

## Westpac Banking Corporation (WBK) 2/1/10

WBK is a large regional Australian bank that offers a variety of commercial and investing products. The company operates in the following business segments; Retail and Business Banking, BT Financial Group (wealth management), New Zealand Banking, Product and Operations, and Technology. WBK was founded in 1817 and is headquartered in Sydney, Australia.

Current Price	\$106.86
52 Week High	\$128.48
52 Week Low	\$47.67
One Yr Target	n/a
Market Cap (in billions)	\$62.30
P/E (Trailing)	19.61
P/E(1 Yr Forward)	12.78
P/E/G	3.72
ROA	0.68%
ROE	13.19%
EPS	\$5.45
Beta	1.66
Annualized Dividend	\$5.45
Dividend Yield	5.10%
Analyst Consensus	3.00
Debt to Equity	15.94



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**Annual EPS**

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2006	\$1.67	
2007	\$1.85	10.82%
2008	\$2.04	10.10%
2009	\$1.17	-42.48%
ttm	\$5.45	365.06%

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**Annual Revenue (in millions)**

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2006	n/a
2007	n/a
2008	n/a
2009	n/a

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**Annual Net Income (in millions)**

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2006	\$3,071.00	
2007	\$3,451.00	12.37%
2008	\$3,859.00	11.82%
2009	\$3,446.00	-10.70%

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**Free Cash Flows (in millions)**

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2006	-\$2,776.00	
2007	-\$1,673.00	39.73%
2008	-\$11,235.00	-571.55%
2009	\$20,181.00	279.63%

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**Required Rate of Return**

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14.62%

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**Dividend Growth Model**

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Present Value of 2015 Price	\$52.16
Holding Period Return (5 years)	5.91%

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**Expected Annualized Return Model**

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Present Value of 2015 Price	\$86.18
Holding Period Return (5 years)	-3.57%

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**Residual Income Model**

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Intrinsic Stock Price	\$41.04
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# Analysis

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## Positives

Nice dividend yield, reasonable Debt/Equity ratio for a large bank

## Negatives

No valuation ratios really come close to justifying the current stock price

## Financial Statements

Income Statement has seen nice bottom line growth in past years

Balance Sheet is good, Debt isint too much and Retained Earnings have grown nicely

Cash Flows are good, have picked up lately and resumed Debt payments

## Industry Analysis

Foreign Banks could either do really well or be drug down by trading taxes on US banks

WBK has better than average financial ratios compared with the industry

## Summary

WBK seems to operate as a fiscally sound bank and one that has decent financial ratios and statements. Being headquartered in Australia is has nice operating presence in the Australia/New Zealand markets as well as in China, India, Honk Kong, Indonesia. Interest rates in Australia and New Zealand are about 2.25-3.5% higher than US rates, which puts the lending cycle farther forward than most and makes the present one of the last good times to buy into the bank. Being a foreign bank WBK is not subject to the proposed trading tax on US banks and thus could be a good alternative; still WBK's propriety trading is questionable and could devalue due to being grouped in with other banks. Valuations for WBK are high for the perceived outlook but still WBK could be a good addition to a portfolio that needs greater foreign exposure, but as a pure financial play banks such as GS and JPM are recommended.