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# Afterpay Touch Group (APT)

## US Growth Accelerating

**Recommendation**
**Buy** (unchanged)

**Price**
**\$23.90**
**Target (12 months)**
**\$29.28** (previously \$28.02)

**GICS Sector**
**Software and Services**
**Expected Return**

Capital growth	<b>22.5%</b>
Dividend yield	<b>0.0%</b>
Total expected return	<b>22.5%</b>

**Company Data & Ratios**

Enterprise value	<b>\$5.3bn</b>
Market cap	<b>\$5.4bn</b>
Issued capital	<b>236.7m</b>
Free float	<b>82%</b>
Avg. daily val. (52wk)	<b>\$36.3m</b>
12 month price range	<b>\$7.74-\$28.70</b>

**Price Performance**

	(1m)	(3m)	(12m)
Price (A\$)	27.65	19.57	7.70
Absolute (%)	-16.02	18.65	201.56
Rel market (%)	-16.88	15.36	195.05

**Absolute Price**


SOURCE: IRESS

### US powering away, UK up and running

APT has delivered a solid trading update with continued momentum in the business. Of particular note, the US customer growth rate appears to be accelerating, with around 130,000 added per a month in January / February, accelerating to ~170,000 per month in March – May. This places APT on track to add a full million users in the US during the 2H19 period, with our estimate for it to close with 1.7m active US users at the end of June. Further, the UK business has launched under the brand Clearpay, with around 50 merchants integrated or in the process of launching.

### Australia vs US average sales

The A&NZ average spend in 2H19 is tracking at around \$852 per user, whereas the US is at around \$567. The US average spend is similar to where A&NZ started, but we expect this to increase as more merchants are added, and as the US moves to instore to complement the online experience.

### AUSTRAC reviewing APT and other international platforms

APT noted in its release that AUSTRAC has raised some issues in relation to its AML/CTF compliance. No specifics have been raised, however we do note that AUSTRAC was quoted in the press earlier this week noting it intends on reviewing a range of international platforms (including Facebook) for compliance.

### Earnings revisions

Following APT's trading update, we have upgraded our underlying active customer estimates by between 2.0 – 2.9%, while we have upgraded our underlying EPS by 1.2%, 7.3% and 4.8% for FY19, FY20 and FY21 respectively. The earnings revision is driven by higher customer growth and Total Transaction Value (TTV) estimates. We note that our CLV valuation methodology prioritises customer growth, particularly where gross margin and retention rates are healthy. Following these changes our revised Price Target is \$29.28 per share (previously \$28.02), with our Buy recommendation remaining unchanged.

**Earnings Forecast**

Year end June 30	2018	2019e	2020e	2021e
Year end June 30	2018	2019e	2020e	2021e
Sales revenue (\$m)	113.9	215.2	413.0	668.2
EBTDA (Adjusted) (A\$m)	27.7	14.1	58.1	118.7
NPAT (reported) (A\$m)	-9.0	-43.6	14.3	55.1
NPAT (adjusted) (A\$m)	8.9	-9.7	34.3	75.1
EPS (adjusted and fully diluted) (cps)	4.0	-3.9	13.6	29.8
EPS growth (%)	Large	Large	Large	118.8%
Adjusted PER (x)	600.8	-611.7	175.3	80.1
Price/CF (x)	-44.0	-44.6	280.1	97.7
EV/EBITDA (x)	208.2	409.0	99.1	48.5
Dividend (¢ps)	0	0	0	0
Franking (%)	na	na	na	na
Yield (%)	0.0%	0.0%	0.0%	0.0%

SOURCE: BELL POTTER SECURITIES ESTIMATES

# US Sales and AUSTRAC

## US Sales should follow similar path to A&NZ experience

The average sales per customer in A&NZ continues to accelerate, where in 1H16 it was tracking at around \$600 during the period, however this has expanded each year, where we now forecast over \$900 for 1H20. This expansion is driven by an increase in merchants, new verticals and from the ability to utilise Afterpay in-store. We anticipate the US following a similar trajectory, with 2H19e for the average customer spend to be around \$600.

## AUSTRAC

APT noted in its release that AUSTRAC has raised some issues in relation to its AML/CTF compliance. No specifics have been raised, however we do note that AUSTRAC was quoted in the press earlier this week noting it intends on reviewing a range of international platforms (including Facebook) for compliance.

I quote from the AFR James Evers 4 June 2019, Banks Face More Money Laundering Cases:

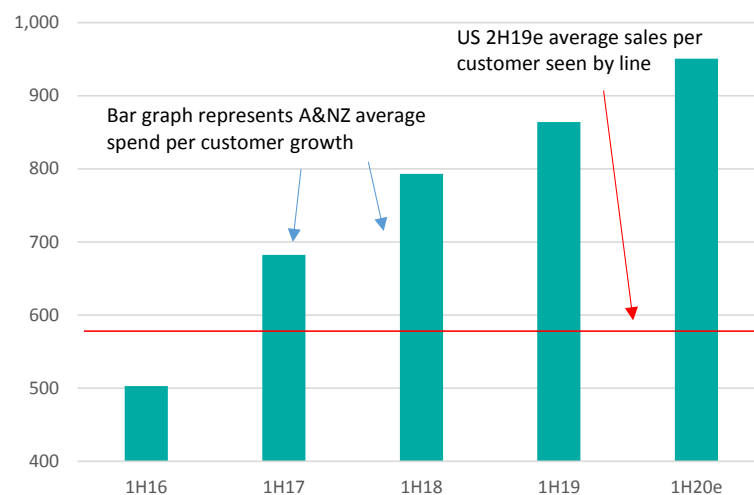
“AUSTRAC’s operating budget increased \$12 million to \$80.5 million in 2018-19. Mr Soros said AUSTRAC did not have any target for the number of legal cases this would fund.

The regulator is also focusing on global technology companies to ensure their new payments platforms are not being used by criminals.

Mr Soros said AUSTRAC was broadly pro-innovation and “we definitely don’t want to stifle new entrants”. However, he called out Chinese payment platforms Alipay and WeChat Pay, as well as Facebook, as examples of technology companies it wants to work more closely with.”

Therefore, we see it as logical Afterpay is included in the review, but as noted by AUSTRAC, it doesn’t want to stifle new entrants and is pro-innovation. Further, APT has committed to an external review of its processes to ensure full compliance.

**Figure 1 - A&NZ Average Sales per Customer vs US 2H19e (\$0.00)**



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# Key Assumptions

## Key Assumptions – Increased Disclosure

Following new information from APT in relation to US sales, and given the different levels of maturity (A&NZ vs US), we have split our forecast for Transaction Value as noted below.

## The three variables we are most interested in

The risk to our valuation is primarily driven by the following three factors:

Customer Growth Rate;

Net-Margin Trajectory; and

Attrition Rate of Customers.

**Figure 2 - Key Assumptions Afterpay**

Active Customers (m)	1H19	2H19e	1H20e	2H20e	1H21e	2H21e
ANZ	2.5	2.9	3.3	3.6	3.9	4.2
US	0.7	1.7	2.8	4.0	5.2	6.4
UK	0.0	0.0	0.2	0.5	0.9	1.3
<b>Total</b>	<b>3.2</b>	<b>4.6</b>	<b>6.3</b>	<b>8.1</b>	<b>10.0</b>	<b>11.9</b>
Margin (%)	1H19	2H19e	1H20e	2H20e	1H21e	2H21e
Merchant Fee	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
NLT	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%	-0.6%
Processing and Financing	-1.1%	-1.1%	-1.2%	-1.2%	-1.2%	-1.2%
<b>Net-margin</b>	<b>2.1%</b>	<b>2.1%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>
Transaction Value (\$m)	1H19	2H19e	1H20e	2H20e	1H21e	2H21e
ANZ	2,009	2,300	2,947	3,233	3,921	4,175
US	264	680	1,706	2,380	3,836	4,466
UK	0	6	65	182	365	542
<b>Total</b>	<b>2,273</b>	<b>2,986</b>	<b>4,717</b>	<b>5,795</b>	<b>8,122</b>	<b>9,183</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# Valuation and Changes

## Valuation

We utilise a Sum-of-the-Parts Valuation, with the key Afterpay component relying on a Customer Lifetime Value (CLV) based methodology. The key assumptions in our valuation can be found in the table below. Our total APT valuation is \$29.28 per share (previously \$28.02), which forms the basis of our Price Target, and is supportive of our Buy recommendation on the stock.

Figure 3 - Valuation

### Sum-of-Parts Valuation

Afterpay Customer Lifetime Value based methodology	
Discount rate (%)	10.1%
Retention rate estimate (%)	85%
Weighted three year customer numbers*	5,320,000
Customer annual spend (\$0.00)	1,476
Gross margin (%)	1.91%
<b>Afterpay CLV based valuation (\$m)</b>	<b>7,566</b>
Net-cash (\$m)	-18
Pay Now valuation	129
Corporate	-300
<b>Total APT value (\$m)</b>	<b>7,377</b>
Fully diluted share count (m)	252
<b>Valuation per share (\$0.00)</b>	<b>29.28</b>

\* (50% weighting to Financial Year 0, 35% to FY1e, and 15% to FY2e)

SOURCE: BELL POTTER SECURITIES ESTIMATES

## Customer numbers and earnings revisions

Following APT's trading update, we have upgraded our underlying active customer estimates by between 2.0 – 2.9% over the forward estimates, while we have upgraded our underlying EPS by 1.2%, 7.3% and 4.8% for FY19, FY20 and FY21 respectively. The earnings revision is driven by higher customer growth and Total Transaction Value (TTV) estimates. We note that our CLV valuation methodology prioritises customer growth, particularly where gross margin and retention rates are healthy. Following these changes our revised Price Target is \$29.28 per share (previously \$28.02), with our Buy recommendation remaining unchanged.

Figure 4 - Earnings revisions

Earnings Revisions	FY19e (new)	FY19e (previous)	Change (%)	FY20e (new)	FY20e (previous)	Change (%)	FY21e (new)	FY21e (previous)	Change (%)
Customer numbers	4,630,000	4,500,000	2.9%	8,130,000	7,900,000	2.9%	11,930,000	11,700,000	2.0%
EPS (Cash) (cps)	-3.9	-4.0	1.2%	13.6	12.7	7.3%	29.8	28.5	4.8%

SOURCE: BELL POTTER SECURITIES ESTIMATES

# Interim earnings

Figure 5 - Interim earnings

INTERIM INCOME STATEMENT													
Y/e June 30 (\$m)	2017*	1H18	2H18	2018	1H19	2H19e	2019e	1H20e	2H20e	2020e	1H21e	2H21e	2021e
Total operating revenue	22.9	49.9	63.9	113.9	94.1	121.1	215.2	186.2	226.8	413.0	314.1	354.1	668.2
Net-transaction loss	-3.1	-6.7	-2.5	-9.2	-13.6	-17.8	-31.4	-28.2	-34.7	-62.9	-48.6	-54.9	-103.5
Total other variable transaction costs	5.5	2.0	4.2	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating expenses	8.6	16.0	26.7	42.7	43.0	60.9	103.9	74.1	84.0	158.1	109.5	121.2	230.7
Adjusted EBTDA	3.9	12.3	15.3	27.7	8.5	5.5	14.1	23.3	34.8	58.1	54.8	64.0	118.7
Depreciation	0.0	0.0	1.8	1.8	0.9	0.9	1.7	0.9	0.9	1.7	0.9	0.9	1.7
Amortisation	2.7	4.8	10.7	15.5	10.3	11.0	21.3	11.0	11.0	22.0	11.0	11.0	22.0
EBT	1.2	7.5	2.8	10.3	-2.6	-6.3	-8.9	11.4	22.9	34.3	42.9	52.1	95.0
Operating income tax expense	0.3	1.5	-0.1	1.4	0.7	0.0	0.7	0.0	0.0	0.0	5.8	14.1	19.9
Underlying NPAT	0.9	6.1	2.9	8.9	-3.3	-6.3	-9.7	11.4	22.9	34.3	37.1	38.0	75.1
Share based payments	1.8	5.3	11.1	16.4	18.1	15.0	33.1	10.0	10.0	20.0	10.0	10.0	20.0
Significant items (pre-tax)	-15.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Significant tax	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Significant items (after tax)	-10.6	-1.3	0.3	-1.0	-0.8	0.0	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
R&D grant	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported profit (A\$m)	-9.6	-0.5	-8.5	-9.0	-22.2	-21.3	-43.6	1.4	12.9	14.3	27.1	28.0	55.1
Loan receivables													
Y/e June 30 (\$m)	2017e	1H18	2H18	2018	1H19	2H19e	2019e	1H20e	2H20e	2020e	1H21e	2H21e	2021e
Gross loan receivables	103.7	199.0	274.5	274.5	380.5	522.6	522.6	837.3	1043.1	1043.1	1502.6	1744.8	1744.8
Closing provisions for bad debts	5.3	13.6	15.0	15.0	28.2	29.9	29.9	47.2	58.0	58.0	81.2	91.8	91.8
Net customer loan receivables	98.4	185.3	259.5	259.5	352.4	492.7	492.7	790.2	985.2	985.2	1421.3	1652.9	1652.9
Afterpay estimates													
Y/e June 30 (\$m)	2017e	1H18	2H18	2018	1H19	2H19e	2019e	1H20e	2H20e	2020e	1H21e	2H21e	2021e
Merchant fee revenue (\$m)		37.1	51.2	88.3	85.2	111.9	197.1	176.8	217.2	394.0	304.4	344.2	648.6
Processing and Financing cost (\$m)		6.9	10.8	17.6	24.8	32.6	57.5	56.3	69.1	125.4	96.9	109.5	206.4
Gross Profit (\$m)		30.2	40.5	70.7	60.3	79.3	139.6	120.5	148.1	268.6	207.5	234.6	442.1
EBTDA		14.9	19.9	34.9	22.3	24.1	46.4	45.3	60.1	105.4	88.4	102.2	190.6
Buy Now estimates													
Y/e June 30 (\$m)	2017e	1H18	2H18	2018	1H19	2H19e	2019e	1H20e	2H20e	2020e	1H21e	2H21e	2021e
Revenue		12.9	12.7	25.6	8.9	9.2	18.1	9.4	9.6	19.0	9.7	9.9	19.6
Cost of sales		6.2	4.4	10.6	4.1	4.2	8.3	4.2	4.3	8.5	4.4	4.4	8.8
Net-revenue		6.7	8.3	15.0	4.8	5.0	9.8	5.1	5.3	10.4	5.4	5.5	10.9
EBTDA, Adj		4.6	2.7	7.2	2.5	2.7	5.2	2.8	2.9	5.7	3.0	3.0	6.0
Corporate Estimates													
Y/e June 30 (\$m)	2017e	1H18	2H18	2018	1H19	2H19e	2019e	1H20e	2H20e	2020e	1H21e	2H21e	2021e
Total underlying corporate expenses (\$m)		7.2	7.3	14.5	16.3	21.3	37.5	24.8	28.2	53.0	36.5	41.3	77.8

\*Note: Figures prior to/including 2017 are reflective of Afterpay only. 2018 onwards reflects the combined Afterpay Touch Group

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Company description

Afterpay Touch Group (APT) is an emerging financial technology company that enables retail merchants to offer customers the ability to buy goods and services on a simple instalment plan with an easy and non-invasive application process, and at no additional cost to the end-customer. It is the combined entity of Afterpay (AFY), which was founded in February 2014 by Anthony Eisen and Nicholas Molnar. And Touchcorp (TCH) the company that developed the payment technology.

## Risks to investment thesis

Key risks for the stock include although are not limited to:

- **Merger/Integration risk** - Following the completion of the AFY/TCH merger, the combined group may fail to achieve the anticipated benefits, or may incur unforeseen costs in connection with the integration of both businesses which may have a material impact on the group's earnings;
- **Credit risk** – APT extends credit to end-customers via its receivables book for which the merchants pay a fee. While this is not a traditional lending model, the company is still exposed to the risk of default or a loss of principle. Therefore, the ability of APT's technology to adequately prevent and recover bad debt is crucial to the company's ongoing viability;
- **Funding risk** – APT currently funds its loan book through a combination of equity and debt, having now secured a debt financing agreement. APT's growth may be limited if it is unable to expand its receivables book through securing further increases in debt financing facilities or raise additional equity;
- **Key person risk** – Similar to other small capitalised stocks, the loss of any key personnel may be detrimental to APT;
- **Competition risk** – APT has first mover advantage offering reverse lay-by within Australia, however there is significant risk of new entrants and increased competition, particularly from established foreign companies;
- **Technology risk** – APT's algorithms assess an end-client's repayment capabilities and the risk of fraud automatically and in real-time. APT relies on its technology to process transactions and store client data. Any failure or breach of the technology could result in an interruption of service, or the loss/theft of private data and information;
- **Regulation & licensing risk** – While APT does not currently require an Australian Credit Licence (ACL), it is still subject to a range of legal and regulatory requirements. Any changes to regulations, policies, or laws could adversely impact the efficacy of AFY's business model;
- **Fraud risk** – APT guarantees payment to merchants and is therefore exposed to the risk of fraudulent end-customers. Failures in APT's algorithms to prevent fraud would adversely affect APT's performance;
- **Market risk** – A prolonged recession, economic crisis/shock, or other factors that may lead to a sustained weak market environment have the ability to increase the levels of defaults and adversely affect the earnings potential of the company. In addition, being a listed stock, the share price may be subject to volatility and fluctuations in price; and
- **Operational risk** – The operation APT relies on internal policies and technologies in relation to lending practices and anti-fraud. Any failure in internal controls could be harmful to AFY's performance.

# Afterpay Touch Group

as at 6 June 2019

Recommendation

Buy

Price

\$23.90

Target (12 months)

\$29.28

Table 1 - Financial summary

Afterpay Touch Group (APT)						Price Target (A\$)	29.28	Share Price (A\$)			23.90
						Recommendation:	Buy	Market Cap (A\$m)		5,432.4	
INCOME STATEMENT						VALUATION DATA					
Y/e June 30 (\$m)	2017*	2018	2019e	2020e	2021e	Y/e June 30 (\$m)	2017*	2018	2019e	2020e	2021e
Total operating revenue	22.9	113.9	215.2	413.0	668.2	Adjusted NPAT (\$m)	0.9	8.9	-9.7	34.3	75.1
Cost of sales	0.0	28.2	65.8	133.9	215.2	Adjusted EPS (fully diluted) (c)	0.5	4.0	-3.9	13.6	29.8
Gross profit	0.0	85.7	149.4	279.0	453.0	EPS growth (%)	na	large	large	large	119%
Net-transaction loss	-3.1	-9.2	-31.4	-62.9	-103.5	Diluted adjusted P/E ratio (x)	na	600.8	-611.7	175.3	80.1
Other variables	5.5	6.1	0.0	0.0	0.0	CFPS (c)	-29.2	-54.3	-53.6	8.5	24.5
Operating expenses	8.6	42.7	103.9	158.1	230.7	Price/CF (x)	-81.8	-44.0	-44.6	280.1	97.7
Adjusted EBTDA	3.9	27.7	14.1	58.1	118.7	DPS (c)	na	0.0	0.0	0.0	0.0
Depreciation	0.0	1.8	1.7	1.7	1.7	Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation	2.7	15.5	21.3	22.0	22.0	Franking (%)	na	na	na	na	na
EBT	1.2	10.3	-8.9	34.3	95.0	EV/EBITDA (x)	1459.6	208.2	409.0	99.1	48.5
Operating income tax expense/(benefit)	0.3	1.4	0.7	0.0	19.9	Price/book (x)	28.8	29.3	18.5	18.0	15.5
Underlying NPAT	0.9	8.9	-9.7	34.3	75.1	NTA/share (\$)	0.83	0.82	1.29	1.33	1.54
Share based payments	1.8	16.4	33.1	20.0	20.0						
Significant items (pre-tax)	-15.2	0.0	0.0	0.0	0.0	PROFITABILITY RATIOS					
Significant tax	4.6	0.0	0.0	0.0	0.0	Y/e June 30 (\$m)	2017*	2018	2019e	2020e	2021e
Significant items (after tax)	-10.6	-1.0	-0.8	0.0	0.0	EBIT/sales (%)	5.4%	9.1%	-4.2%	8.3%	14.2%
Reported profit (A\$m)	-9.6	-9.0	-43.6	14.3	55.1	Return on assets (%)	0.7%	2.8%	-1.7%	3.4%	4.5%
						Return on equity (%)	1.0%	5.2%	-3.8%	10.5%	20.8%
CASHFLOW						Dividend cover (x)	na	na	na	na	na
Y/e June 30 (\$m)	2017*	2018	2019e	2020e	2021e	Effective tax rate (%)	30.0%	13.5%	8.1%	0.0%	20.9%
EBITDA	3.9	27.7	14.1	58.1	118.7	LIQUIDITY AND LEVERAGE RATIOS					
Change in provisions	1.3	4.4	0.3	3.1	5.2	Y/e June 30 (\$m)	2017	2018	2019e	2020e	2021e
Working capital changes	-54.6	-121.7	-112.7	-41.0	-44.3	Net debt/(cash) (\$m)	17.1	136.1	325.7	870.7	1,556.2
Interest earned	0.1	0.0	0.3	0.0	0.0	Net debt/(cash) (ex SPV)*	-29.6	-25.5	-48.5	-24.1	-40.2
Tax paid	-0.8	0.1	0.0	0.0	-19.9	Net debt/equity (%)	10.7%	74.1%	101.9%	260.8%	400.1%
Associated company dividends	0.0	0.0	0.0	0.0	0.0	Current ratio (x)	117.2	259.0	586.3	1,121.5	1,879.7
Other operating items	-1.6	-23.5	-26.5	0.0	0.0	Underlying EBITDA^					
Operating cash flow	-51.6	-113.1	-124.5	20.2	59.8	Afterpay EBITDA		34.9	46.4	105.4	190.6
Stay in business capex	-0.1	-2.5	-2.6	-1.7	-1.7	Buy Now EBITDA		7.2	5.2	5.7	6.0
Growth capex & acquisitions	-17.6	-15.8	-20.8	-22.0	-22.0						
Disposals	-3.0	-5.1	0.0	0.0	0.0	W/A shares on issue	176.5	208.2	232.1	236.9	244.6
Investing cashflow	-20.6	-23.3	-23.5	-23.7	-23.7						
Dividends	0.0	0.0	0.0	0.0	0.0						
Other investing items	0.0	0.0	-11.0	-20.0	-20.0						
Share issues/(buy backs)	34.4	1.6	142.8	0.0	0.0						
Other	8.1	142.6	39.1	0.0	0.0						
Financing cash flow	42.5	144.2	171.0	-20.0	-20.0						
Increase in cash/(debt)	-29.7	7.8	23.0	-23.5	16.1						
Cash at end of period	29.6	25.5	48.5	24.1	40.2						
BALANCE SHEET											
Y/e June 30 (\$m)	2017	2018	2019e	2020e	2021e						
Cash	29.6	25.5	48.5	24.1	40.2						
Loan receivables	98.4	239.1	522.6	1043.1	1744.8						
Other receivables	11.9	17.3	29.1	54.4	85.0						
PPE	4.5	4.0	5.2	5.2	5.2						
Intangibles	52.9	48.9	46.3	46.3	46.3						
Other	43.0	57.5	89.5	117.6	151.4						
Total assets	240.3	392.2	743.2	1292.9	2075.0						
Payables	22.8	42.9	32.9	45.4	65.6						
Funding facilities	46.7	161.6	374.2	894.8	1596.4						
Interest bearing liabilities ex SPV	0.0	0.0	0.0	0.0	0.0						
Provisions	3.3	2.3	6.2	9.3	14.4						
Other	7.4	1.9	7.6	7.6	7.6						
Total liabilities	80.2	208.7	422.9	959.1	1686.0						
Contributed equity	171.4	192.6	356.4	356.4	356.4						
Total shareholders funds	160.1	183.6	319.5	333.8	389.0						

\*Note: Figures prior to/including 2017 are reflective of Afterpay only. 2018 onwards reflects the combined Afterpay Touch Group. This excludes the balance sheet which is reflective of a pro forma estimate in 2017. Further disclosure changed from 2018 onwards.

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

*Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.*

*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

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**Lafitani Sotiriou, authoring analyst, holds long positions in APT**

Disclosure: Bell Potter Securities acted as co-manager of the \$117m August 2018 placement and received fees for that service.

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