
... Change						
Deprec. & amort.	(0.2)	(1.6)	(3.1)	(5.2)	(5.5)	(5.5)
<b>EBIT</b>	<b>7.9</b>	<b>18.9</b>	<b>13.0</b>	<b>8.7</b>	<b>12.8</b>	<b>20.0</b>
Net Interest	0.2	0.3	0.2	1.0	1.2	2.3
Pre-tax profit	8.0	19.2	13.2	9.8	14.0	22.2
Tax expense	-	(5.2)	(1.3)	(3.3)	(4.2)	(6.7)
... tax rate	0%	27%	10%	33%	30%	30%
Associates	-	-	(0.3)	-	-	-
Minorities/Prefs	-	-	-	-	-	-
<b>Underlying Net Profit</b>	<b>8.0</b>	<b>14.0</b>	<b>11.7</b>	<b>6.5</b>	<b>9.8</b>	<b>15.5</b>
... Change	826.5%	73.7%	-16.4%	-44.2%	50.3%	59.0%
Abs. & extras.	5.9	-	-	-	-	-
<b>Reported Profit</b>	<b>13.9</b>	<b>14.0</b>	<b>11.7</b>	<b>6.5</b>	<b>9.8</b>	<b>15.5</b>
<b>Cashflow (\$m)</b>						
<b>EBITDA</b>	<b>8.5</b>	<b>20.5</b>	<b>16.2</b>	<b>13.9</b>	<b>18.3</b>	<b>25.5</b>
Working capital changes	10.2	(3.7)	1.3	(7.7)	5.0	3.2
Net Interest Expense	0.2	0.3	0.2	1.0	1.2	2.3
Tax	-	-	(3.9)	(4.7)	(2.9)	(5.3)
Other operating items	6.6	7.4	(0.3)	5.1	0.8	1.3
<b>Operating Cash Flow</b>	<b>25.5</b>	<b>24.5</b>	<b>13.4</b>	<b>7.7</b>	<b>22.4</b>	<b>27.0</b>
Capex	(0.2)	(1.1)	(5.4)	(4.5)	(4.1)	(4.9)
<b>Free Cash Flow</b>	<b>25.3</b>	<b>23.4</b>	<b>8.0</b>	<b>3.2</b>	<b>18.3</b>	<b>22.1</b>
Acquisitions	(0.3)	(0.4)	(2.5)	(0.1)	-	-
Payment of leases	-	-	(2.0)	(3.0)	(3.1)	(3.1)
Dividends paid	-	-	-	-	-	-
Other investing items	-	(1.0)	-	-	-	-
Equity	(0.0)	38.3	-	(15.0)	(15.0)	0.5
<b>Net change in cash</b>	<b>24.9</b>	<b>60.4</b>	<b>3.5</b>	<b>(14.9)</b>	<b>0.3</b>	<b>19.5</b>
<b>Balance Sheet (\$m)</b>						
<b>Cash</b>	<b>38.1</b>	<b>97.5</b>	<b>101.0</b>	<b>94.3</b>	<b>102.4</b>	<b>102.4</b>
Receivables	0.1	0.1	0.3	0.3	0.3	0.4
Inventories & WIP	6.6	21.3	26.4	24.7	23.7	26.9
Other current assets	3.5	5.3	5.7	6.0	6.0	6.0
<b>Current Assets</b>	<b>48.2</b>	<b>124.2</b>	<b>133.3</b>	<b>125.2</b>	<b>132.4</b>	<b>135.6</b>
Assoc & investments	-	-	3.1	2.6	2.6	2.6
Fixed Assets (PP&E)	0.5	1.2	5.8	7.2	7.1	7.6
Right-of-use Assets	1.4	7.0	5.4	27.2	27.8	28.5
Intangibles	7.9	8.1	8.1	8.0	8.0	8.0
Other non-curr assets	9.4	7.9	14.6	14.4	14.4	14.4
<b>Non Current Assets</b>	<b>19.1</b>	<b>24.1</b>	<b>37.0</b>	<b>59.4</b>	<b>59.9</b>	<b>61.2</b>
<b>Total Assets</b>	<b>67.3</b>	<b>148.3</b>	<b>170.3</b>	<b>184.6</b>	<b>192.4</b>	<b>196.8</b>
Short term debt	-	-	-	-	-	-
Creditors	22.1	33.2	39.7	30.3	34.4	40.9
Provisions	3.1	8.2	7.4	8.5	9.3	10.4
Other curr liabilities	10.6	17.3	15.6	15.7	15.8	15.9
<b>Current Liabilities</b>	<b>35.8</b>	<b>58.6</b>	<b>62.7</b>	<b>54.6</b>	<b>59.5</b>	<b>67.1</b>
LT debt (incl. leases)	0.1	5.1	3.5	23.4	23.4	23.4
Provisions	0.6	0.6	0.6	0.6	0.7	0.8
Other non curr liabilities	-	-	0.5	0.6	0.6	0.6
<b>Non Current Liabilities</b>	<b>0.7</b>	<b>5.7</b>	<b>4.7</b>	<b>24.6</b>	<b>24.7</b>	<b>24.8</b>
<b>Total Liabilities</b>	<b>36.6</b>	<b>64.3</b>	<b>67.4</b>	<b>79.2</b>	<b>84.2</b>	<b>92.0</b>
<b>Net Assets</b>	<b>30.7</b>	<b>84.0</b>	<b>102.9</b>	<b>105.4</b>	<b>108.2</b>	<b>104.9</b>
Share Capital	76.6	115.4	115.8	111.8	96.8	97.3
Reserves	3.5	4.7	11.3	4.7	4.7	4.7
Retained Earnings	(50.1)	(36.1)	(24.2)	(11.1)	6.7	2.8
<b>Shareholders Equity</b>	<b>30.0</b>	<b>84.0</b>	<b>102.9</b>	<b>105.4</b>	<b>108.2</b>	<b>104.9</b>
Outside Equity Interests	-	-	-	-	-	-
<b>Total Equity</b>	<b>30.0</b>	<b>84.0</b>	<b>102.9</b>	<b>105.4</b>	<b>108.2</b>	<b>104.9</b>
Core Net debt/(cash) \$m	(39.3)	(97.5)	(101.0)	(94.6)	(103.3)	(103.9)
Net debt/(cash) [incl. leases] \$	(37.9)	(90.4)	(95.9)	(68.1)	(76.1)	(76.0)

Price	\$6.42
Recommendation	Hold
Diluted issued capital (m)	125.3
Market cap (\$m)	796.3
Target Price (A\$ps)	\$ 6.40

Jun Year end	2020a	2021a	2022a	2023e	2024e	2025e
<b>Valuation Ratios</b>						
Underlying EPS (eps)	6.6	11.0	9.1	5.2	7.7	11.5
... % change	806.6%	66.4%	-17.4%	-43.0%	48.8%	49.3%
PE (on underlying EPS) (x)	96.9	58.2	70.5	123.7	83.1	55.7
<b>EV/EBITDA (x)</b>	<b>81.8</b>	<b>33.9</b>	<b>43.0</b>	<b>49.9</b>	<b>38.1</b>	<b>27.3</b>
EV/EBIT (x)	88.4	36.8	53.4	79.5	54.3	34.8
EV/Contribution margin (x)	25.7	14.6	12.0	11.5	10.2	8.6
EV/Sales (x)	3.9	2.1	1.6	1.8	1.5	1.3
NTA (\$ps)	0.19	0.59	0.77	0.79	0.75	0.72
P/NTA (x)	34.02	10.85	8.35	8.17	8.59	8.95
Book Value (\$ps)	0.25	0.66	0.83	0.85	0.81	0.78
Price/Book (x)	25.32	9.80	7.69	7.55	7.96	8.27
DPS (cps)	-	-	-	-	-	-
... % pay-out	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	-	-	-	-	-	-

Performance Ratios	2020a	2021a	2022a	2023e	2024e	2025e
Revenue growth (%)	73.5%	85.1%	30.5%	-6.9%	14.9%	17.4%
EBITDA growth (%)	668.5%	141.2%	-21.2%	-13.8%	31.1%	39.6%
Gross Profit margin (%)	44.6%	45.3%	45.2%	45.5%	45.5%	45.8%
Delivered GP margin (%)	30.6%	30.9%	30.2%	29.9%	30.4%	30.7%
Contribution margin (%)	15.3%	14.6%	13.6%	15.2%	14.9%	15.1%
EBITDA margin (%)	4.8%	6.3%	3.8%	3.5%	4.0%	4.8%
EBIT margin (%)	4.5%	5.8%	3.1%	2.2%	2.8%	3.7%
Gross cash conversion (%)	298.0%	118.2%	107.9%	81.2%	132.1%	117.7%
Free cash-flow yield (%)	3.2%	2.9%	1.0%	0.4%	2.3%	2.6%
ROE (%)	37.8%	21.5%	12.5%	6.1%	9.2%	14.8%
Capex/Deprn (x)	1.0	2.9	6.8	1.1	1.0	1.1
Net interest cover (x)	n/a	n/a	n/a	n/a	n/a	n/a
Core Net Debt/EBITDA (x)	n/a	n/a	n/a	n/a	n/a	n/a
Net debt/equity (%)	-126.6%	-107.7%	-93.2%	-64.6%	-70.4%	-72.5%
Net debt/net debt + equity (%)	n/a	n/a	n/a	n/a	n/a	n/a

Half yearly (\$m)	1H21	2H21	1H22	2H22	1H23e	2H23e
Sales revenue	161.6	164.7	235.4	190.6	207.1	189.5
... Change	118.0%	61.2%	45.7%	15.7%	-12.0%	-0.6%
EBITDA	14.8	5.7	12.0	4.1	7.3	6.6
... Margin (%)	9.2%	3.4%	5.1%	2.2%	3.3%	4.8%
Deprec. & amort.	(0.1)	(0.4)	(0.4)	(0.7)	(1.7)	(2.2)
EBIT	14.3	4.6	10.6	2.5	5.0	3.8
Pre-tax profit	14.5	4.6	10.9	2.3	6.0	3.8
Tax expense	(2.4)	(2.8)	(3.4)	2.1	(2.1)	(1.1)
... tax rate	16%	61%	31%	-91%	36%	30%
Associates	-	-	(0.3)	-	-	-
Minorities	-	-	-	-	-	-

<b>Underlying Net Profit</b>	<b>12.2</b>	<b>1.8</b>	<b>7.3</b>	<b>4.4</b>	<b>3.9</b>	<b>2.6</b>
Abs. & extras.	-	-	-	-	-	-
<b>Reported Profit</b>	<b>12.2</b>	<b>1.8</b>	<b>7.3</b>	<b>4.4</b>	<b>3.9</b>	<b>2.6</b>

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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