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Auswide Bank Ltd

Financials

HOLD

ABA A\$6.66
TARGET PRICE A\$7.31

Auswide Bank Ltd (ABA, formerly Wide Bay Australia Ltd) is an approved deposit-taking institution and licensed credit and financial services provider. It provides deposit, credit, insurance and banking services to personal and business customers across Australia, principally in regional and metropolitan Queensland, Sydney and Melbourne.

Company Data

Number of shares	42.7 M
Market Capitalisation	\$281.5M
Free float (%)	85.5
12-month high/low	\$6.77/\$3.43
Average Daily Turnover (\$m)	0.2654
% S&P/ASX200	0.01%
DDM Ranking	122
% All Ordinaries	0.01%
GICS Industry Group	Banks

Source: FactSet, Barclay Pearce Capital

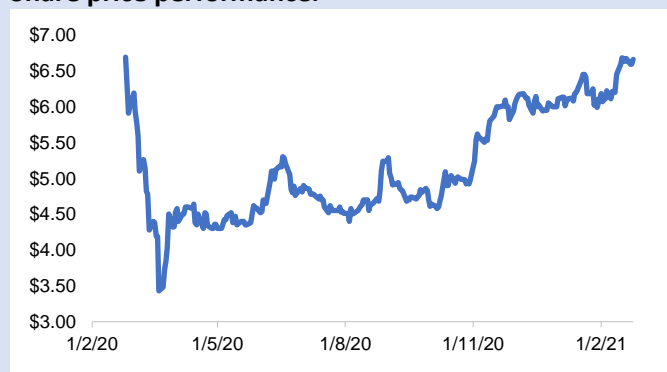
Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	80.5	89.6	89.7	91.4
Reported NPAT (\$M)	18.5	22.3	22.9	24.1
Adjusted NPAT (\$M)	20.1	22.3	22.9	24.1
Reported EPS (c)	43.8	50.0	53.0	54.0
Adjusted EPS (c - FD)	43.8	52.9	53.6	56.1
Adjusted EPS growth (%)	7.4	20.7	1.4	4.7
Adjusted P/E (x)	15.0	12.5	12.3	11.7
Dividend (c/sh)	27.9	30.6	33.4	36.7
Gross yield (%)	6.0	6.6	7.2	7.9
Net yield (%)	4.2	4.6	5.1	5.6
ROIC (%)	-	-	-	-

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



Source: FactSet, Barclay Pearce Capital

H1 FY21 Half Year Result

On 24th February, Auswide Bank Ltd (ABA) released their Interim results for the half year ended 31 December 2020 with the following highlights:

- Record loan book growth increases NPAT 23.9%;
- Annualised loan book growth of 13.4% across H1 FY21;
- Net interest revenue up 10.9% to \$38.262m;
- Net Interest Margin of 201bps, up 6bps on H1 FY20;
- Net Profit After Tax (NPAT) of \$11.472m, up 23.9%;
- Customer deposits up 10.6% to \$2.791b; 74.4% of funding mix;
- Capital adequacy ratio of 13.32% and CET1 ratio of 10.88%;
- Return on Net Tangible Assets (RONTA) of 11.6% (H1 FY20: 9.7%);
- Earnings Per Share (EPS) of 27.0 cents, up 5.1 cents; and
- Fully franked interim dividend of 19.0cps, up 2.0cps.

	H1 FY21	H1 FY20	Change
Net interest revenue (\$m)	38.262	34.516	10.9%
Consolidated NPAT (\$m)	11.472	9.256	23.9%
Earnings Per Share (cents)	27.0	21.9	5.1c
Interim Dividend per share (cents)	19.0	17.0	2.0c

Auswide Bank's Managing Director Martin Barrett said: "We have had a very successful six months with a 24% increase in Net Profit after Tax reflecting ongoing improvement in our customer attraction and service delivery. Despite a challenging macro environment with record low interest rates and a highly competitive market, we were able to achieve annualised loan book growth of 13.4% across the half year. Our strategic focus on delivering a highly scalable broker experience supported record loan flows assisted by participation in the First Home Loan Deposit Scheme and growing broker recognition. Our loan book has continued to diversify both geographically and with a younger demographic. Our Private Bank, QRL partnership and technology investment are further building Auswide's brand profile and enhancing our customer value proposition."

FY21 Outlook

Auswide has had a strong start to the second half as broker flows continue to support loan book growth and customer deposits remain a strong source of funding for the Bank. Despite already exceeding its medium-term strategic targets, Auswide will continue to prioritise the implementation of its three year strategic plan to further build brand awareness, improve technology, fulfil its regulatory obligations and enhance the customer experience. In addition, Auswide will continue to support its customers affected by COVID-19.

Earnings changes

For H1 FY21, ABA reported NPAT of \$11.472 million. We are expecting second half earnings to be in line with that of the first half, as there should be no seasonality effects. This puts their full year earnings in line with market expectations of \$22.3 million. Hence, we don't expect any significant earnings revisions.

Valuation

We are updating our valuation on ABA with a price target of \$7.31 and revising our recommendation from BUY to HOLD. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 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.

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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	40.2%	(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	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)