

Australia & New Zealand Banking Group Ltd (ANZ)

Financials

HOLD

ANZ A\$27.26

TARGET PRICE A\$29.09

Australia and New Zealand Banking Group Limited (ANZ) provides a range of banking and financial products and services to retail, small business, corporate and institutional clients. ANZ operates in Australia, New Zealand, Pacific Division, the United Kingdom and the United States. ANZ main business divisions consist of Retail, Commercial, Transaction Banking, Loans & Specialised Finance, Markets, Commercial banking and wealth management services.

Company Data

Number of shares	2,794.1M
Market Capitalisation	\$76,167.3M
Free float (%)	100
12-month high/low	\$29.53/\$24.82
Average Daily Turnover (\$m)	126.4
% S&P/ASX200	3.525%
DDM Ranking	221
% All Ordinaries	3.020%
GICS Industry Group	Diversified Banks

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end September	2021A	2022F	2023F	2024F
Revenue (\$M)	17,447.0	18,075.8	18,934.2	19,822.8
Reported NPAT (\$M)	6,162.0	6,211.0	6,666.8	7,220.8
Adjusted NPAT (\$M)	6,180.0	6,121.4	6,415.1	6,863.6
Reported EPS (c)	204.9	213.3	229.5	249.5
Adjusted EPS (c - FD)	205.4	211.7	232.1	249.5
Adjusted EPS growth (%)	69.6	1.1	9.8	7.6
Adjusted P/E (x)	13.3	13.4	12.2	11.4
Dividend (c/sh)	142.0	147.6	159.3	171.7
Gross yield (%)	7.4	7.7	8.3	9.0
Net yield (%)	5.2	5.4	5.8	6.3

Source: Barclay Pearce Capital

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

Share price performance.



Source: FactSet, Barclay Pearce Capital

Quarterly Report March 2022

On 4th of May 2022, Australia & New Zealand Banking Group Ltd (ANZ) announced its 1HFY2022 Financial Report with the following highlights:

Highlights:

- ANZ today announced a Statutory Profit after tax for the half year ended 31 March 2022 of \$3,530 million, up 10% on the previous half;
- Cash Profit from continuing operations was \$3,113 million, down 3% when compared with the prior half;
- ANZ's Common Equity Tier 1 Ratio was strong at 11.5% and Cash Return on Equity was 10%. The proposed Interim Dividend is 72 cents per share, fully franked;
- Positive balance sheet growth in Australia driven by improvements in home loan processing capacity;
- Strong home loan momentum in New Zealand delivering market share growth;
- Institutional customer revenues grew strongly with risk-adjusted lending margins expanding;
- Costs were tightly managed with 'run the bank' expenses coming in flat for the half with investment focussed on operational resilience and new growth opportunities;
- CP balance at 31 March 2022 of \$3,757 million represents additional provisions of \$381 million compared with pre-COVID levels at 30 September 2019;

Outlook:

- ANZ also announced today it intends to lodge a formal application with APRA, the Federal Treasurer and other applicable regulators to establish a non-operating holding company and create distinct banking and non-banking groups within the organisation;
- ANZ has made good progress in finalising our compliance with BS11 and expect to have this program largely completed this year;
- This has been a major initiative that will result in a significantly stronger New Zealand franchise;
- Institutional customer revenues continued to grow with a focus on sustainable, high quality and well diversified balance sheet growth;
- We also saw strong growth in processing payment volumes for other Financial Institutions with processing for other banks is now generating revenue of more than \$150 million per annum at an ROE exceeding 40%.

ANZ CEO Shayne Elliott said: "This was an important half in the continued transformation of ANZ. "The introduction of our new retail banking platform in Australia, ANZ Plus, designed and built by our own teams using the world's best technology was a key milestone. While still in soft launch, the first 'savings and transact' product on ANZ Plus, a proposition focused on helping customers better manage their financial wellbeing, is tracking well and will become the core deposit and transaction product offered to new customers. "Investments in our home loan processing capacity in Australia drove positive balance sheet momentum while processing times are comparable to our major peers. We are on target to grow in line with the Australian major banks by the end of our financial year but will do so with an eye to our margin performance.

Earnings changes

ANZ reported a cash profit of \$3,113M on H1HFY22. This is slightly higher than the market expectations of \$2,942M. Hence, we expect positive earnings revisions of 2% for FY22 and future periods.

Valuation

We are updating our 12-month target price from \$27.19 to \$29.09 and retaining our HOLD recommendation. The price target is underpinned by our valuation.

4 May 2022

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Disclaimer

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Barclay Pearce Capital provides research services to its client. 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 2021 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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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

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.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

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Barclay Pearce Capital Recommendation Proportions

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Buy	36.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	31.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	31.8%	(0.0% of stocks with recommendations are Barclay Pearce clients)