

## ANALYST

Michael Armstrong

## AUTHORISATION

Andy MacFarlane

RECOMMENDATION (prev. Hold)

**BUY**

\*See key risks on Page 8.

PRICE

**A\$1.05**

TARGET (12 MONTHS)

**A\$1.20** (prev. A\$1.25)

## Expected return

|                       |       |
|-----------------------|-------|
| Capital growth        | 14.8% |
| Dividend yield        | 8.2%  |
| Total expected return | 23.1% |

## Sector

Real Estate Investment Trusts (REITs)

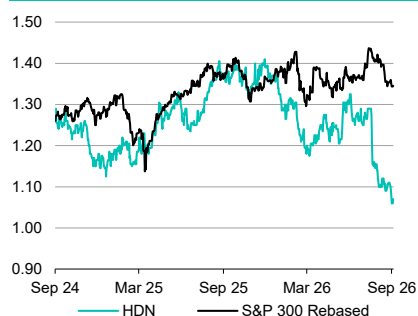
## Capital structure &amp; trading data

|                        |              |
|------------------------|--------------|
| Enterprise value       | A\$4,099m    |
| Market cap             | A\$2,186m    |
| Issued capital         | 2,092m       |
| Free float             | 74%          |
| Avg. daily val. (52wk) | A\$5.7m      |
| 12 month price range   | A\$1.05-1.42 |

## Price performance

|                | (1m) | (3m)  | (12m) |
|----------------|------|-------|-------|
| Price (A\$)    | 1.10 | 1.30  | 1.36  |
| Absolute (%)   | -5.0 | -19.6 | -22.9 |
| Rel market (%) | -0.8 | -18.3 | -20.9 |

## Share price (A\$/sh) vs. XKO



Source: IRESS

# HOME CO DAILY NEEDS REIT (HDN)

## Bringing it home

### Upgrade to Buy post underperformance

As the dust settles from reporting season we revisit HDN, upgrading to a Buy recommendation on relative valuation, supported by earnings trajectory and non-discretionary retail fundamentals.

- Valuation is oversold** - HDN trades -2 std deviations below its 5-year average discount to NTA (-31.4% vs -13%) and at 12.0x P/E, a discount to the passive REIT peer average of 14.1x. The stock has fallen -13.3% since results and underperformed peers (HDN -19.1% vs XPJ -14.9%) over 3 months, a reaction we view as disproportionate to the underlying -2.2% FY27 earnings decline. Indeed, historically +2 or -2 standard deviations has been a strong indicator for externally managed REITs mean reversion and outperformance.
- Earnings are bottoming** - We expect earnings to trough in FY27, with growth returning in FY28 (+2.5%) as the incremental mark-to-mkt of debt costs lessens, asset are divested accretively, and developments complete at >7% target ROIC.
- Longer term retail undersupply is supportive** - Retail supply completions have run well below trend (90k sqm p.a. average FY22-25 vs a 158k sqm 10-year average), driving vacancy down and rental growth up across the neighbourhood/LFR formats HDN is exposed to, supporting ~+6% re-leasing spreads and further cap rate compression through 2029.

### Earnings changes

We have lowered our FY27-29 FFO / share estimates by -1% to -4% to reflect the updated BBSW outlook as at late September '26. Our TP lowers 5c to \$1.20, driven by earnings changes and +25bp increase in the risk-free rate assumed in the DCF.

### Investment thesis: TP \$1.20 (prev. \$1.25)

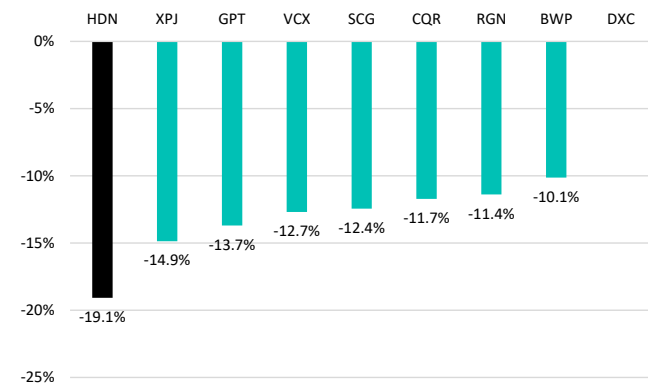
HDN has materially underperformed and screens as oversold, trading at an 8.1% div yield and 12.0x P/E (vs 6.9% & 14.1x passive REIT sector avg), despite FY27 marking the trough in earnings. We see growth returning in FY28 (+2.5%) with stable topline growth supported by favourable retail sector supply/demand dynamics. We upgrade HDN to a Buy recommendation following its recent underperformance (-19.1% last 3 months vs XPJ -14.9%).

### Earnings estimates

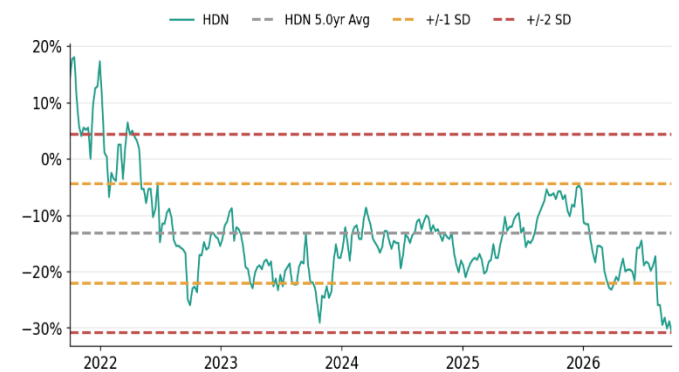
| Year ending 30 June          | 2026  | 2027e  | 2028e | 2029e |
|------------------------------|-------|--------|-------|-------|
| Total Revenue (A\$m)         | 378.3 | 410.9  | 427.7 | 445.5 |
| EBITDA (A\$m)                | 268.9 | 278.8  | 291.9 | 305.8 |
| Funds From Operations (A\$m) | 187.1 | 182.7  | 188.3 | 194.0 |
| FFO (diluted) (A¢ps)         | 9.0   | 8.8    | 9.0   | 9.3   |
| AFFO (A¢ps)                  | 8.7   | 8.2    | 8.4   | 8.7   |
| FFO growth (%)               | 2.5%  | (2.3%) | 3.1%  | 3.0%  |
| P/E (x)                      | 11.7  | 11.9   | 11.6  | 11.2  |
| Price/CF (x)                 | 15.3  | 12.3   | 11.9  | 11.6  |
| EV/EBITDA (x)                | 15.2  | 14.7   | 14.0  | 13.4  |
| Dividend (A¢ps)              | 8.6   | 8.6    | 8.6   | 8.8   |
| Yield (%)                    | 8.2%  | 8.2%   | 8.2%  | 8.4%  |
| Franking (%)                 | -     | -      | -     | -     |

Source: Bell Potter Securities estimates

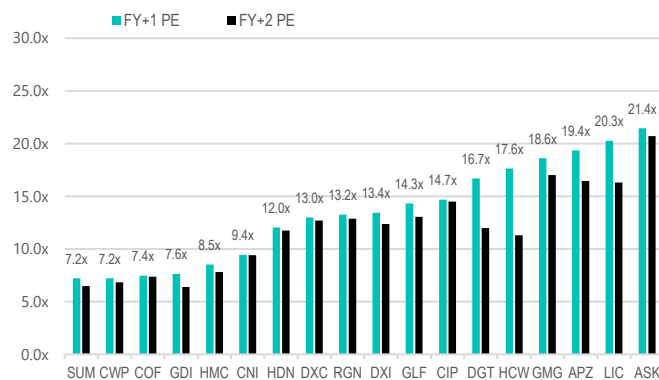
# Upgrade to Buy Thesis in Charts

**Figure 1: HDN has underperformed vs peers in the last 3 months**


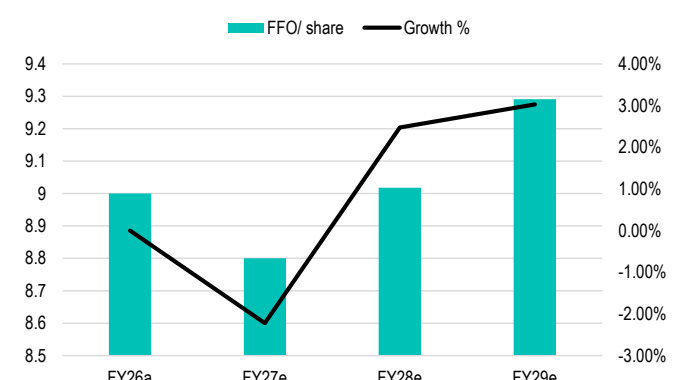
Source: IRESS as at 25/09/26

**Figure 2: HDN is cheap at -2 standard deviations vs historical average discount to NTA...**


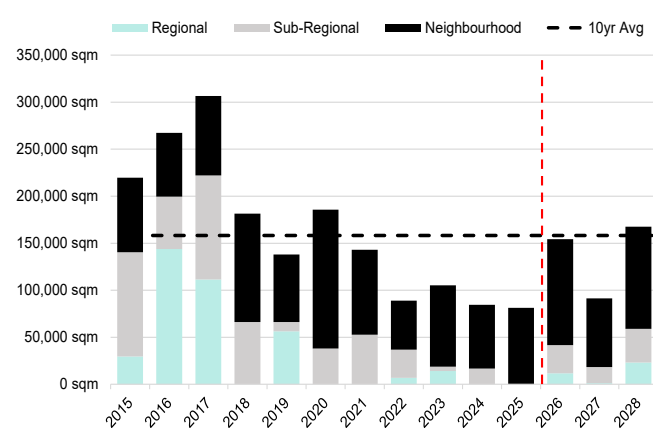
Source: Company data, Bell Potter Securities estimates. At 24/09/2026

**Figure 3: ...and vs passive REIT peers (HDN 12.0x P/E, peers 14.1x)**


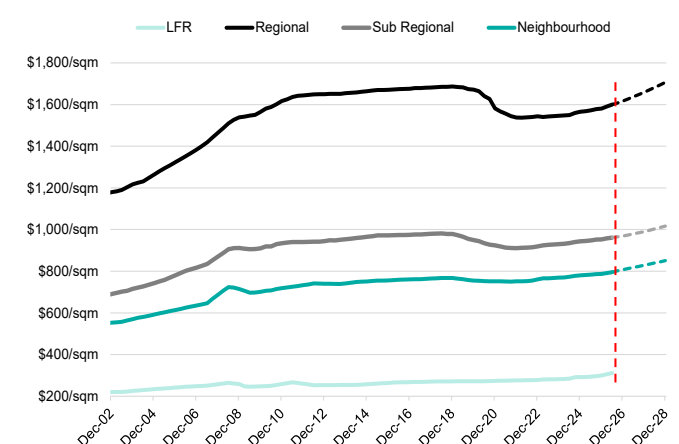
Source: Company data, Bell Potter Securities estimates

**Figure 4: We expect earnings will trough in FY27 and return to growth from FY28 onwards**


Source: Bell Potter Securities estimates

**Figure 5: Lower than avg supply completions in recent years (90k sqm avg '22 to '25 vs 158k sqm historical avg)**


Source: JLL REIS June 2026

**Figure 6: Supporting retail rental growth**


Source: JLL REIS June 2026

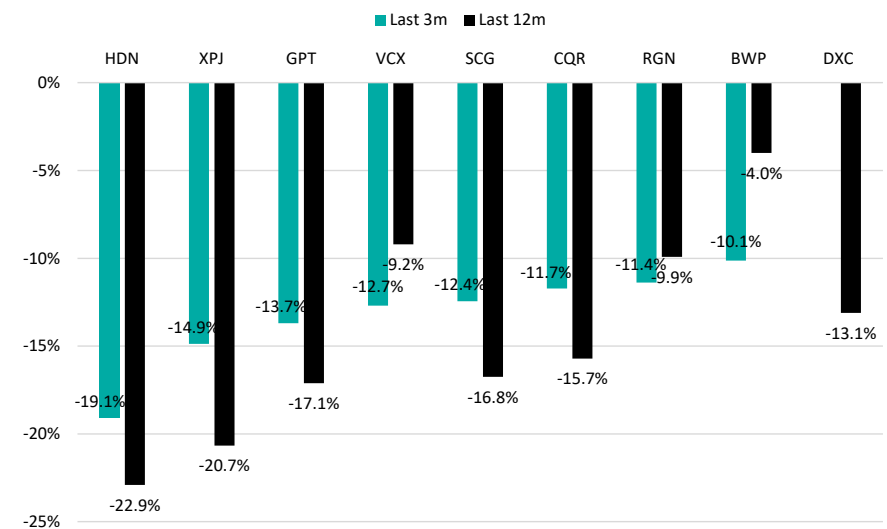
# Valuation

## How is HDN trading relative to the sector?

The A-REIT sector excluding fund managers and residential developers, is trading at large -30.1% discount to NTA and 14.1x P/E multiple. This is driven largely by macroeconomics, with the market pricing in +45bps of cash rate hikes within the next year. This has lifted from +25bps in June.

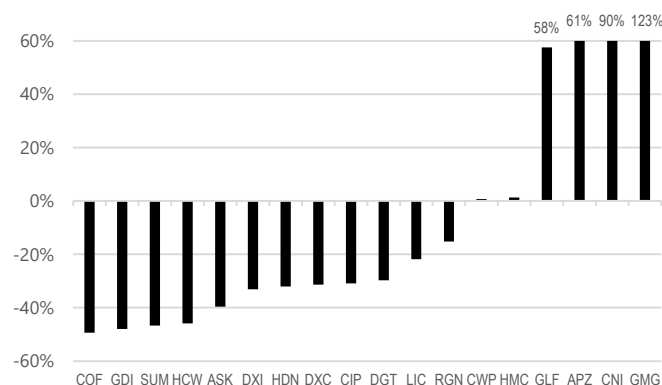
Comparatively, HDN is trading broadly in line with its passive REIT peers on a P/NTA basis, and relatively cheaply at 12.0x P/E versus the sector average 14.1x. HDN has underperformed over the last 3 months, trading down -19.1% versus the sector at -14.9%.

Figure 7: HDN has underperformed vs peers in the last 3 months & 12month



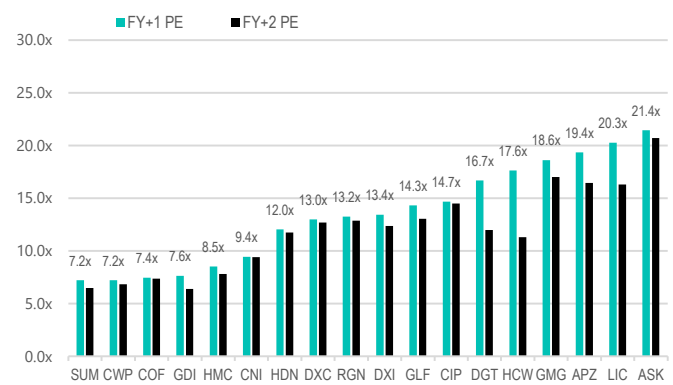
Source: IRESS as at 25/09/26

Figure 8: Disc to NTA -31.4% is broadly in line with passive REIT peers (-30.1%)...



Source: Company data, Bell Potter Securities estimates

Figure 9: While P/E of 12.0x compares to passive REIT avg of 14.1x



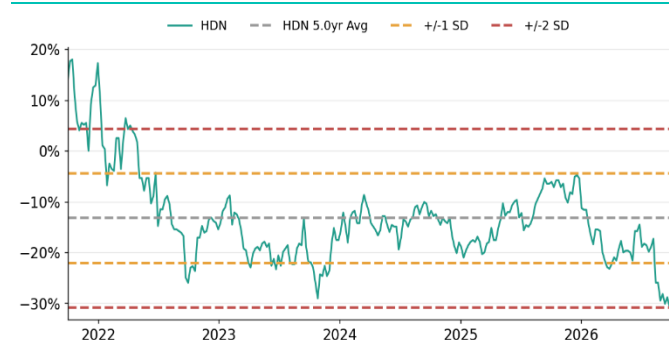
Source: Company data, Bell Potter Securities estimates

### How is HDN trading relative to its history?

On both a discount to NTA and P/E basis HDN is trading well below its historical average. HDN is -2 standard deviations below its 5-year average discount to NTA (-31.4% currently vs -13% 5-yr avg), and ~-1.5 standard deviations below its 5-year average P/E ratio (12.0x currently vs 14.4x 5-yr avg).

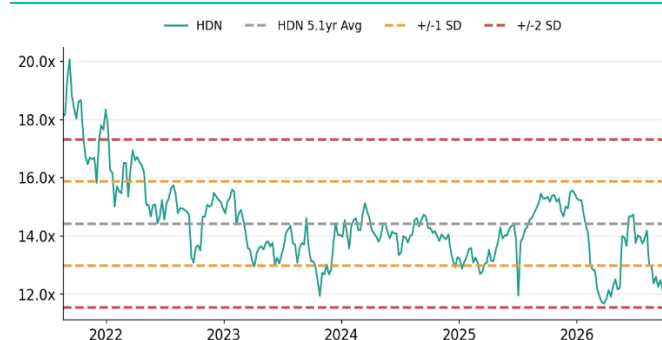
Beyond macro headwinds, HDN has traded -13.3% down post results after guiding to a -2.2% decline in earnings to 8.8c / share in FY27 on the incremental mark to market of its interest costs. We see FY27 as a trough year, with HDN returning to earnings growth (+2.5%) in FY28 as 1) debt cost headwinds lessen, 2) assets are divested accretively (5.53% WACR vs c. 6% CoD), 3) incremental development completions at >7% target ROIC.

**Figure 10: HDN is trading near -2Std Deviations from its 5yr average discount to NTA...**



Source: Company data, Bell Potter Securities estimates. At 24/09/2026

**Figure 11: and is at similar levels on a P/E basis.**



Source: Company data, Bell Potter Securities estimates. At 24/09/2026

## Earnings Bottoming

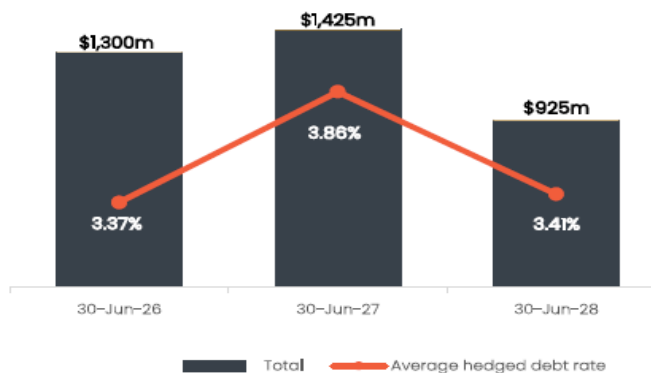
FY27 will be a trough year, with earnings guidance -2.2% below FY26, at 8.8c / share. This is largely driven by mark-to-market of debt costs (+20bps to 5.2%) and increased average debt balance (BPe \$1,920m in FY27 vs \$1,830m FY26).

Positively, we believe earnings have rebased and HDN will recommence growth in FY28. We see +2.5% EPS growth in FY28 on:

- **Sustained strong re-leasing spreads** (~+6%) in line with recent history, supported by neighbourhood retail undersupply.
- **Easing interest rate pressures** as the weighted average hedge rate falls -45bps to 3.41% (excl. margin) in FY28, offsetting the decline in hedge cover (\$1,425m to \$925m in FY28) and resulting in a more modest +19bp increase to 5.50% WACD.
- **Incremental development accretion** – we underwrite development starts of \$50m in both FY27/28 which will be +0.3% accretive to earnings assuming a 7% ROIC and capex is funded through existing balance sheet capacity rather than capital recycling. Accretion could be higher, given HDN targets >7% ROIC, and has suggested they like to see feasibilities around 8% before committing to a development.

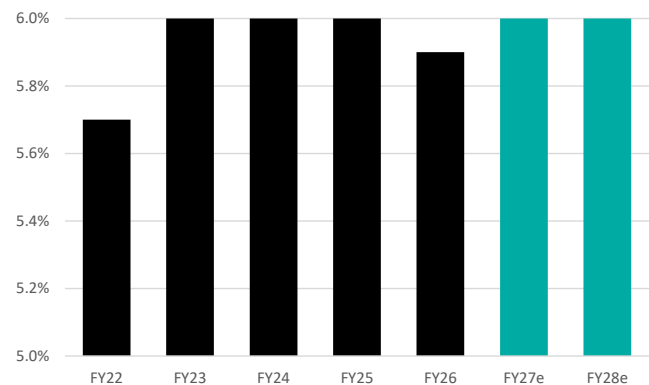
However, we do note divestments may weigh on earnings. Management have signalled an intention to return gearing to 30% (FY26: 35.7%), implying ~\$300m of divestments. With the portfolio WACR 5.53% and marginal CoD 6.0%, divestments could be accretive to earnings. However, this will depend on the assets sold and pricing achieved.

Figure 12: Cost of debt headwinds expected to ease into FY28



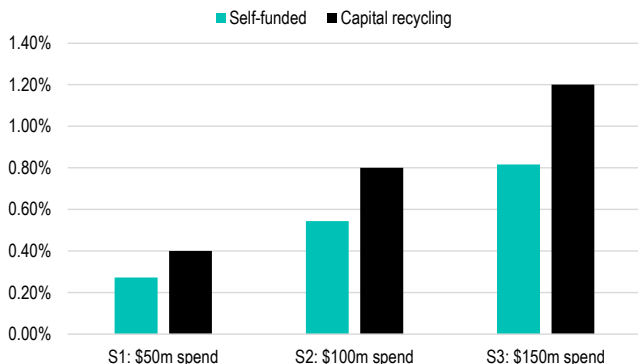
Source: Company data

Figure 13: We expect releasing spreads to remain elevated at +6% in line with recent history on rising retail rents / falling vacancy



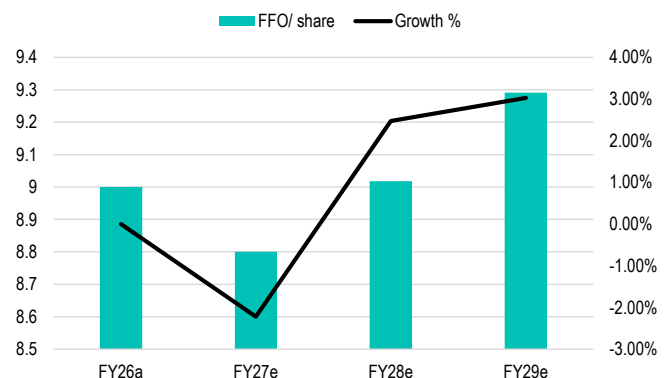
Source: Company data, Bell Potter Securities estimates

Figure 14: Incremental development accretion funded via balance sheet capacity versus capital recycling



Source: Bell Potter Securities estimates

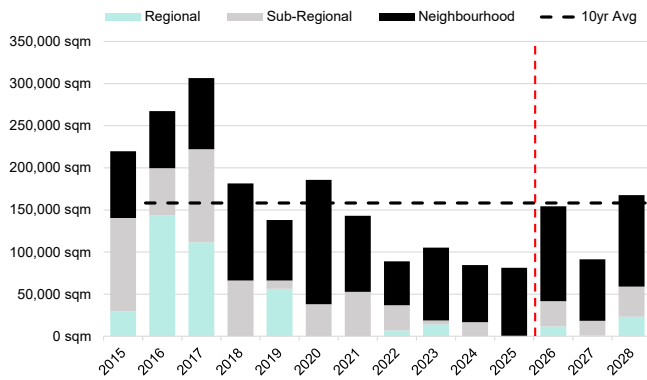
Figure 15: Earnings trough in FY27 and return to growth from FY28 onwards



Source: Bell Potter Securities estimates

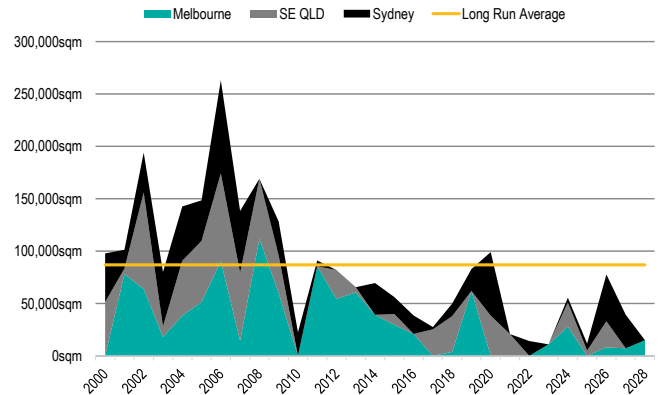
# Retail Fundamentals Supportive

**Figure 16: Recent retail supply completions have been below the historical avg (90k sqm avg '22 to '25 vs 158k sqm historical avg)**



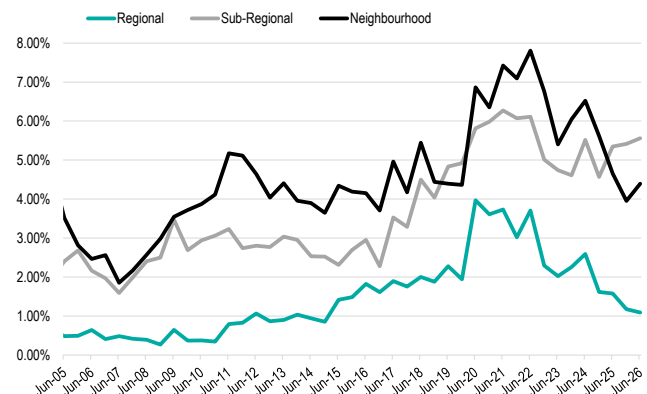
Source: JLL REIS June 2026

**Figure 17: New LFR supply completions (77k & 39k sqm in '26/27) are also forecast to be below the long run average (87k sqm)**



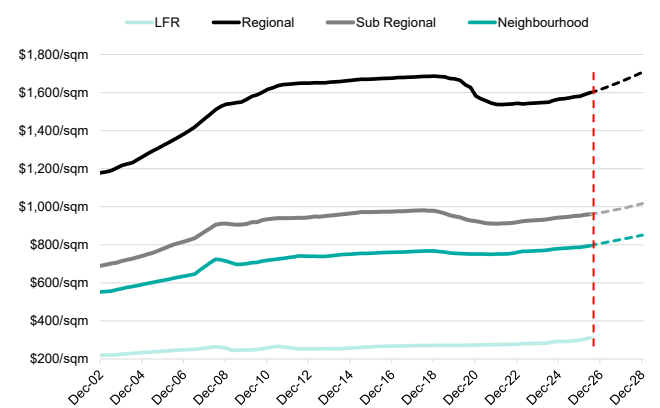
Source: JLL REIS June 2026

**Figure 18: ... resulting in falling vacancies (5.9% in Jun '22 to 3.7% Jun '26)**



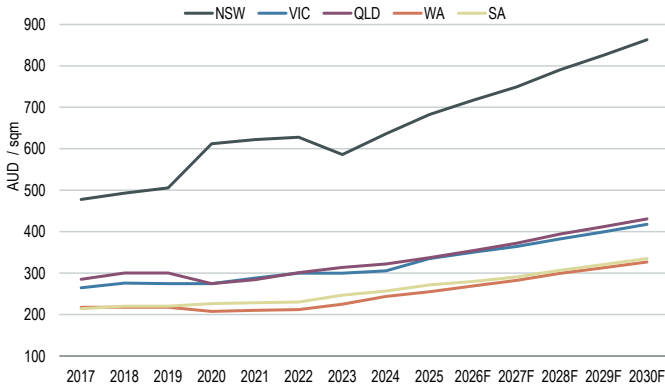
Source: JLL REIS June 2026

**Figure 19: ... and rising rental growth (-0.3% in Jun '22 to +1.6% in Jun '26)...**



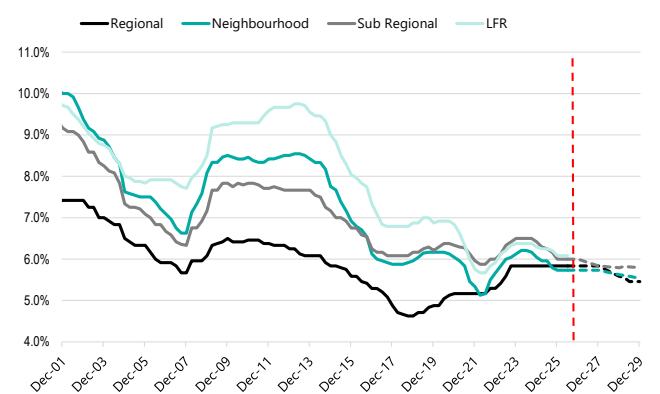
Source: JLL REIS June 2026

**Figure 20: ... including within LFR (~4.5% CAGR through 2030)**



Source: CBRE Research

**Figure 21: resulting in cap rate compression through 2029 (-26bps avg)**



Source: JLL REIS June 2026

## Earnings and Valuation Changes

### FY27-29 earnings reduced -1% to -4%

We reduce our FY27-29 FFO estimates by between -1% and -4% reflecting updated BBSW as at late September '26.

Our target price lowers 5c to \$1.20 in line with the reduction in earnings and as we increase the risk-free rate in our DCF +25bps to 4.75% to reflect the elevated bond yield environment and inflation expectations. Our target price is based on a 50 / 50 blend of our SOTP and DCF valuations. Within our SOTP, we continue to overlay a notional -10% discount reflecting cyclical factors and +10bps of cap rate expansion.

**Figure 22: HDN earnings and valuation changes**

|                     | FFO (A\$m) |              |       | FFO / share (A¢) |               |       | DPS (A¢) |             |       |
|---------------------|------------|--------------|-------|------------------|---------------|-------|----------|-------------|-------|
|                     | Old        | New          | % Chg | Old              | New           | % Chg | Old      | New         | % Chg |
| FY27E               | 183.8      | <b>182.7</b> | -0.6% | 8.8¢             | <b>8.8¢</b>   | -0.6% | 8.6¢     | <b>8.6¢</b> | 0.0%  |
| FY28E               | 193.7      | <b>188.3</b> | -2.8% | 9.3¢             | <b>9.0¢</b>   | -2.8% | 8.8¢     | <b>8.6¢</b> | -2.9% |
| FY29E               | 202.9      | <b>194.0</b> | -4.4% | 9.7¢             | <b>9.3¢</b>   | -4.4% | 9.2¢     | <b>8.8¢</b> | -4.4% |
|                     |            |              |       |                  |               |       |          |             |       |
|                     |            |              |       | Old              | New           | % Chg |          |             |       |
| SOTP                | \$ / share |              |       | \$1.26           | <b>\$1.26</b> | 0.0%  |          |             |       |
| DCF                 | \$ / share |              |       | \$1.20           | <b>\$1.17</b> | -2.8% |          |             |       |
| <b>Target Price</b> | \$ / share |              |       | \$1.25           | <b>\$1.20</b> | -4.0% |          |             |       |

Source: Bell Potter Securities estimates.

# Homeco Daily Needs REIT (HDN)

## BUSINESS OVERVIEW

HomeCo Daily Needs REIT (HDN) is an externally-managed REIT under parent manager HMC Capital (HMC), which manages c.\$5bn of convenience-based assets. A scaled, quality, defensive REIT with its primary investment in large format retail (target 50% of portfolio), neighbourhood centres (target 30%), and to a lesser component in health and services (target 20%). HDN has a geographically diverse national footprint, and majority of the portfolio is in metropolitan growth corridors. HDN tenants are nearly all ASX-listed and/or national retailers, such as Coles, Wesfarmers and Woolworths, which adds an element of reliability to the funds rental income streams. A scaled, quality defensive REIT.

## VALUATION METHOD

Our valuation of HDN is based on 50% SOTP / 50% DCF methodologies. We apply this approach consistently across our real estate coverage universe.

## RISKS

Risks to an investment in HDN include but are not limited to:

**Asset values:** We expect to see further cap rate expansion and asset devaluation ahead, albeit less than other sub-sectors given the defensive nature of non-discretionary retail underlying exposure.

**Rental:** Sustained high occupancy rates across broader markets will underpin rental income growth, however future increased supply and a continued reduction in consumer confidence/spending could put pressure on income growth for HDN.

**Interest rates:** HDN will become more exposed to the floating interest rate as fixed rate hedging rolls off beyond FY26. An increase in funding costs would be a headwind to earnings and could limit HDN's ability to fund its development pipeline.

RECOMMENDATION (prev. Hold)

Buy

PRICE

A\$1.05

TARGET (12 MONTHS)

A\$1.20 (prev. A\$1.25)

Table 1: Financial summary

| Price                          |  | A\$ / sh |         | 1.05    |         | Bell Potter Securities                                         |         |                                |  |  |  |
|--------------------------------|--|----------|---------|---------|---------|----------------------------------------------------------------|---------|--------------------------------|--|--|--|
| Target price                   |  | A\$ / sh |         | 1.20    |         | Michael Armstrong (marmstrong@bellpotter.com.au; +61423255296) |         |                                |  |  |  |
| Profit & Loss                  |  |          |         |         |         |                                                                |         |                                |  |  |  |
| Year End 30 Jun                |  | Unit     | 2025    | 2026    | 2027e   | 2028e                                                          | 2029e   | Valuation Data                 |  |  |  |
| Year End 30 Jun                |  | Unit     | 2025    | 2026    | 2027e   | 2028e                                                          | 2029e   | Year End 30 Jun                |  |  |  |
| Revenue                        |  | A\$m     | 364.7   | 378.3   | 410.9   | 427.7                                                          | 445.5   | FFO                            |  |  |  |
| Growth %                       |  | %        | 3%      | 4%      | 9%      | 4%                                                             | 4%      | A\$m                           |  |  |  |
| Other Income                   |  | A\$m     | 3.1     | 2.4     | 3.0     | 3.0                                                            | 3.0     | Ac/sh                          |  |  |  |
| Operating Expenses             |  | A\$m     | -127.1  | -131.5  | -135.1  | -138.8                                                         | -142.7  | 8.8                            |  |  |  |
| Management EBITDA              |  | A\$m     | 0.0     | 0.0     | 0.0     | 0.0                                                            | 0.0     | 9.0                            |  |  |  |
| Group EBITDA                   |  | A\$m     | 259.0   | 268.9   | 278.8   | 291.9                                                          | 305.8   | 8.8                            |  |  |  |
| Depreciation & Amortisation    |  | A\$m     | 0.0     | 0.0     | 0.0     | 0.0                                                            | 0.0     | 9.0                            |  |  |  |
| EBIT                           |  | A\$m     | 259.0   | 268.9   | 278.8   | 291.9                                                          | 305.8   | 8.8                            |  |  |  |
| Net Interest Expense           |  | A\$m     | -76.5   | -81.8   | -96.1   | -103.6                                                         | -111.8  | 8.8                            |  |  |  |
| Profit Before Tax              |  | A\$m     | 182.5   | 187.1   | 182.7   | 188.3                                                          | 194.0   | 8.8                            |  |  |  |
| Tax Expense                    |  | A\$m     | 0.0     | 0.0     | 0.0     | 0.0                                                            | 0.0     | 8.8                            |  |  |  |
| Funds From Operations          |  | A\$m     | 182.5   | 187.1   | 182.7   | 188.3                                                          | 194.0   | 8.8                            |  |  |  |
| Growth %                       |  | %        | 2%      | 3%      | -2%     | 3%                                                             | 3%      | 8.8                            |  |  |  |
| FFO / share                    |  | Ac/sh    | 8.8     | 9.0     | 8.8     | 9.0                                                            | 9.3     | 8.8                            |  |  |  |
| Growth %                       |  | %        | 2%      | 2%      | -2%     | 3%                                                             | 3%      | 8.8                            |  |  |  |
| AFFO / share                   |  | Ac/sh    | 8.5     | 8.7     | 8.2     | 8.4                                                            | 8.7     | 8.8                            |  |  |  |
| Growth %                       |  | %        | 2%      | 2%      | -6%     | 3%                                                             | 3%      | 8.8                            |  |  |  |
| DPS                            |  | Ac/sh    | 8.5     | 8.6     | 8.6     | 8.6                                                            | 8.8     | 8.8                            |  |  |  |
| Growth %                       |  | %        | 2%      | 1%      | 0%      | 0%                                                             | 3%      | 8.8                            |  |  |  |
| Cash Flow                      |  |          |         |         |         |                                                                |         |                                |  |  |  |
| Year End 30 Jun                |  |          | 2025    | 2026    | 2027e   | 2028e                                                          | 2029e   | Performance & Leverage Metrics |  |  |  |
| Year End 30 Jun                |  |          | 2025    | 2026    | 2027e   | 2028e                                                          | 2029e   | Year End 30 Jun                |  |  |  |
| NOI                            |  | A\$m     | 238.8   | 255.8   | 278.8   | 291.9                                                          | 305.8   | 2025                           |  |  |  |
| Interest Received / (Paid)     |  | A\$m     | -64.1   | -113.4  | -101.2  | -108.3                                                         | -118.0  | 2026                           |  |  |  |
| Other - Incl. Tax              |  | A\$m     | 0.0     | 0.0     | 0.0     | 0.0                                                            | 0.0     | 2027e                          |  |  |  |
| Operating Cash Flow            |  | A\$m     | 174.7   | 142.4   | 177.6   | 183.6                                                          | 187.8   | 2028e                          |  |  |  |
| Investing Cash Flow            |  | A\$m     | -66.7   | -78.1   | -57.4   | -57.5                                                          | -77.7   | 2029e                          |  |  |  |
| Financing Cash Flow            |  | A\$m     | -102.4  | -44.3   | -122.2  | -121.7                                                         | -103.9  | 2029e                          |  |  |  |
| Net Change in Cash             |  | A\$m     | 5.6     | 20.0    | -2.0    | 4.4                                                            | 6.2     | 2029e                          |  |  |  |
| Cash at Beginning of Period    |  | A\$m     | 12.4    | 18.0    | 38.0    | 36.0                                                           | 40.4    | 2029e                          |  |  |  |
| Cash at End of Period          |  | A\$m     | 18.0    | 38.0    | 36.0    | 40.4                                                           | 46.5    | 2029e                          |  |  |  |
| Dividends Paid                 |  | A\$m     | -168.9  | -173.2  | -179.6  | -179.2                                                         | -181.6  | 2029e                          |  |  |  |
| Change in Debt                 |  | A\$m     | 66.7    | 128.9   | 57.4    | 57.5                                                           | 77.7    | 2029e                          |  |  |  |
| Balance Sheet                  |  |          |         |         |         |                                                                |         |                                |  |  |  |
| Year End 30 Jun                |  |          | 2025    | 2026    | 2027e   | 2028e                                                          | 2029e   | Valuation Summary              |  |  |  |
| Year End 30 Jun                |  |          | 2025    | 2026    | 2027e   | 2028e                                                          | 2029e   | Valuation Methodology          |  |  |  |
| Cash and Cash Equivalents      |  | A\$m     | 18.0    | 38.0    | 36.0    | 40.4                                                           | 46.5    | Weight                         |  |  |  |
| Other Current Assets           |  | A\$m     | 53.5    | 15.0    | 15.4    | 15.8                                                           | 16.2    | A\$ / sh                       |  |  |  |
| Investment Property            |  | A\$m     | 4,830.2 | 5,092.5 | 5,149.9 | 5,207.5                                                        | 5,285.1 | SOTP                           |  |  |  |
| Equity Accounted Investments   |  | A\$m     | 47.2    | 75.8    | 75.8    | 75.8                                                           | 75.8    | 50%                            |  |  |  |
| Intangibles                    |  | A\$m     | 0.0     | 0.0     | 0.0     | 0.0                                                            | 0.0     | DCF                            |  |  |  |
| Other Non-Current Assets       |  | A\$m     | 11.8    | 37.6    | 37.6    | 37.6                                                           | 37.6    | 50%                            |  |  |  |
| Total assets                   |  | A\$m     | 4,960.7 | 5,258.9 | 5,314.7 | 5,377.0                                                        | 5,461.3 | Price Target                   |  |  |  |
| Payables                       |  | A\$m     | 86.5    | 61.9    | 64.5    | 67.7                                                           | 70.9    | \$1.20                         |  |  |  |
| Provisions                     |  | A\$m     | 44.3    | 45.0    | 45.0    | 45.0                                                           | 45.0    | SOTP Components                |  |  |  |
| Interest Bearing Liabilities   |  | A\$m     | 1,754.7 | 1,891.5 | 1,948.9 | 2,006.5                                                        | 2,084.1 | Portfolio                      |  |  |  |
| Other Liabilities              |  | A\$m     | 2.4     | 0.0     | 0.0     | 0.0                                                            | 0.0     | Stated Cap Rate                |  |  |  |
| Total Liabilities              |  | A\$m     | 1,887.9 | 1,998.4 | 2,058.4 | 2,119.1                                                        | 2,200.0 | BPe Cap Rate                   |  |  |  |
| Total Shareholders' Equity     |  | A\$m     | 3,072.8 | 3,260.5 | 3,256.3 | 3,257.9                                                        | 3,261.3 | BPe Cap Value                  |  |  |  |
| Key Metrics                    |  |          |         |         |         |                                                                |         |                                |  |  |  |
| Year End 30 Jun                |  |          | 2025    | 2026    | 2027e   | 2028e                                                          | 2029e   | Corporation                    |  |  |  |
| Year End 30 Jun                |  |          | 2025    | 2026    | 2027e   | 2028e                                                          | 2029e   | EBIT                           |  |  |  |
| Retail FFO Growth              |  | %        | 5.6%    | 3.6%    | 3.3%    | 4.4%                                                           | 4.5%    | Multiple                       |  |  |  |
| WAV Cap Rate                   |  | %        | 5.6%    | 5.5%    | 5.6%    | 5.6%                                                           | 5.6%    | Value                          |  |  |  |
| Comp NOI Growth                |  | %        | 3.7%    | 4.0%    | 3.6%    | 3.2%                                                           | 3.2%    | Funds Management EBIT          |  |  |  |
|                                |  |          |         |         |         |                                                                |         | Property Management EBIT       |  |  |  |
|                                |  |          |         |         |         |                                                                |         | Trading Profits / Other        |  |  |  |
|                                |  |          |         |         |         |                                                                |         | Unallocated Corporate Overhead |  |  |  |
|                                |  |          |         |         |         |                                                                |         | -\$28m                         |  |  |  |
|                                |  |          |         |         |         |                                                                |         | 8.0x                           |  |  |  |
|                                |  |          |         |         |         |                                                                |         | -\$227m                        |  |  |  |
| Key WACC / DCF Components      |  |          |         |         |         |                                                                |         |                                |  |  |  |
| Risk Free Rate                 |  |          |         |         |         |                                                                |         | 4.8%                           |  |  |  |
| Equity Risk Premium            |  |          |         |         |         |                                                                |         | 6.0%                           |  |  |  |
| Beta                           |  |          |         |         |         |                                                                |         | 0.90                           |  |  |  |
| WACC                           |  |          |         |         |         |                                                                |         | 9.1%                           |  |  |  |
| DCF / DDM Terminal Growth Rate |  |          |         |         |         |                                                                |         | 1.5%                           |  |  |  |

Source: Bell Potter Securities estimates

## RECOMMENDATION STRUCTURE

|             |                                                                                                                 |
|-------------|-----------------------------------------------------------------------------------------------------------------|
| <b>BUY</b>  | Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected. |
| <b>HOLD</b> | Expect total return between -5% and 15% on a 12 month view.                                                     |
| <b>SELL</b> | 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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