

3 November 2020

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Auswide Bank Ltd (ABA)

Banks

Buy

ABA A\$5.02

TARGET PRICE A\$6.47

Auswide Bank Ltd became 10th listed bank on the Australian Securities Exchange. Auswide Bank Limited provides various personal and business banking products and services in Australia. The company accepts personal and business accounts, and term deposits; and grants home loans, car and personal loans, business loans, and overdrafts. It also offers credit cards; self-managed superannuation fund accounts; and home, car, caravan and trailer, boat, travel, trade and services, and farm insurance products.

Company Data

Number of shares	42.6M
Market Capitalisation	\$ 212.0M
Free float (%)	85.5
12-month high/low	\$6.78/\$3.43
Average Daily Turnover (\$m)	0.202
% S&P/ASX200	0.01%
DDM Ranking	122
% All Ordinaries	N/A
GICS Industry Group	Banks

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	80.5	93.0	91.4	94.4
Reported NPAT (\$M)	18.5	23.6	23.2	24.9
Adjusted NPAT (\$M)	20.1	23.6	23.2	24.9
Adjusted EPS (¢ - FD)	43.8	55.7	54.2	58.2
Adjusted EPS growth (%)	7.4	27.1	(2.7)	7.5
Adjusted P/E (x)	11.4	8.9	9.2	8.6
Dividend (¢/sh)	27.9	34.2	34.7	38.3
Gross yield (%)	8.0	8.5	9.5	10.5
Net yield (%)	5.6	6.0	6.6	7.3

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

Strong Q1 FY21 and COVID-19 update

On 3 November 2020, Auswide Bank (ASX.ABA) announced a business update for the first quarter of FY21 with the following highlights:

Highlights:

- Net Profit After Tax of \$5.566 million, up 36.22% on pc; and
- Net Interest Margin of 1.99%, up 10 bps, 1.89% in Q1 FY20; and
- Loan Book up 7.24% on pc

NPAT:

NPAT increased by 36.22% to \$5.566m for the first quarter compared to pc reflecting strong loan book growth, tighter cost of funds, a 10bps improvement in net interest margin and strong expense management.

Key Financial Metrics:

Key Financial Metrics*	Q1 FY21	Q1 FY20	Change
NPAT (\$m)	5.566	4.086	36.22%
Loan book (\$bn)	3.381	3.153	7.24%
Net Interest Revenue (\$m)	18.724	16.664	12.36%
Net Interest Margin (bps)	1.99%	1.89%	10 bps
Deposits (\$bn)	2.709	2.444	10.84%

*Based on unaudited management financial information

COVID-19 Update:

- Auswide Bank continued to provide COVID-19 related assistance to impacted customers during the first quarter; and
- At 30 September Covid-19 loan assistance has fallen to 3.3% of Auswide's loan book compared to almost 9% at the end of FY2020.

Outlook:

ABA's Managing Director Martin Barrett said: "We have made an excellent start to FY2021 with a first quarter that has delivered a pleasing performance across our key financial targets. We continue to make strong progress delivering on our strategic plan and improving the capability of the bank".

ABA's AGM on the 17th November 2020 will provide a further update on the banks strategic progress.

Earnings changes

ABA's cash profit of \$5.57M, which is up 36.22% on pc, is higher than market expectations for the full year FY21 of 11.4%. Hence, we expect positive earnings revisions in the order of 15% for FY21 and 5% for the future periods.

We are initiating on ABA with a 12-month price target of \$6.47 and a BUY recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its clients. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2020 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	40.7%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	16.3%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	42.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)