

27 October 2020

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## Bendigo and Adelaide Bank Ltd (BEN)

### Banking

#### BUY

**BEN A\$6.67****TARGET PRICE A\$7.60**

Bendigo & Adelaide Bank Ltd. provides banking and financial services including lending, deposit taking, leasing finance, superannuation and funds management, insurance, treasury and foreign exchange services, financial advisory and trustee services. The company was founded in 1858 and is headquartered in Bendigo, Australia.

#### Company Data

Number of shares	530.8M
Market Capitalisation	\$ 3540.3M
Free float (%)	98.9
12-month high/low	\$10.85/\$5.47
Average Daily Turnover (\$m)	23.60
% S&P/ASX200	0.21%
DDM Ranking	125
% All Ordinaries	N/A
GICS Industry Group	Banks

Source: FactSet, Barclay Pearce Capital

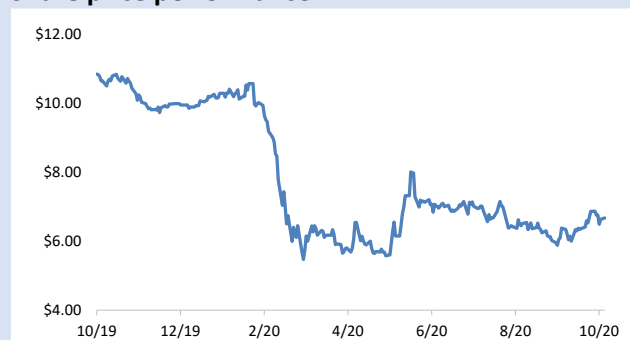
#### Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	1614.2	1637.0	1639.2	1665.2
Reported NPAT (\$M)	192.8	270.2	327.6	367.3
Adjusted NPAT (\$M)	302.0	264.0	330.6	377.3
Reported EPS (c)	35.2	48.6	56.9	63.9
Adjusted EPS (c - FD)	59.7	50.5	57.7	64.9
Adjusted EPS growth (%)	-29.8	-15.4	14.1	12.5
Adjusted P/E (x)	11.2	13.2	11.6	10.3
Dividend (c/sh)	31.0	25.6	38.1	45.1
Gross yield (%)	6.6	5.5	8.2	9.7
Net yield (%)	4.6	3.8	5.7	6.8

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

## 1QFY21 Trading Update in Line

### 1Q21 Trading Update

Ahead of its Annual General Meeting, Bendigo, and Adelaide Bank (BEN) has provided a 1QFY21 trading update with the following highlights:

- The Bank's total lending continues to be a strength with year to date growth at 11% and residential lending at 16.1%;
- Net Interest Margin continues to be well managed, increasing by one basis point on 2H20 to 2.3% in 1QFY21;
- As of 16 October, 6797 customer accounts remain on deferral, down 69% from the peak on 31 May and down 63% since 31 August;
- The value of the accounts where repayments have been deferred is approximately \$2.5 billion, down from a peak of \$6.9 billion in June; and
- Customers transitioning away from deferral arrangements will continue to occur through the remainder of October and November as repayment deferral periods expire.

### Update on COVID-19 Support Packages

- As of 30 September 2020:
  - Total number of accounts assisted was 25,066 with total balances of these accounts equal to \$7.7 billion
  - Total number of active accounts was 8,746 with total balances of these accounts equal to \$3.5 billion
- Residential and consumer support packages total 4408 accounts, down 74% since the peak in May; and
- Commercial support packages total 2389 accounts, down 49% since the peak in July.

### Outlook

Managing Director of BEN stated *"In line with our strategy, we are focused on driving sustainable growth through active cost management, and we continue target income growth to exceed cost growth this financial year 2021. Our sights are firmly fixed on achieving outcomes for all stakeholders and we are adequately provisioned to manage through the pandemic."*

He also made remarks on individual repayment deferral arrangements, *"In line with our purpose and customer commitment, we've supported customers and over 25,000 personal and commercial accounts they have with us since March, to help them manage through the pandemic.. and we are further encouraged by the Victorian Premier's announcement to reopen Melbourne's retail and hospitality industries from tomorrow."*

## Earnings changes

BEN has announced their update on 1QFY21 showing net interest margin growth of 0.1%. The market expected BEN's revenue growth to be 1.4%, which is consistent with this release. Hence, at this stage we do not expect any significant earnings revisions for future periods.

We are initiating on BEN with a 12-month price target of \$7.60 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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**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**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	41.7%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.2%	( 100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	16.6%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	41.5%	( 0.0% of stocks with recommendations are Barclay Pearce clients)