Aussie Broadband Ltd

Fair dinkum

ORD MINNETT RESEARCH

FY22 EBITDA came in 2% ahead of expectations, assisted by earnings growth across all three segments. The contribution of the OTW acquisition was in line with forecasts outlined at the time of the acquisition and the investment case if anything has strengthened since then given the rising value of incumbency as a telco/technology supplier to business and enterprise customers. The major surprise in the result relates to FY23e guidance of $800m-$840m revenue and implied EBITDA of $80m-$88m, (Ords $84.1m), -7% below our prior forecast. The company is (rightly so) investing in operating costs and overheads to support industry leading customer service and prime the enterprise and business segment for sustainable growth. Gross profit margins expanded half on half and customer acquisition costs, net of promotions, have steadied from peaks earlier in the year. Yes, the company is facing a more competitive market to win subscribers. However, the June quarter and first 8 weeks of FY23e are testament to the company's capacity to grow subscriber market share in a tight broadband market. We forecast >50% of the FY23e group EBITDA to be generated in the business market, a separate growth channel. $5m+ synergies are scheduled to be captured from the OTW acquisition in FY23e and we see network cost/sales ratio reducing now that the Fibre project is belatedly 90% complete. Trading on a FY23e EV/EBITDA ratio of 8.7x, we see upside as confidence builds in the earnings outlook beyond FY23e. The NBN's proposed special access undertaking (SAU) review has potential to be a positive medium-term earnings catalyst.

Price target $4.03 (from $4.69), maintain BUY

- DCF based valuation falls to $4.03 per share, applying the lower earnings base and higher cost of capital assumptions.

FY23e guidance

- FY23e guidance for $800m-$840m revenues and an underlying EBITDA margin range of 10%-10.4%.

Fibre savings accruing in FY23e

- ABB expects $13.5m year on year network savings as customers are migrated onto on-net backhaul fibre from 3rd party supply agreements.

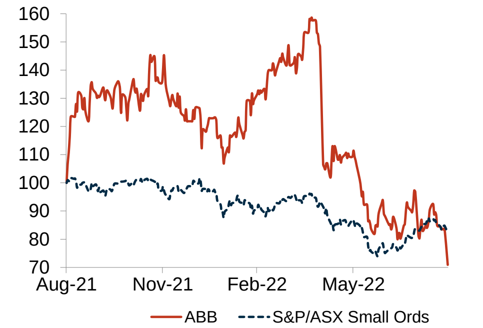
Year-end June ($)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue ($m)	350.3	546.9	822.5	968.3	1,089.7
EBITDA ($m)	19.1	39.4	84.1	111.1	138.0
EBIT ($m)	11.3	19.6	54.8	75.5	95.2
Reported NPAT ($m)	(4.2)	8.6	23.9	38.3	53.5
Reported EPS (c)	(2.2)	3.6	10.1	16.1	22.5
Normalised NPAT ($m)	6.4	12.1	32.8	48.4	63.6
Normalised EPS (c)	3.4	5.4	13.8	20.4	26.8
EPS Growth (%)	-	61.0	153.9	47.6	31.3
Dividend (c)	-	-	-	-	-
Net Yield (%)	-	-	-	-	-
Franking (%)	-	-	-	-	-
EV/EBITDA (X)	23.5	19.3	8.7	6.3	4.7
Normalised P/E (x)	78.7	48.9	19.3	13.0	9.9
Normalised ROE (%)	33.1	7.4	11.7	15.5	17.8

Source: OML, Iress, Aussie Broadband Ltd

Last Price
A$2.66
Target Price
A$4.03 *(Previously A$4.69)*
Recommendation
Buy
Risk
Higher

Telecommunication Services	
ASX Code	ABB
52 Week Range ($)	2.66 - 5.95
Market Cap ($m)	632.1
Shares Outstanding (m)	237.6
Av Daily Turnover ($m)	5.6
3 Month Total Return (%)	-35.1
12 Month Total Return (%)	-27.9
Benchmark 12 Month Return (%)	-17.2
NTA FY23E (¢ per share)	-49.0
Net Debt FY23E ($m)	102.0

Relative Price Performance



Source: FactSet

Consensus Earnings	FY23E	FY24E
NPAT (C) ($m)	35.0	55.7
NPAT (OM) ($m)	32.8	48.4
EPS (C) (c)	15.4	24.2
EPS (OM) (c)	13.8	20.4

Source: OML, Iress, Aussie Broadband Ltd

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Disclaimer: Ord Minnett acted as a co-Manager to the ABB share placement announced 7th September 2021 and received fees for providing this service.

Key takeaways and outlook

- **Increased opex investment to support growth**: Revised EBITDA guidance includes incremental investment in staff and operating overheads. We have raised operating expenses by an incremental ~$6m in FY23e to allow for higher wages and other overheads. We assume ~$45m of capex including investment in new clusters to drive on-net uptake in enterprise customers.
- **GP margin outlook is positive**: The delayed fibre program is ~90% complete and with network savings accruing for FY23e, our forecast network expense/sales ratio falls to 67.6% in FY23 (from 70.1% in FY22), partially offsetting the lower revenue forecasts and higher operating costs.
- **Forecasts align with FY23e guidance:** We adjusted revenues by -3% to $822.5m within the guidance range of $800m-$840m. Adjusted EBITDA falls by 7% to $84.1m, within the implied guidance range of $80m-$88m.
- **Customer adds during the first 8 weeks of FY23e:** A net 15,332 subs were added across business, enterprise, residential and white label. Annualising this figure is just shy of 100K net adds for FY23e (existing Ords forecast is 103,000), including a higher marketing spend allocated.
- **The NBN's SAU provides medium term upside risk:** The NBN's proposed special access undertaking implies a net like for like cost reduction of $2-$3 per subscriber per month across all speed tiers and a $5-$8 per subscriber per month cost benefit in the 100 Mbps category. Depending on the mix shift and industry price competition, the proposed SAU has potential to provide a positive catalyst for ABB's earnings. At a minimum, the intended long term revision of the CVC is supportive of our terminal value calculations.

Figure 2: forecast changes, EPS revisions -11%

	FY23e old	FY23e new	change	FY24e old	FY24e new	change	FY25e new
Sales by segment $m							
residential	507.8	510.6	*1%*	587.9	593.2	*1%*	661.9
business (incl OTW)	265.7	232.1	*-13%*	309.8	268.2	*-13%*	304.8
white label & wholesale	72.7	79.9	*0%*	92.4	106.9	*0%*	123.0
sales - total	846.2	822.5	*-3%*	990.0	968.3	*-2%*	1089.7
key P&L metrics $m							
Gross profit	248.5	245.8	*-1%*	290.1	289.3	*0%*	332.2
GP margin	29.4%	29.9%	*2%*	29.3%	29.9%	*2%*	30.5%
EBITDA	90.6	84.1	*-7%*	120.5	111.1	*-8%*	138.0
EBITDA margin	10.7%	10.2%	*-5%*	12.2%	11.5%	*-6%*	12.7%
D&A	-29.5	-29.3	*-1%*	-35.9	-35.6	*-1%*	-42.8
EBIT	61.1	54.8	*-10%*	84.6	75.5	*-11%*	95.2
Net interest	-8.2	-8.0	*-3%*	-6.8	-6.3	*-7%*	-4.4
Associate profit	0.0	0.0	*0%*	0.0	0.0	*0%*	0.0
PBT	52.9	46.9	*-11%*	77.8	69.2	*-11%*	90.8
NPATA	37.0	32.8	*-11%*	54.5	48.4	*-11%*	63.6
NPAT (reported)	26.2	23.9	*-9%*	42.4	38.3	*-10%*	53.5
EPS -A (cents)	15.6	13.8	*-11%*	22.9	20.4	*-11%*	26.8
Key metrics $m							
dividend (cents)	0.0	0.0	*0%*	0.0	0.0	*0%*	0.0
net debt (cash)	111.4	102.0	*-8%*	76.2	64.1	*-16%*	13.0
net debt (cash)/EBITDA x	1.2x	1.2x	*-1%*	0.6x	0.6x	*-9%*	0.1x
operating cash flow	67.7	68.4	*1%*	85.8	89.0	*4%*	109.4
investing cash & leases	-43.7	-44.7	*2%*	-50.6	-51.7	*2%*	-58.9
free cash flow	24.0	23.6	*-2%*	35.2	37.3	*6%*	50.5
ROIC (pre-tax) %	14.1%	12.1%	*-14%*	19.5%	16.7%	*-14%*	20.1%
price/book value x	2.9x	2.2x	*-25%*	2.5x	1.9x	*-23%*	1.7x
EV/EBITDA x	9.3x	8.8x	*-5%*	6.7x	6.3x	*-6%*	4.7x
P/E ratio x	19.6x	19.3x	*-2%*	13.3x	13.0x	*-2%*	9.9x

* 2H22e includes the OTW acquisition in our forecasts from 15 March 2022

Source Ord Minnett Limited Research

Result highlights

- **Group revenues of $546.9m (+56%).** By segment, the business revenues of $105.5m (+133%) were ~10% below expectations due to seasonality within the OTW acquisition and with less revenue produced within the ABB enterprise ethernet offering than originally forecast. Residential revenues of $415m (+36%) were largely in line with forecasts and wholesale/white label revenues of $26.4m were 4% below expectation, albeit from a low base.
- **Adjusted group EBITDA of $39.4m (+105%)** beat expectations by 6%. Outperformance within the residential and wholesale/white label segments more than offset the earnings miss within the business segment as higher cost to serve and rising opex tapered profit growth.
- **GP margins rose to 29.5% for FY22e,** beating expectations for 29.0%. Gross profit margins within the residential business increased to 26.7% in the second half (from 25.1% for the first half). Operating cash flow was also higher than expectations, assisted by working capital movements and capex was lower, tied with overflow of fibre investment into FY23e. Closing net debt of $126.3m was $10m lower than forecast, representing 1.5x net debt/EBITDA.
- **OTW acquisition contributed $38.5m revenues and $9.6m EBITDA** for 3.5 months of FY22. Annualising these numbers OTW would have contributed ~$33m EBITDA run-rate for the financial year, consistent with guidance at the point of acquisition. A run-rate of $5.2m annualised synergies were captured during the period of ownership, supporting group EBITDA in FY23e.
- **Connections growth:** Residential broadband connections of 464,979 (+28%), business connections of 53,559 (+51%) and white label/wholesale connections of 60,326 (nil in pcp), had already been reported to the market.

Figure 1: Result highlights versus expectations

30 June / 31 Dec YE Underlying - $m	1H21 actual	2H21 actual	FY21 actual	1H22 actual	2H22* actual	**FY22** **actual**	FY22e estimate	beat (miss) vs OMLe	% vs. pcp
revenue									
residential	137.8	167.3	305.0	193.4	222.1	**415.0**	412.1	1%	36%
business	19.7	25.6	45.2	30.7	74.8	**105.5**	117.0	-10%	133%
wholesale & white label	0.0	0.0	1.0	5.2	21.2	**26.4**	27.4	-4%	2537%
Revenues- total	157.4	192.8	350.3	229.3	318.1	**546.9**	556.6	-2%	56%
Gross profit- total	42.0	55.6	97.6	61.9	99.5	**161.4**	161.7	0%	65%
% gp margins	26.7%	28.8%	27.9%	27.0%	31.3%	**29.5%**	29.0%	2%	6%
EBITDA									
residential	5.8	6.7	12.5	4.8	12.6	**17.4**	13.5	29%	40%
business	2.8	4.0	6.7	5.5	14.9	**20.4**	26.3	-22%	203%
wholesale & white label	0.0	0.0	1.0	-1.3	2.8	**1.5**	-1.2	230%	54%
EBITDA- total	8.5	10.7	19.2	9.1	30.3	**39.4**	38.6	2%	105%
profit & loss									
D&A - underlying	-3.6	-4.0	-7.6	-6.3	-13.4	**-19.8**	-16.2	22%	160%
EBIT	4.9	6.4	11.3	2.8	16.8	**19.6**	22.5	-13%	73%
Net Interest	-0.2	-1.9	-2.2	-0.4	-1.9	**-2.3**	-4.1	43%	8%
PBT	4.6	4.6	9.2	2.4	14.9	**17.3**	18.4	-6%	88%
NPATA (at 30% tax rate)*	3.2	3.2	6.4	2.4	9.7	**12.1**	12.9	-6%	88%
EPS-A (cents)	1.69	1.7	3.4	1.1	4.3	**5.4**	5.9	-8%	61%
NPAT- reported	-10.51	6.4	-4.2	1.4	7.2	**8.6**	11.4	-24%	-307%
cash flow & debt									
operating cash flow	8.8	16.5	25.3	11.3	26.5	**37.8**	28.2	34%	49%
capex, M&A, leases	-9.5	-7.7	-17.1	-29.9	-278.2	**-308.1**	-327.4	6%	1698%
dividend (cents)	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0	na	na
net debt (cash) ex IRU	-49.9	-57.0	-57.0	-168.2	126.3	**126.3**	135.4	-7%	-321%

* 2H22e includes the OTW acquisition from 15 March 2022 **NPATA excludes customer contract amortisation

Source Ord Minnett Limited Research

Valuation

Reduce valuation to $4.03 (from $4.69)

We value Aussie Broadband on a DCF basis utilising a WACC of 10.7% (from 9.4%), a cost of equity of 12.0% (from 11.8%) and a terminal growth rate of 3% (from 3.0%) based on forecasts for FY23e-FY31e. Our DCF valuation yields a 12-month price target of $4.03 (from $4.69).

We maintain a BUY recommendation, acknowledging that the company has some ground to make up increasing investor confidence in the capacity to execute. Next catalysts: September '22 quarter update, NBN SAU amendments.

Peer Analysis

Aussie Broadband currently trades on an FY23e EV/EBITDA ratio of 8.8x. Versus ASX listed peers Symbio, Superloop & TPG, ABB trades on a -41% EV/EBITDA discount to the FY23e forecast average.

We see FY23e-FY25e as a period with which ABB can attain a level of scale and operating leverage across the substantial overhead and infrastructure costs. Group EBITDA margins are forecast to rise over this time frame. The integration of OTW fast tracks growth ambitions in the business and enterprise markets and places the company on strong footing to grow ROE to 15%-20%.

Figure 3: Relative valuation vs peers

	Mkt cap	EV	Price / Earnings			EV/EBIT			EV/ EBITDA			EV/ Sales		
Company	US$m	US$m	FY21	FY22	FY23	FY21	FY22*	FY23	FY21	FY22*	FY23	FY21	FY22	FY23
Macquarie Telco	1,060	1,246	144.5	229	110.0	77.5	88.1	54.8	24.3	20.5	16.5	5.8	5.6	4.9
TPG	7,174	10,992	40.2	37.8	27.5	34.2	41.4	30.2	9.1	9.1	8.4	2.9	2.9	2.8
Superloop Limited	263	314	na	na	392.5	na	na	na	24.0	18.9	13.3	3.6	1.7	1.5
Cogent Communications	2,679	3,688	63.6	76.9	52.2	32.6	29.9	26.6	15.5	15.1	14.1	6.2	6.1	5.8
Vonage Holdings	5,386	5,886	119.9	139.9	149.9	178.9	78.7	65.3	29.8	27.3	22.0	4.2	3.8	3.3
Switch Inc	8,319	10,413	198.7	139.2	147.1	112.0	93.8	78.1	33.4	29.8	26.5	17.6	15.5	14.0
Symbio Holdings	249	224	21.7	26.6	23.0	11.2	17.8	15.7	7.8	9.2	8.2	1.3	1.5	1.5
Ciena Corporation	8,102	7,685	18.5	26.8	16.9	12.7	18.0	12.0	10.9	14.3	10.4	2.1	2.0	1.8
		Average	86.7	96.6	114.9	65.6	52.6	40.4	19.4	18.0	14.9	5.5	4.9	4.5
		Median	63.6	76.9	81.1	34.2	41.4	30.2	19.8	17.0	13.7	3.9	3.4	3.1
Aussie Broadband (USD)	439	514	**78.7**	**48.9**	**19.3**	**39.8**	**38.7**	**13.4**	**23.6**	**19.3**	**8.8**	**1.3**	**1.4**	**0.9**

FY22e includes only a partial contribution from the OTW acquisition settled on 15th March 2022.

Source: Ord Minnett Research, Bloomberg

Investment thesis

We are attracted to the growth profile of Aussie Broadband, leveraging the company's core advantages including a highly rated customer support team, tech-savvy positioning in the residential market, and highly efficient sales and marketing engine. The company is 90% progressed with a ~$67m fibre roll-out strategy to replace 3rd party fibre backhaul, saving network costs across all customer segments and improving network quality. Aussie Broadband holds ~6.5% of the domestic broadband market and has scope to grow this materially, underpinned by market share gains in the residential and small business market. We also see opportunity in the enterprise market, assisted by cloud, security and management services acquired through OTW and via the roll-out of the company's own order management system *Carbon*. Post the acquisition of OTW, business has become a ~50% EBITDA contributor which we believe improves the quality and predictability of earnings for the group.

Overview

Aussie broadband was formed in 2008 and provides broadband and related telecommunications services to residential homes, small business, not for profits, enterprise, and managed service providers. The company is headquartered in Morwell, Victoria, with an office in Lynbrook, Melbourne and Perth, WA. The range of services include broadband, partnerships in mobile and entertainment products, including Optus and Fetch TV. In 2020, Carbon was launched, creating a fully owned portal for larger enterprises and managed service providers to order equipment and services. Aussie Broadband operates both as a national multiprotocol label switching (MPLS) network and as a licensed telecommunications carrier balancing between owned infrastructure and wholesale partners. The company employs over 700 team members. Over the Wire Limited is a telecommunications company built around a range of technology platforms. OTW employs 300 staff and is headquartered in Brisbane, with offices in Sydney, Melbourne and Adelaide. Key areas of service include data and voice networks, cloud hosting and security, plus managed services.

Key risks

- **Competition:** The company is exposed to highly competitive pricing within the retail broadband network. ~90% of existing market share is held by the four major telecommunication carriers. Competitive pressure from 5G plans has intensified during 2022 at the same time as the level of growth in ready to connect customers has slowed.
- **NBN Co pricing:** The NBN Co sets wholesale charges for access to carriers such as Aussie Broadband, including AVC and CVC pricing. Gross profit margins are negatively impacted by CVC charging in future periods as households consume more data. Should the NBN not alter the CVC pricing regime and/or an inability of ABB to continue managing CVC obligations effectively, may negatively impact our profit forecasts.
- **Cost growth:** The company has increased operating expenses to cover rising staff wages and to build out the business and enterprise platform for future growth. Cost inflation and operational investment above forecasts remain a risk to short term estimates in FY23e, noting the upside from expansion of the business segment into future periods.

Aussie Broadband Ltd

Buy

PROFIT & LOSS (A$m)	2021A	2022A	2023E	2024E	2025E
Revenue	350.3	546.9	822.5	968.3	1,089.7
Operating costs	(331.2)	(507.6)	(738.4)	(857.2)	(951.7)
Operating EBITDA	**19.1**	**39.4**	**84.1**	**111.1**	**138.0**
D&A	(7.6)	(19.8)	(29.3)	(35.6)	(42.8)
EBIT	**11.3**	**19.6**	**54.8**	**75.5**	**95.2**
Net interest	(2.2)	(2.3)	(8.0)	(6.3)	(4.4)
Pre-tax profit	**9.2**	**17.3**	**46.9**	**69.2**	**90.8**
Net tax (expense) / benefit	(2.8)	(5.2)	(14.1)	(20.8)	(27.3)
Significant items/Adj.	(11.1)	(4.4)	-	-	-
Normalised NPAT	**6.4**	**12.1**	**32.8**	**48.4**	**63.6**
Reported NPAT	**(4.2)**	**8.6**	**23.9**	**38.3**	**53.5**
Normalised dil. EPS (cps)	3.4	5.4	13.8	20.4	26.8
Reported EPS (cps)	(2.2)	3.6	10.1	16.1	22.5
Effective tax rate (%)	30.0	30.0	30.0	30.0	30.0
DPS (cps)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Payout ratio (%)	-	-	-	-	-
Franking (%)	-	-	-	-	-
Diluted # of shares (m)	191.2	237.6	238.5	238.5	238.5

CASH FLOW (A$m)	2021A	2022A	2023E	2024E	2025E
EBITDA incl. adjustments	18.8	27.2	74.6	104.8	130.9
Change in working capital	4.9	11.1	10.2	7.0	5.8
Net Interest (paid)/received	(2.2)	(2.3)	(8.0)	(6.3)	(4.4)
Income tax paid	-	(5.2)	(8.5)	(16.4)	(22.9)
Other operating items	3.7	7.0	-	-	-
Operating Cash Flow	**25.3**	**37.8**	**68.4**	**89.0**	**109.4**
Capex	(17.1)	(42.5)	(31.6)	(37.3)	(43.0)
Acquisitions	-	-	-	-	-
Other investing items	-	-	-	-	-
Investing Cash Flow	**(17.1)**	**(308.1)**	**(31.6)**	**(37.3)**	**(43.0)**
Inc/(Dec) in equity	37.4	130.9	-	-	-
Inc/(Dec) in borrowings	(5.5)	141.4	(40.0)	(40.0)	(50.0)
Dividends paid	-	-	-	-	-
Other financing items	(4.5)	(11.3)	(12.5)	(13.8)	(15.3)
Financing Cash Flow	**27.4**	**261.0**	**(52.5)**	**(53.8)**	**(65.3)**
Net Inc/(Dec) in Cash	35.6	(9.3)	(15.8)	(2.0)	1.1

BALANCE SHEET (A$m)	2021A	2022A	2023E	2024E	2025E
Cash	57.0	47.7	32.0	29.9	31.0
Receivables	17.0	37.2	56.3	66.3	74.6
Inventory	5.5	4.8	7.9	9.3	10.4
Other current assets	2.0	13.9	19.0	21.8	24.1
PP & E	17.4	64.1	80.6	99.6	120.8
Investments	-	-	-	-	-
Intangibles	4.0	416.4	409.0	397.9	386.5
Other non-current assets	14.0	44.4	45.0	44.5	42.8
Total Assets	**116.9**	**628.5**	**649.8**	**669.3**	**690.4**
Short term debt	-	64.5	64.5	44.5	24.5
Payables	26.8	53.7	78.9	92.9	104.5
Other current liabilities	25.2	50.6	63.0	70.2	76.2
Long term debt	-	109.5	69.5	49.5	19.5
Other non-current liabilities	5.4	81.5	81.3	81.3	81.3
Total Liabilities	**57.4**	**359.8**	**357.2**	**338.4**	**306.0**
Total Equity	**59.5**	**268.7**	**292.6**	**330.9**	**384.4**
Net debt (cash)	(57.0)	126.3	102.0	64.1	13.0

DIVISIONS	2021A	2022A	2023E	2024E	2025E

KEY METRICS (%)	2021A	2022A	2023E	2024E	2025E
Revenue growth	83.9	56.1	50.4	17.7	12.5
EBITDA growth	449.6	106.1	113.7	32.1	24.2
EBIT growth	-	72.7	179.8	37.6	26.2
Normalised EPS growth	-	61.0	153.9	47.6	31.3
EBITDA margin	5.5	7.2	10.2	11.5	12.7
EBIT margin	3.2	3.6	6.7	7.8	8.7
Return on equity	33.1	7.4	11.7	15.5	17.8

VALUATION RATIOS (x)	2021A	2022A	2023E	2024E	2025E
Reported P/E	-	73.4	26.5	16.5	11.8
Normalised P/E	78.7	48.9	19.3	13.0	9.9
Price To Free Cash Flow	234.6	-	26.8	16.9	12.5
Price To NTA	9.1	-	-	-	-
EV / EBITDA	23.5	19.3	8.7	6.3	4.7
EV / EBIT	39.6	38.7	13.4	9.2	6.8

LEVERAGE	2021A	2022A	2023E	2024E	2025E
ND / (ND + Equity) (%)	(2,247.1)	32.0	25.9	16.2	3.3
Net Debt / EBITDA (%)	(298.5)	320.7	121.3	57.7	9.4
EBIT Interest Cover (x)	5.2	8.4	6.9	12.0	21.6
EBITDA Interest Cover (x)	8.8	16.9	10.6	17.7	31.4

VALUATION	
Cost of Equity (%)	12.0
Cost of debt (after tax) (%)	4.5
D / EV (%)	13.9
WACC (%)	**10.7**
Forecast cash flow ($m)	424.9
Terminal value ($m)	610.6
Franking credit value ($m)	25.0
Enterprise Value ($m)	1,060.5
Equity NPV Per Share ($)	**4.03**

Target Price Method	DCF
Target Price ($)	4.03
Valuation disc. / (prem.) to share price (%)	51.5

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Guide to Ord Minnett Recommendations

Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.

SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historical volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.