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Bendigo and Adelaide Bank Ltd

Financial Services

BUY

BEN A\$9.26 **TARGET PRICE A\$11.59**

Bendigo and Adelaide Bank Limited (BEN) provides a range of banking and other financial services including consumer, residential, business and commercial lending, deposit taking, payments services, wealth management, funds management and superannuation, treasury and foreign exchange services.

Company Data

Number of shares	561.5
Market Capitalisation	\$5,199.3
Free float (%)	99.6
12-month high/low	\$11.28/\$8.49
Average Daily Turnover (\$m)	16.528334
% S&P/ASX200	0.244
DDM Ranking	126
% All Ordinaries	0.211
GICS Industry Group	Banks - Regional

Source: FactSet, Barclay Pearce Capital

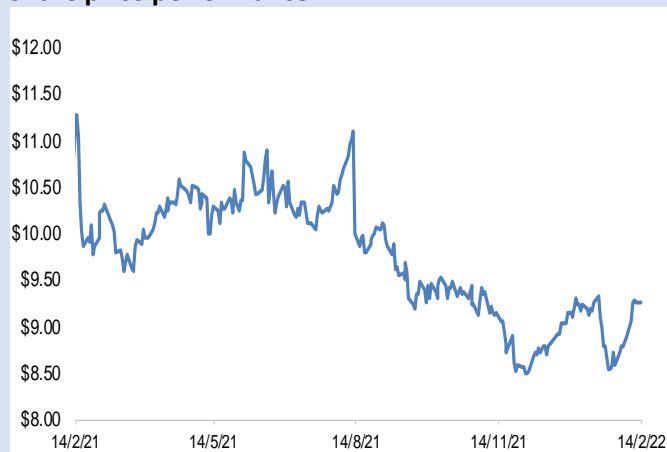
Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	1,684.5	1,744.7	1,799.7	1,870.7
Reported NPAT (\$M)	524.0	463.1	475.7	499.2
Adjusted NPAT (\$M)	457.1	524.8	533.8	567.4
Reported EPS (c)	82.6	78.9	78.8	82.0
Adjusted EPS (c - FD)	85.6	73.8	74.1	79.3
Adjusted EPS growth (%)	43.4	-13.8	0.5	7.0
Adjusted P/E (x)	10.8	12.6	12.5	11.7
Dividend (c/sh)	50.0	53.9	54.8	56.9
Gross yield (%)	7.7	8.3	8.5	8.8
Net yield (%)	5.4	5.8	5.9	6.1

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

2022 Interim Financial Results

On 14th February 2022, Bendigo and Adelaide Bank Ltd (BEN) announced its results for the half year ending 31 December 2021 with the following highlights:

Financial Highlights:

- Statutory net profit: \$321.3 million, up 31.7 percent;
- Cash earnings after tax: \$260.7 million, up 18.7 percent;
- Net interest margin: 2.09 percent, down 14 basis points on 2H21;
- Total income on a cash basis: \$873.4 million, up 2.9 percent;
- Credit expenses: (\$17.8m write-back), down significantly;
- CET1: 9.85 percent, up 49 basis points;
- Cash earnings per share: 47c, up 13.5 percent;
- Fully Franked Dividend: 26.5 cents per share - Record 8-Mar, payable 31-Mar;
- Dividend Reinvestment Plan with a 1.5 percent discount;
- Total lending: \$73.8 billion, up 2.1 percent on 2H21;
- Residential lending: 1.1x system up 8.4 percent;
- Total funding: \$81.9 billion up 5.1 percent on 2H21, with customer deposits up 6.6 percent on 2H21.

H2 Outlook:

- Net Interest Income
 - Residential loan growth expected to exceed system;
 - Seasonal uplift in credit growth in Agribusiness;
 - Continued margin pressure with headwinds expected to moderate by end of 2H22;
 - NII decline in 2H22 with margin pressure offsetting loan growth;
- Credit expenses
 - Arrears rates remain benign;
 - Modest credit expense expected for 2H22;
- Reduction in other income due to full impact of merchant services business and non-recurring benefit from one-off Cuscal shareholder payments of A\$4M and reduction in other income items;
- Challenges in the form of margin compression and non-recurring other income are expected to drive revenue lower in H2;
- Costs will need to decline for us to continue driving the cost-to-income ratio lower; and
- Delivering positive jaws remains the intent of our executive team.

Marnie Baker, MD and CEO said: "This result marks the third consecutive half of positive jaws and our sixth consecutive half of above system growth in residential lending. We are delivering value for our more than 2.1 million customers and our vision to be Australia's bank of choice is a step closer." "This strong result would not be possible without our strategy and our focus on execution. We are committed to removing complexity, keeping cost growth low and, above all, remaining a customer centric organisation."

Earnings changes

BEN reports H1FY22 Cash Earnings of \$260.7M which is 18.7% above last years (\$219.7M). This compares to market expectations of \$239M. This is 10% higher than market expectations. Hence we expect positive earnings revisions for FY22 of 10% and 5% for future periods.

Valuation

We are updating our 12-month price target for BEN from \$12.24 to \$11.59 and maintaining a BUY recommendation. 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 (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.

Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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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)