Week

9

Stories To Read From FNArena

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Strong New Drug Sales Lift Mayne Pharma

Pharmaceutical distributor and manufacturer, Mayne Pharma, has bedded down its latest acquisition, while delivering strong earnings growth in the first half.

-Positive momentum expected based on strong dofetilide sales -Strong growth and high margins in new products Fabior and Sorilux -US Department of Justice investigation the main overhang on the stock

By Eva Brocklehurst

Manufacturer and distributor of pharmaceuticals, Mayne Pharma ((MYX)), is continuing its transformation and now has a portfolio of branded and generic medicines which have elevated it to a substantial player globally. The company has more development capability and directly distributes into the US. The market for generic medicines in the US is estimated to be at a US$60bn, and growing.

A low tax rate resulted in the company's underlying net profit being 15% above Credit Suisse forecasts. Compositionally, while sales and gross profit in the first half were ahead, administrative expenses were well ahead of forecasts. Credit Suisse expects positive earnings momentum in the second half based on a recent lift in dofetilide sales, an improved performance in the Doryx franchise and a contribution from the recently launched Fabior and Sorilux products.

The broker also expects a significant improvement in net operating cash flow, based on there being no additional working capital investment. The product pipeline is full, with several molecules expected to be launched over the next 12 months and 19 products currently on file with the US Food and Drug Administration. These have contestable gross sales of over US$1.3bn. Credit Suisse retains a Neutral rating and $1.55 target.

Teva Integration

Teva assets are on track to deliver revenue of US$237m in FY17 and gross margin is in line with expectations. Credit Suisse expects the Teva-acquired budesonide generic should be a significant contributor to generic product sales over time. The company has owned this portfolio for five months and this contributed US$100.5m at a gross profit margin greater than 50%. Bell Potter concludes that the vast majority of the integration risk associated with this acquisition has now eased.

Following the transformational acquisition of this portfolio, combined with the launch of Doryx MPC and dofetilide, the broker acknowledges there were bound to be some surprises in the result. The three main ones include a 97% gross profit margin in specialty brands, a 40% increase in operating expenses and the $170m increase in working capital. Nevertheless, earnings were in line with forecasts and Bell Potter expects momentum to continue in the second half.

Three out of the company's four business units recorded revenue growth. The broker notes the result was dominated by generic products and specialty brands. In specialty brands, revenues declined by -38% but the run rate in the second quarter was significantly higher than the first, Bell Potter observes, and momentum is accelerating because of the launch of the two foam-based topical retinoids (Fabior and Sorilux).

Dofetilide stood out among generic products, generating revenue of US$28.5m. Bell Potter upgrades earnings expectations for this product based on the run rate that has been established over recent weeks. The broker, not one of the eight stockbrokers monitored daily on the FNArena database, has a Buy rating and $1.91 target.

Fabior and Sorilux, meanwhile, reveal exceptionally high margins. Volumes are modest at this stage but growing. Bell Potter anticipates revenues from the two combined will be US$6m in the second half. In the case of dofetilide, average revenue per prescription was around US$288, which looks to have increased by around 26% over the last two months. Based on the revenue data presented, Bell Potter estimates second half revenues may reach US$41.6m.

UBS concurs with the sentiment surrounding dofetilide, noting the product is now the company's largest selling GP and market leader by volume, 61% of prescriptions. The broker warns further generic competition could enter the market in the medium to long-term despite this business being currently unchallenged.

The company has endured a major integration of an acquisition and is ahead of its targets, which UBS notes more than offsets the expected decline in Doryx. Gross margin was ahead of expectations while underlying operating earnings were up 158% (EBITDA).

The broker observes the company is in a solid financial position and has flexibility in its capital structure in order to pursue further acquisitions. Meanwhile, investment in facilities continues as well as in the product pipeline. Investments are on track to be finished in 2018 and support the in-house manufacturing of 11 products. UBS has a Buy rating and $2.20 target.

US Justice Investigation

The main issue for brokers is the US attorneys general lawsuit and investigation by the Department of Justice, although the company has played down any impact on earnings. The US DoJ is investigating price fixing. A civil complaint was filed late last year by 20 US states, which accuses six companies, including Mayne Pharma, of conspiring to artificially inflate prices on an antibiotic and diabetes drug.

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Super Retail Gaining Momentum

Super Retail has taken positive action on its problematic divisions and brokers welcome renewed momentum in the business.

-Strong trading in first half supported by improving margins -Improvements at Ray's and BCF seen gaining traction with consumers -Digital strategy in the face of increased online competition the main concern

By Eva Brocklehurst

Super Retail's ((SUL)) major divisions - automotive, sports and leisure - appear to be all back on track and brokers welcome a clear strategy and a management team that is delivering results. The company has taken positive action on its problematic Ray's and the Infinite Sports businesses, while reducing corporate costs. The problems with the promotional strategies at BCF have been largely addressed and Ray's is no longer a drag on the company's performance to the extent it once was.

Strong Overall Trading

Strong trading across the businesses was supported by solid comparables and improving margins in the first half. Deutsche Bank notes the turnaround in leisure is well under way, with BCF in particular showing good growth. The broker also highlighted working capital improvements and cost savings from supply chain investments. This highlights the advantage the company has from its scale, underpinning its ability to weather a soft retail environment.

Morgans agrees BCF is looking much better, with better pricing and promotional architecture gaining traction with consumers. The broker believes the stock's multiples are undemanding and the strong earnings growth forecast is achievable. Morgans calculates that Ray's contributed around $50m of revenue in the half and a -$2m loss at the EBIT level. The business is expected to deliver a 9.5-10% EBIT margin in the next couple of years, which remains below the group's long-term leisure EBIT margin target of 11%.

Now the Masters enterprise has disappeared from the market the company has "clear air" with respect to its tools category. Aggressive clearance activity from Masters affected the company for around 10 weeks in the first half. Morgans also believes improved trading in Queensland and Western Australia, which remain reasonably tough, provide a tailwind.

Macquarie envisages plenty of evidence for earnings and margin upside in BCF beyond FY17. The measures taken to improve pricing and promotion, in particular the move away from "everyday low prices", looks to have delivered an uplift in gross margin.

The automotive division is the stand-out performer for the broker, as it delivered another half of double-digit EBIT growth. Credit Suisse also expects the automotive division to be the mainstay of the company's performance and refurbishments in the second half should support sales growth. The broker upgrades to Neutral from Underperform.

Morgan Stanley believes the stock is still too cheap for its projected three-year compound growth rate in earnings per share of 16% and maintains an Overweight rating. The broker notes sports was the weaker of the three main divisions in terms of its performance into the second half, owing to the timing of promotions and and "out-of-stock" situations, which have been rectified. Nevertheless, a dominant market position and opportunity for further margin expansion means the overall outlook is sound.

As the improvement in BCF flows through to the second half and the losses in Ray's decrease, Morgan Stanley expects an almost doubling of profit for FY17, and that leisure should be the main driver of growth over FY17. Further working capital benefits, driven by supplies chain optimisation and higher earnings growth, also positions the balance sheet well, in the broker's opinion.

Areas Of Concern

The main risks in general, perceived by brokers, are slowing consumer spending, heightened competition, margin compression and a significant fall in the Australian dollar. There is also the expectation that Infinite Retail will break even in FY17 and, Morgans emphasises, a failure to do so would be a negative.

The main risk to forecasts that UBS flags is a cyclical slowdown, or an irrational marketplace that is disrupted by new competition, such as Amazon or Decathlon. Credit Suisse also suspects the market will be looking more closely at the company's low profitability in digital, as this channel is only likely to grow in importance. The company acknowledges that online is only marginally profitable in automotive, while loss-making in the sports and leisure divisions.

Credit Suisse believes the digital channel is only likely to grow with Amazon's entry to this market. Amazon is providing re-sellers with a cost base of around 20% of sales and Super Retail will need to address this challenge, either by finding a way to reduce its own cost base or joining the Amazon platform.

FNArena's database shows six Buy ratings and two Hold. The consensus target is $11.42, suggesting 6.8% upside to the last share price. Targets range from $10.42 (Credit Suisse) to $12.00 (Morgan Stanley).

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Growth Accelerates At NextDC

Accelerating internet traffic bodes well for data centre operator NextDC. Brokers mull the outlook.

-B1 a case study for where returns can be expected for a full facility -Strong underlying demand and well capitalised balance sheet -Valuation susceptible to swings around bond rates

By Eva Brocklehurst

Accelerating internet traffic bodes well for data centre operator NextDC ((NXT)). The company posted first half results which were well ahead of broker expectations. Revenue growth of 39% was driven by strong volume growth.

The Brisbane data centre (B1) is now 94% full and Morgans believes, assuming the current strategy is maintained, more data centres will be a good development. While no pre-sales have been mentioned regarding the new facilities, the broker notes the pipeline has grown by over $100m in the last six months so there is clearly interest.

B1 is the company's first data centre, so Morgans believes this is a good case study for where returns can be expected from a full facility. The broker acknowledges the argument that this is largely retail and may not be a good indicator of the larger purpose-built retail/white space facilities.

Nevertheless, since the revenue-to-capital expenditure ratio and the cost to run a data centre are broadly similar across all facilities, the broker believes it is worthwhile to do the sums. Allocating 5% of corporate overhead costs to B1 reveals it has generated a 24-25% return on invested capital per annum for the last three half-year periods.

Morgans does point out that Perth and Canberra are pulling group returns down, and a large portion of the company's capital has not yet been turned into hard assets that are generating returns. So, while the consolidated returns on invested capital do not look so impressive, it does prove capital is being spent wisely, in the broker's opinion, and provides a forward view as business matures.

The company's strategy is clear to Moelis, with the intention to establish additional facilities and increase utilisation at an appropriate price and rate. The broker also likes the highly capable management team, strong underlying demand and the well capitalised balance sheet. The broker is confident this will become a materially larger company. Moelis, not one of the eight stockbrokers monitored daily on the FNArena database has a Buy rating and target of $4.91.

The second data centres in Melbourne and Brisbane (M2 and B2) are on track for practical completion by the end of FY17 and the second Sydney site (S2) is due in the first half of FY18, with another site under contract and awaiting development approval.

Macquarie expects development costs for M2, B2 and S2 will dampen future margin expansion over FY17 and FY18 until the new centres are up and running. That said, the broker believes the company is well-placed to capitalise on an acceleration in demand. Contracted utilisation increased 32% to 30MW while billing utilisation was up 36%. Interconnections were up 42% and these deliver not only additional high margin revenue but also expand the ecosystem and attractiveness for customers, Macquarie observes.

Issues

As the stock is considered an infrastructure investment by many, the valuation is susceptible to swings in bond rates - as higher interest rates mean the same dollar of earnings in 10 years time is worth less in today's dollars. On this basis, Morgans notes, while the company's cash flow and earnings do not swing around, its equity value does in the eyes of some investors.

As a result, rising interest rates are a risk to the share price. Faster customer demand would lead to share price appreciation because of a higher fill rate, and conversely slower demand may disappoint relative to market expectations.

Operating risks centre on the capital intensive nature of the business and the ability to access funding on an ongoing basis. The company has a balance sheet capacity to handle substantially more debt and self-fund expansion through operating cash flow from the base buildings. In this aspect, Morgans suspects that the way the board chooses to manage the split between debt, equity and cash flow, is a key swing factor.

The stock currently trades at a material discount to peers because of lower occupancy and its sub-optimal capital structure and resolving, or reducing, these issues will be key catalysts over the next 2-3 years, Credit Suisse believes. Credit Suisse is also looking for further evidence that sales and prices are holding up despite the increased competition.

FNArena's database shows six Buy recommendations. The consensus target is $4.43, signalling 20.2% upside to the last share price. Targets range from $4.10 (Deutsche Bank) to $4.80 (UBS).

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Retail Challenges Step Up For RCG

Footwear distributor/retailer RCG Corp has flagged a soft start to the second half, raising concerns about the resilience of athletic/leisure wear trends.

-Disappointing performances in key brands since New Year -Valuation now factoring in a slowing in the athletic/leisure trend -Revamped The Athlete's Foot stores delivering higher like-for-like growth

By Eva Brocklehurst

The second half has started out as challenging for footwear retailer/distributor RCG Corp ((RCG)), which has downgraded its FY17 guidance by -2-6%, primarily as a result of soft sales across all divisions. Management suggested conditions have been difficult since Boxing Day. Brokers note the company's growth outlook is highly reliant on the Skechers brand and a strong trend in athletic/leisure wear.

Slowing second half like-like sales at RCG are consistent with the slowdown experienced at Super Retail ((SUL)) in its leisure segment, Citi observes. Retail conditions have been patchy and the weakness noted by these two businesses may increase the debate around the sustainability of the trend in athletic/leisure wear.

The broker reduces FY17-19 estimates by -7-16% to reflect this slowdown in sales and lowers the target to $1.23 from $1.58. A Neutral rating is retained. Citi believes the current price-earnings multiple appropriately reflects the upside from RCG's planned roll-out of stores, combined with the downside from slowing sales trends.

The broker also flags a disappointing performance at Hype since it was acquired last year although, at the time of the acquisition, analysis revealed that Hype was coming off to exceptional years in terms of performance.

First-half results were below expectations despite operating earnings (EBITDA) growing by 36.5%. Morgans observes the strong earnings growth was underpinned by the extensive rolling out of stores and a five-month contribution from Hype. The broker believes Hype and to some extent, Accent, have been affected by a lack of innovation and differentiation in products as well as the challenging retail conditions.

Morgans believes differentiating between Platypus and Hype is now very important, given the stores are increasingly close together and developments in this regard will be watched closely.

The broker calculates the stock's valuation now factors in a slowing of the trend in athletic/leisure wear from a very high growth rate. Patience is required, Morgans believes, and the fact that the shares of the founders of Accent are out of escrow in May this year could also weigh on the stock. Morgans upgrades to Add from Hold. Target is $1.32.

Moelis is disappointed in the downgrade but believes the resulting sell-off in the stock is an over-reaction. On a 12-month view Moelis considers RCG attractive, given currency and synergies which should become tailwinds in FY18. A Buy rating is retained with a $1.70 target.

Accent stores stood out in the first half but the weak start to 2017 is an issue for Moelis. Sales growth of 7.6% at Accent was boosted by strong Christmas period, but in the second half to date like-for-like sales growth is 5.3%, substantially less. The company has blamed this on weaker consumer sentiment rather than increased competition.

Increased Competition

RCG believes increased competition will manifest in a continued consolidation of the industry rather than margin compression. Moelis is concerned about the slowing trading conditions for Hype in the second half, which it estimates posted sales growth of over 5% during the Christmas period, but suspects Hype will be cycling easier comparables in the second half.

Beyond FY17, the broker envisages a number of avenues for growth in Hype. RCG will introduce the Vans brand into the stores in July, citing the potential for number of strategic benefits and cross-selling synergies.

The broker also understands that new performance The Athletes Foot stores are delivering higher like-for-like sales growth and will continue to be rolled out across the network. Moelis considers RCG a quality retailer with excellent management and expects the company to make further acquisitions once Hype and Accent are fully integrated.

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Material Matters: Aluminium, Iron, Gold & Zinc

A glance through the latest expert views and predictions about commodities. Aluminium prices; iron ore demand; manganese rally; gold outlook; the zinc conundrum.

-Risk of a correction in aluminium pricing although supply fundamentals improve -Downward projection for iron ore prices as additional supply weighs -Manganese prices attractive for re-starts, fresh investment -Gold price holding up as inflation expectations pick up -Zinc smelters restricting output rather than accept low treatment charges

By Eva Brocklehurst

Aluminium

Deutsche Bank believes aluminium prices above US$1850/t are starting to price in a structural change in the industry, over and above a cyclical recovery. Chinese reforms, including a more stringent focus on environmental standards, may hold the key to a much healthier market. The broker notes that since the global financial crisis, the industry has been characterised by a surplus and ample inventories.

Nevertheless, uncertainty surrounding how Chinese policy will be implemented means it is premature to expect a return to the long-run margin of just over 20% for the 90th percentile producer, the broker asserts.

Although supply fundamentals have improved since the beginning of 2016, Deutsche Bank believes the current spot price is at risk of a correction. Despite scepticism that the current price cannot hold up, the medium term fundamentals do appear better to the broker. A return to an inflationary cycle in commodities is forecast and inflation of 7-10% is factored into 2017.

Iron Ore

Demand for iron ore continues to look positive, with Ord Minnett noting a combination of re-stocking, seasonal demand and positive trader sentiment pushing prices above US$90/t. On a fundamental view the broker believes the market is broadly in balance. In a balanced market, the broker considers it normal for short periods of significant tightness or softness.

While generally constructive on the outlook, prices at current levels will inevitably mean more material makes its way to market. On this basis, Ord Minnett is comfortable with a downward projection for iron ore prices. The March quarter is typically the weakest for the global iron ore supply but, if the remainder of the first quarter proves to be mild, Ord Minnett suspects a risk that inventory de-stocking will dampen prices.

Demand has lifted in response to stronger steel mill margins in China and higher margins reflects both higher steel prices and lower coking coal costs, CBA analysts believe. Steel demand is a real sustainable force behind higher iron ore prices as policy makers appear to be propping up growth ahead of elections in November.

The analysts believe infrastructure investment, particularly in transport, will be the main driver of demand and China's property sector is not expected to provide much assistance. Chinese iron ore producers are observed to be responding to higher prices by boosting operating rates. Seaborne supply is also expected to add 70-80m tonnes this year. The analysts expect additional supply should, eventually, start to weigh on prices. They now expect iron or prices to fall to around US$60/t by the end of the year.

Manganese

Re-stocking has been the main driver of the sharp rally in the manganese price over the last year. Record high imports in December into China pushed port stocks above long-term averages. Citi observes traders withdrew, possibly awaiting signals from the steel market, and this resulted in prices falling by 45% from their highs.

The broker believes stocks at Chinese ports, as well as globally, are at adequate levels and unlikely to be a driver of price in the short term. Citi remains positive on demand from the steel sector, particularly in China, over the next two quarters.

The broker also observes miners have been slow to respond to the 2016 rally in the price. However, current prices remain attractive for re-starting operations and even fresh investment. Citi expects prices to remain volatile but well supported in the short term. Alloy producers, that suffered margin compression, are expected to re-start purchasing and this should support prices in the short term.

Gold

For the past two years gold has rallied at the start only to descend by the end of the year. Macquarie observes 2017 has not been as impressive as the preceding two, adding just over US$100/oz from the low compared with US$200/oz in 2015 and 2016. Gold fell more in the December quarter of 2016 than it did in the prior corresponding quarter.

One reason for the moves in gold was the opposite move in the US dollar. The other is bond yields, and this is where Macquarie assesses a large difference between this year and last. In 2015/16 the US Treasury 10-year yield rose a little, as the US Federal Reserve hiked its funds rate, but came off sharply and slipped during the rest of the first half. This year the 10-year yield has risen significantly in late 2016 and has held up so far in 2017.

Pulling all the factors together, Macquarie suggests investors continue to be more confident about the wider economic outlook than they were a year ago. Equity prices have not collapsed and inflation expectations are higher. Views on how many rate rises the US Fed will achieve by the end of the year are unchanged.

Hence, Macquarie argues gold is holding up well, explained by the pick up in inflation expectations, which is helping to depress real yields, as well as greater political uncertainty in the US, which has depressed the US dollar.

Zinc

There is a hiatus in the zinc market. Morgan Stanley notes the annual concentrate treatment charge (TC) for 2017 has not yet been settled. The corresponding spot TC collapsed in 2016 because of a lack of supply. If smelters settle now, in line with spot prices, the broker suspects this could prompt smelter closures. Morgan Stanley also suspects miners want to boost payability and remove price participation, changes which would transfer a greater share of the value of contained zinc to the miners.

The broker observes the miners have the upper hand in the 2017 talks, a function of Glencore's mine closures and the impact of Chinese industry reforms. Nevertheless, smelters have bargaining power and some are restricting output, rather than accepting low TCs.

Meanwhile, changes in payability and price participation could result in a compensating lift in the base TC and protracted talks may tighten the market and increase the broker's forecast deficit. While metal market signals are bullish, Morgan Stanley observes price upside for zinc is capped by the availability of secondary metal, off-exchange inventories and the potential for downstream substitution.

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Weekly Ratings, Targets, Forecast Changes

By Rudi Filapek-Vandyck, Editor FNArena

Guide:

The FNArena database tabulates the views of eight major Australian and international stock brokers: Citi, Credit Suisse, Deutsche Bank, Macquarie, Morgan Stanley, Morgans, Ord Minnett and UBS.

For the purpose of broker rating correlation, Outperform and Overweight ratings are grouped as Buy, Neutral is grouped with Hold and Underperform and Underweight are grouped as Sell to provide a Buy/Hold/Sell (B/H/S) ratio.

Ratings, consensus target price and forecast earnings tables are published at the bottom of this report.

Summary

Period: Tuesday February 21 to Saturday February 25, 2017 Total Upgrades: 26 Total Downgrades: 36 Net Ratings Breakdown: Buy 43.05%; Hold 42.78%; Sell 14.17%

The final week of the February reporting season saw no less than 36 downgrades in broker ratings for individual ASX-listed stocks versus 26 upgrades. To conclude that stockbroking analysts were busy during the week would be a serious understatement.

19 out of the 26 upgrades moved to Buy with McMillan Shakespeare the sole recipient of two upgrades. There were a lot more receivers of more than one downgrade during the week. Brambles stole the show, so to speak, receiving four downgrades, all to Neutral. It remains open for discussion whether this is better/worse than WorleyParsons, who received two downgrades, both to Sell.

The ASX received two downgrades, as did Baby Bunting, as did Cleanaway Waste Management, and Coca Cola Amatil, and Medibank Private.

All in all, the gap between total Buy and Hold/Neutral ratings for the eight stockbrokerages monitored has narrowed over the reporting season, but Buys are still ahead (43.05% versus 42.78%) implying below the surface this remains a highly polarised share market.

As is usually the case, the week saw some hefty increases to consensus price targets with Cimic grabbing pole position for the week, enjoying an increase of 18.8%, followed by Tassal (+13.5%), BlueScope Steel (+12.6%) and Webjet (+12.1%).

On the other side of the ledger, iSentia turned into the week's biggest loser, seeing price targets shrink by 23%. Next came IPH Ltd with a fall of 16%, followed by Baby Bunting (-11.6%) and Village Roadshow (-8.4%).

The table for increases to earnings estimates is almost completely dominated by mining and energy companies. Santos crowned itself king for the week, enjoying an increase of no less than 523%. It beat Alacer Gold whose estimates "only" went up by 300%. Macquarie Atlas and Virgin Australia are the sole non-resources stocks in the week's Top Ten, enjoying gains of 76% and 55% respectively.

Negative changes were massive, albeit nowhere near as big as the positive changes recorded. The week's wooden spoon goes to ERM Power, suffering cuts to consensus forecasts of -98%. The damage for DUET, the next one in line, was -21%. For Qube Holdings the damage was -19%.

This week will see the final reports and adjustments flowing in for the local corporate February reporting season.

Upgrade

3P LEARNING LIMITED ((3PL)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 2/0/0

3P's first half result was ahead of the broker's expectations. No specific guidance was provided, but the company reiterated it is on track to deliver a $2m annualised cost saving relative to the second half of FY16, and expects to deliver revenue growth ahead of cost growth.

Macquarie has raised FY17 earnings forecast by 3.8%, reflecting the improved operational outlook.

The broker upgrades the stock to Outperform from Neutral and raises the target price to $1.25 from $1.00.

ASALEO CARE LIMITED ((AHY)) Upgrade to Outperform from Neutral by Credit Suisse .B/H/S: 2/1/0

2016 results were ahead of forecasts. Credit Suisse notes some of the growth was in channels that are not readily observed such as 14% growth in the Pacific islands and high single digit growth in Australian industry tissue.

Credit Suisse upgrades 2017 estimates by 10%. Rating is upgraded to Outperform from Neutral. Target is raised to $1.75 from $1.50.

ALTIUM LIMITED ((ALU)) Upgrade to Outperform from Neutral by Credit Suisse .B/H/S: 2/1/0

First half results were ahead of expectations and the company has reiterated its target for long-term revenue of US$200m by FY20. Credit Suisse believes targets are within reach.

The broker acknowledges the stock is not cheap but believes this should be viewed in the context of over 20% growth in earnings per share, and multiple avenues for further incremental growth. Rating is upgraded to Outperform from Neutral. Target is raised to $9.50 from $9.00.

APA GROUP ((APA)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 2/2/3

First half operating earnings beat forecasts. Ord Minnett remains positive on the stock, believing the regulatory headwinds that have affected it in the past are now behind.

The broker upgrades to Buy from Accumulate Target is raised to $10.90 from $10.30.

APN NEWS & MEDIA LIMITED ((APN)) Upgrade to Buy from Neutral by UBS .B/H/S: 5/0/0

APN's result beat UBS, with a weaker performance from radio offset by a strong performance from Adshel. The dividend was reinstated for the first time since 2012.

UBS expects Adshel to be the main earnings driver in the second half. Factoring in higher contributions from Adshel, and a better net debt balance, the broker's valuation now suggests an upgrade to Buy, despite tax and re-contracting risk. Target rises to $3.30 from $3.00.

APN OUTDOOR GROUP LIMITED ((APO)) Upgrade to Add from Hold by Morgans .B/H/S: 4/1/0

The company's 2016 results were in line with the broker's estimates. Digital screens grew by 31 in the second half, providing strong revenue uplift potential.

Regardless of the outcome of the ACCC ruling on the proposed merger with oOh! media ((OML)) the broker still considers the stock looks cheap relative to its growth profile.

Morgans upgrades to Add from Hold and the target price rises to $6.37 from $5.66.

BEACH ENERGY LIMITED ((BPT)) Upgrade to Neutral from Sell by Citi .B/H/S: 1/3/1

Citi analysts have upgraded to Neutral/High Risk, inspired by a significant fall in the share price. Price target price gained 9% to $0.80.

The released interim performance proved better-than-expected. The analysts point at the non-recurring tax benefit, as well as the fact management kept FY17 guidance unchanged.

Citi analysts suggest it remains an open question whether management can add shareholder value through M&A, as is its current focus.

BLUESCOPE STEEL LIMITED ((BSL)) Upgrade to Outperform from Neutral by Credit Suisse .B/H/S: 5/2/0

BlueScope's profit was in line with Credit Suisse and the broker notes second half guidance is based on more conservative parameters than current prices suggest. The company has announced 30-50% of free cash flow will be used for a buyback and to maintain steady dividends.

Credit Suisse has increased forecasts to above guidance using the broker's own price assumptions. Target rises to $13.30 from $10.70. Upgrade to Outperform.

See also BSL downgrade.

CLEANAWAY WASTE MANAGEMENT LIMITED ((CWY)) Upgrade to Add from Hold by Morgans .B/H/S: 2/3/0

First half EBITDA beat forecasts. Morgans notes the turnaround continues, with growth in revenue combined with cost control.

The broker expects bolt-on acquisitions to be an ongoing theme for the company.

Target lifts to $1.22 from $1.19 and the rating is upgraded to Add from Hold, given the total potential return of 10%.

See also CWY downgrade.

DUET GROUP ((DUE)) Upgrade to Buy from Neutral by Citi .B/H/S: 1/5/0

First half proportionate earnings were -11% below Citi's estimates because of weaker realised pricing and volumes in Energy Developments (EDL).

Citi upgrades to Buy from Neutral, noting CKI would have known of the weak EDL results in the first half before launching its bid. Therefore, the broker does not envisage a weak EDL result is likely to change the suitor's view. Target is $3.

FLIGHT CENTRE LIMITED ((FLT)) Upgrade to Outperform from Neutral by Credit Suisse .B/H/S: 2/4/2

Credit Suisse attributes most of the deterioration in first half profit to cyclically low air fare prices and finds enough justification to move to an Outperform rating from Neutral.

While a slow structural decline in share is expected to continue the broker believes the company is likely to witness a positive impact on revenue and profit from a cyclical recovery in air fares in FY18. Target is reduced to $34.90 from $36.49.

G8 EDUCATION LIMITED ((GEM)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 3/1/0

2016 EBIT was up 11% and in line with expectations. The main news is the $212m investment from China First Capital. Ord Minnett considers this a positive as it provides financial flexibility to pursue growth options.

Forecasts, while upgraded, sit below management's FY19 target for earnings per share of 40c (Ords: 31.2c). Rating is upgraded to Buy from Accumulate. Target is raised to $4.11 from $3.78.

HUON AQUACULTURE GROUP LIMITED ((HUO)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 2/0/0

Huon's earnings result beat Ord Minnett by 22% on higher salmon prices and lower than expected costs. Management described conditions as near perfect. The broker materially upgrades forecasts on production cost guidance.

While assuming a decline ahead in wholesale prices, the broker upgrades to Accumulate from Hold noting price upside risk. Target rises to $5.31 from $4.17.

INSURANCE AUSTRALIA GROUP LIMITED ((IAG)) Upgrade to Neutral from Underperform by Credit Suisse .B/H/S: 0/7/1

First half net profit was ahead of forecasts. Credit Suisse upgrades to Neutral from Underperform following the underperformance of the share price and an expectation that reserve releases will continue in the near term.

The broker suspects original FY17 guidance was too optimistic and the softer underlying margin in the first half is more in line with expectations. The deterioration in the underlying margin is expected to slow or even turn around from the first half level. Target is raised to $6.05 from $5.75.

See also IAG downgrade.

IRESS MARKET TECHNOLOGY LIMITED ((IRE)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 3/1/0

Iress' result missed Ord Minnett and consensus at the headline, and the broker expects earnings downgrades will follow, but underlying organic trends in the second half were a positive, the broker suggests. The Canadian and UK businesses appear to have bottomed.

Given conservative accounting compared to other IT stocks and very strong cash flow conversion, the broker is more confident now in medium term growth. Upgrade to Accumulate from Hold. target rises to $12.50 from $11.00

MCMILLAN SHAKESPEARE LIMITED ((MMS)) Upgrade to Outperform from Neutral by Macquarie and Upgrade to Buy from Neutral by Citi .B/H/S: 3/0/1

First half results were just below the broker's expectations. No FY17 guidance was forthcoming, other than management's statement that early performance on the QLD contract was solid.

Macquarie has raised FY17 and FY18 earnings estimates by 0.2% and 0.6% respectively.

The broker has upgraded the stock to Outperform from Neutral and raised the target price to $13.20 from $13.17.

Upgrade to Buy as Citi analysts have become a lot more comfortable with the risks surrounding the QLD government contract, while momentum is seen building.

The analysts see clearly defined organic growth opportunities with Government clients while valuation is still at a considerable discount vis-a-vis other small industrials.

Despite small reductions in core profit estimates, target price jumps by 19% to $14.33 as the 15% risk discount (QLD contract) is removed.

MANTRA GROUP LIMITED ((MTR)) Upgrade to Buy from Neutral by UBS .B/H/S: 4/2/1

First half results were in line with the broker's forecasts. Soft CBD was offset by resort strength and the Ala Moana acquisition. Management has confirmed FY17 guidance, in line with UBS expectations.

In FY18, the broker expects mid single digit organic growth, together with new property acquisitions, to drive an 11% increase in EPS.

UBS upgrades the stock to Buy from Neutral and lowers the target price to $3.15 from $3.48.

MYOB LIMITED ((MYO)) Upgrade to Neutral from Underperform by Credit Suisse .B/H/S: 3/3/0

2016 results were in line with expectations. The company has guided to double digit revenue growth in 2017. Paycorp, with which MYOB already collaborates, will be acquired for $48m.

Credit Suisse rolls forward valuation and upgrades to Neutral from Underperform. Target is raised to $3.50 from $3.20. The broker continues to envisage downside risk to the company's market position from intense competition in the SME accounting software space.

NIB HOLDINGS LIMITED ((NHF)) Upgrade to Neutral from Underperform by Credit Suisse .B/H/S: 2/5/0

Nib's profit result beat Credit Suisse by 22% driven by record net margins. The broker considers upgraded FY guidance to be conservative.

The broker's prior negative stance was premised on the government addressing the exorbitant profits being made by insurers at the expense of policyholders. This result, and Nib's increased premiums, suggest this is not going to happen anytime soon. Upgrade to Neutral. Target rises to $5.50 from $4.55.

PLATINUM ASSET MANAGEMENT LIMITED ((PTM)) Upgrade to Hold from Sell by Ord Minnett .B/H/S: 0/2/2

The company's strong first half result surprised the broker, with both management fee margins and costs beating forecasts.

Ord Minnett believes the balance sheet is well positioned, with net cash of $365m, and while the company has a buy-back program it has so far not bought back a single share despite the price having dipped below $4.80.

As a result, the broker has removed the buy-back from its estimates, preferring instead to see Platinum returning cash to shareholders via higher dividends.

Upgrade to Hold from Sell and target rises to $4.93 from $4.69.

RHIPE LIMITED ((RHP)) Upgrade to Add from Hold by Morgans .B/H/S: 2/0/0

First half results were slightly below expectations. The broker suspects investors panicked because of a slowing in revenue growth and the perception the company was losing market share from increased competition.

The broker suspects that the company's public cloud program is partly cannibalising the private cloud and overall growth remains intact. Rating is upgraded to Add from Hold. Target reduced to 63c from 86c.

SMARTGROUP CORPORATION LTD ((SIQ)) Upgrade to Neutral from Sell by Citi .B/H/S: 3/2/0

Citi analysts saw the company reporting a strong result, but they remain of the view that future growth will be a challenge, including via acquisitions. The interim report did surprise and thus estimates have gone up by double-digits.

Stronger organic growth pushes up the target price by 13% to $6.61. Upgrade to Neutral from Sell. Catalysts to watch out for include the outcomes from the WA Salary Packaging panel, new client wins and client churn rates post acquisitions, point out the analysts.

SOMNOMED LIMITED ((SOM)) Upgrade to Add from Hold by Morgans .B/H/S: 1/0/0

Morgans found the underlying first half results positive. FY17 guidance is reiterated. A further 10 centres will be rolled out by the end of FY18.

Rating is upgraded to Add from Hold. The target price falls to $4.05 from $4.11. The main risk on the downside the broker envisages is slower-than-expected growth in the key markets of North America and Europe.

TASSAL GROUP LIMITED ((TGR)) Upgrade to Outperform from Neutral by Credit Suisse .B/H/S: 3/1/0

First half margins were better than Credit Suisse expected and, given the first half is likely to represent the toughest point in terms of operating conditions, earnings are expected to improve.

The broker expects the market to focus on increasing momentum and FY18 growth. Rating is upgraded to Outperform from Neutral. Target is raised to $5.20 from $4.50.

WORLEYPARSONS LIMITED ((WOR)) Upgrade to Hold from Sell by Deutsche Bank .B/H/S: 2/2/1

First half results were below the broker's expectations. However, margins and earnings were better than Deutsche Bank had been expecting.

The broker has reduced its revenue forecasts, but increased margin assumptions, to reflect the expanded cost out program. The net impact has been a 10% to 18% EPS increase between FY17 and FY19,

The stock has been upgraded to Hold from Sell and the target price raised to $8.60 from $8.39.

See also WOR downgrade.

Downgrade

ARDENT LEISURE GROUP ((AAD)) Downgrade to Sell from Buy by Citi .B/H/S: 1/5/1

The deterioration in like-for-like sales at Main Event has Citi analysts worried. As the analysts have come to the conclusion the situation is unlikely to improve short term, they downgrade to Sell from Buy (that's a double notch downgrade).

The deterioration in momentum is especially concerning, point out the analysts, given Main Event is cycling an undemanding 3Q16 growth comparison. Clearly, the initiatives announced at FY16 results have not successfully improved sales. Is competition starting to impact?

Earnings estimates have been culled by -17% to -29% for FY17-FY19. Target Price crashes by -42% to $1.55.

ACONEX LIMITED ((ACX)) Downgrade to Neutral from Outperform by Credit Suisse .B/H/S: 2/4/0

First half results were were soft, but expected following the previous month's warning. Credit Suisse observes the company was roughly breaking even on an operating cash-flow basis.

The company has backed away from guidance for expanded margins. While the company has a good offering and a large addressable market, the broker expects concerns around growth and unproven unit economics will weigh.

Rating downgraded to Neutral from Outperform. Target is reduced to $3.50 from $3.75.

ASX LIMITED ((ASX)) Downgrade to Underperform from Neutral by Credit Suisse and Downgrade to Equal-weight from Overweight by Morgan Stanley .B/H/S: 0/3/4

First half results were slightly better than the broker's forecasts. The result was partially muted by 6% cost growth, but Credit Suisse notes above inflation costs are not much of a headwind.

ASX has previously flagged an impact from the transition of its investment portfolio, to meet new guidelines, leading to lower investment earnings in FY17, with the full impact from FY18. It appears this transition will predominantly show up in second half FY17.

The broker downgrades the stock to Underperform from Neutral and raised the target price to $49.00 from $48.00.

The stock lacks near-term catalysts and has closed the gap to global peers so Morgan Stanley downgrades to Equal-weight from Overweight.

Despite this, the strength of the franchise was evident to the broker in the first half earnings. Target is $53. Industry view: In-Line.

BABY BUNTING GROUP LIMITED ((BBN)) Downgrade to Hold from Add by Morgans and Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/2/0

First half results were largely in line with Morgans. A wide guidance range for FY17 EBITDA of $21.5-24.5m has been reiterated but the broker suspects the top end is now more of a stretch, given softer gross margins.

Morgans downgrades to Hold from Add on valuation grounds. The broker still believes the company will continue to extend its power over competitors in coming years and that the store footprint can double. Target is reduced to $2.54 from $2.83.

Baby Bunting's first half results were below Macquarie's estimates. Total sales increased in the period, driven by 8.2% LFL growth and ongoing store rollouts.

Full year guidance of $21.5m to $24.5m, representing 15% to 31% growth was reiterated. Macquarie has lowered FY17 and FY18 forecasts by -9%.

The broker downgrades to Neutral from Outperform and target drops to $2.60 from $3.20.

BLACKMORES LIMITED ((BKL)) Downgrade to Neutral from Outperform by Credit Suisse .B/H/S: 1/2/0

First half underlying EBITDA missed expectations. While Credit Suisse believes the worst is behind the company the road ahead is not smooth.

March/June quarter revenue could be flat sequentially, with weaker seasonality in China, while cost savings continue to be re-invested in price.

The company appears to the broker to be behind competitors in building up its China presence. Rating is downgraded to Neutral from Outperform. Target is reduced to $110 from $125.

BLUESCOPE STEEL LIMITED ((BSL)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 5/2/0

First half results were largely pre-reported Ord Minnett observes and the main issue is capital management and guidance. The company has announced a $150m buy-back and guided towards incrementally better volumes at both its Australian and US steel-making operations.

Ord Minnett suspects earnings are reaching a cyclical peak and, given the stock is also approaching valuation, downgrades to Hold from Accumulate. Target is raised to $13.00 from $12.50.

See also BSL upgrade.

BRAMBLES LIMITED ((BXB)) Downgrade to Hold from Buy by Deutsche Bank and Downgrade to Neutral from Buy by Citi and Downgrade to Hold from Add by Morgans and Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/5/1

Brambles' first half results were in line with broker's forecasts. The company has removed its 2019 target of 20% ROCI and has indicated the current return levels of 16% strike the right balance between returns and growth.

The business in the Americas appears to be facing increased competition, and Deutsche Bank does not know if these issues are temporary or structural.

Deutsche Bank downgrades the stock to Hold from Buy and lowers the target price to $10.45 from $13.20.

As it turned out, Brambles' interim result was even weaker than what was suggested at the time of the sudden profit warning in January. Plus management has now abandoned medium term financial targets.

At least the dividend was in line with expectations, Citi analysts observe. Disappointing is the term that sums it all up in Citi's initial response. The analysts already had been taken by surprise in January.

Downgrade to Neutral from Buy. Target price falls to $10.15 from $12.33. It has become clear, suggest the analysts, competition in the US is having a much larger impact than previously anticipated.

First half results were weaker than expected but the outlook for FY17 disappointed Morgans even more so.

While the broker believes the long-term fundamentals are sound the results suggest that structural problems will take longer to be addressed than previously expected.

Morgans downgrades to Hold from Add. Target is reduced to $9.72 from $11.61.

First half results were in line with the profit warning in January. The company has guided to FY17 constant currency underlying profit to be in line with FY16.

The company has also withdrawn its FY19 returns target of 20%, as Macquarie suspected.

The broker now only expects modest 3% growth in FY18 and downgrades to Neutral from Outperform. Target is reduced to $10.25 from $12.65.

CABCHARGE AUSTRALIA LIMITED ((CAB)) Downgrade to Neutral from Buy by UBS .B/H/S: 0/2/0

UBS has downgraded Cabcharge to Neutral from Buy. Uber's momentum in Australia is stronger than the broker expected, and whilst Cabcharge is fairing better than peers it is yet to really drive its technology strategy.

The company's new driver terminal product could potentially win back share from traditional competitiors and provide some upside. Price target is reduced to $3.95 from $4.00.

COCA-COLA AMATIL LIMITED ((CCL)) Downgrade to Neutral from Buy by Citi and Downgrade to Equal-weight from Overweight by Morgan Stanley .B/H/S: 0/7/0

2016 results signal to Citi the company remains on message. Cost savings drove earnings and more is expected in Australia.

The broker upgrades forecasts for earnings per share by less than 2% and expects growth of 7% in 2017, helped by the share buy-back.

Citi downgrades to Neutral from Buy, given the rise in the share price and caution surrounding the upcoming container deposit scheme in NSW. Target is raised to $11.00 from $10.80.

2016 results revealed strong cash generation and the buy-back surprised Morgan Stanley although it shows the company is going well. The broker continues to like the stock and envisages little earnings risk.

Now the risk/reward is more balanced the rating is downgraded to Equal-weight from Overweight. Target is $10.50. In-Line sector view.

CROWN RESORTS LIMITED ((CWN)) Downgrade to Neutral from Outperform by Credit Suisse .B/H/S: 3/2/1

First half results were in line. Credit Suisse expects Crown to fully exit the MPEL and Las Vegas joint ventures and return further capital to shareholders. Once paid out the broker suggests the stock should return to an appropriate trading multiple of 9 times FY19 EBITDA, or $10.50.

The broker upgrades FY17 EBITDA 6-9% to incorporate the company's signals on cost reductions and the target is raised to $13.00 from $12.50. Rating is downgraded to Neutral from Outperform, given the rally in the share price.

CLEANAWAY WASTE MANAGEMENT LIMITED ((CWY)) Downgrade to Neutral from Buy by UBS and Downgrade to Neutral from Outperform by Macquarie .B/H/S: 2/3/0

An in-line result from Cleanaway implies a significant improvement in core operations, UBS suggests. Unchanged FY guidance also meets expectation.

Management is now free to pursue operational improvements and cost-outs, the broker suggests, and a modestly better looking macro-economic backdrop may signal the start of a multi-year upgrade cycle. But given the stock is trading in line with international peers, UBS sees limited share price upside.

Downgrade to Neutral. Target rises to $1.16 from $1.15.

Cleanaway's first half results were in line with the broker's expectations. FY17 guidance is for little change in economic conditions but for both divisions to grow earnings.

Collections are expected to increase earnings as recent cost, volume and pricing initiatives take effect. Industrials are also expected to increase earnings, largely due to cost out.

Macquarie has cut FY17 EPS forecast by -3.5% and FY18 EPS forecast by -3.7%. The broker downgrades the stock to Neutral from Outperform and $1.14 target retained.

See also CWY upgrade.

ERM POWER LIMITED ((EPW)) Downgrade to Sell from Neutral by Citi .B/H/S: 0/0/3

US margins disappointed and this means the financial result overall missed expectations, even before adjusting for the -$2.9m loss moved into discontinued operations, comment the analysts.

Citi analysts acknowledge the operational leverage to any future improvements is huge, but they've nevertheless decided to downgrade to Sell from Neutral. Target price dives by -20% to $1.05.

Earnings estimates have received a double-digit haircut for the years ahead. Citi doesn't think the market is accurately pricing in this prospect.

GODFREYS GROUP LIMITED ((GFY)) Downgrade to Neutral from Outperform by Credit Suisse .B/H/S: 0/1/0

First half results disappointed Credit Suisse, although marginally ahead of subdued expectations. Until the company can demonstrate a sustainable return to positive like-for-like growth the broker does not envisage a material re-rating emerging.

While more favourable FX should benefit margins the broker remains cautious and downgrades to Neutral from Outperform. Target is reduced to 95c from $1.35.

GWA GROUP LIMITED ((GWA)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 0/3/3

GWA's first half results were broadly in line with the broker expectations. No specific guidance was provided, but based on current market conditions, second half earnings are expected to match or slightly beat the first half.

Macquarie has raised FY17 forecast by 0.3% but lowered FY18 forecast by -4.8%.

The stock has been downgraded to Underperform from Neutral and the target price reduced to $2.60 from $2.72.

INSURANCE AUSTRALIA GROUP LIMITED ((IAG)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 0/7/1

IAG's first half results were better than Macquarie's forecasts. FY17 outlook is for better premium growth, largely driven by claims inflation, offset by softer margins.

The broker has cut FY17 earnings forecasts by -0.9%, FY18 by -7.7% and FY19 by -3.3%.

Macquarie downgraded the stock to Underperform from Neutral and price target drops to $5.70 from $5.80.

See also IAG upgrade.

ISENTIA GROUP LIMITED ((ISD)) Downgrade to Hold from Buy by Deutsche Bank .B/H/S: 1/2/0

First half results missed expectations. Margins declined to 25.4%, reflecting losses in King Content and higher publishing costs in the core business.

Deutsche Bank observes the core Australasian business has reached a limit in its ability to harvest returns through price increases. King Content disappointed the broker, reinforcing concerns around the quality of the business and execution.

Recent trends suggest to the broker that a turnaround will be difficult, increasing the likelihood of further disappointment. Rating is downgraded to Hold from Buy. Target is reduced to $2.10 from $2.90.

LOVISA HOLDINGS LIMITED ((LOV)) Downgrade to Hold from Add by Morgans .B/H/S: 1/2/0

First half results were ahead of forecasts and Morgans found little to fault. Management continues to expect gross margin trends will moderate in the second half as the exit of a competitor is cycled.

The half year was a strong period for execution and Morgans downgrades to Hold from Add. Target is raised to $4.37 from $4.30.

MEDIBANK PRIVATE LIMITED ((MPL)) Downgrade to Reduce from Hold by Morgans and Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 1/5/2

First half net profit beat expectations but mostly on the back of lower quality items, Morgans observes. Gross profit margin was a positive but the broker remains concerned about the decline in policy holder numbers.

The broker believes the stock is expensive, given the near- term headwinds. Rating is downgraded to Reduce from Hold. Target is reduced to $2.40 from $2.47.

The interim report was broadly in-line, say the analysts, but volume trends remain a challenge. Gross margin held up, but the analysts are concerned due to consumers increasingly opting for a lower, cheaper level of cover.

Given these concerns, Ord Minnett downgrades to Hold from Accumulate. Price target drops to $2.95 from $3.The analysts acknowledge the share price looks "undemanding", but there are no short term catalysts in sight.

ST BARBARA LIMITED ((SBM)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 2/1/0

St Barbara's first half results were in line with the broker's expectations. The company retired $172m of debt and moved to a net cash position. The final US$20m of senior notes will be retired this quarter, leaving the company debt free.

Macquarie has raised FY17 earnings forecast by 7% while cutting longer term forecasts by 7% to 8%.

The broker downgrades the stock to Neutral from Outperform and target rises to $3.00 from $2.90.

SOUTHERN CROSS MEDIA GROUP ((SXL)) Downgrade to Neutral from Outperform by Credit Suisse .B/H/S: 0/4/1

First half results were in line with expectations but the full-year outlook is disappointing for Credit Suisse. Regional TV ad revenue grew 29% in the first half, below the 30-35% flagged for the full year back in August.

Credit Suisse believes corporate activity is a potential catalyst. With lower earning forecasts, the rating is downgraded to Neutral from Outperform on valuation grounds. Target is reduced to $1.40 from $1.50.

SENEX ENERGY LIMITED ((SXY)) Downgrade to Sell from Neutral by Citi .B/H/S: 3/2/1

Citi analysts have decided to downgrade to Sell/High Risk with an increased price target of 35c (was 31c). The analysts make an effort to emphasise they do like the potential as well as company management, but the share price has simply run too hard too fast.

Given the industry's track record, the analysts argue it is not wise to pay up for future potential too early in the process. Citi reduces FY17-19 Core NPAT estimates due to higher D&A plus higher interest costs.

VOCUS COMMUNICATIONS LIMITED ((VOC)) Downgrade to Neutral from Outperform by Credit Suisse .B/H/S: 5/3/0

First half results were in line with forecasts. Credit Suisse notes cash conversion was weak although the company is mindful of this and intent on making improvements.

The broker retains FY17 EBITDA forecasts at the lower end of the $430-450m range. Rating is downgraded to Neutral from Outperform and the target to $5.00 from $5.70.

VILLAGE ROADSHOW LIMITED ((VRL)) Downgrade to Hold from Buy by Deutsche Bank .B/H/S: 1/3/0

Village Roadshow's first half results were slightly below the broker's expectations, with earnings weakness across the whole group. Management has highlighted that it is actively pursuing potential asset sales and undertaking a review of costs and capex reduction.

No formal FY17 guidance was forthcoming. Deutsche Bank's lower margin assumptions see FY17 and FY18 earnings predictions for cinema and film distribution reduce by -3-9%.

The broker has downgraded the stock to Hold from Buy and the target price falls to $4.20 from $4.60.

WEBJET LIMITED ((WEB)) Downgrade to Neutral from Buy by UBS .B/H/S: 2/3/0

Webjet's result beat UBS forecasts across all divisions. FY guidance has been increased and the balance sheet is in good shape.

Messy cash flows and working capital adjustments nevertheless reduced the quality of the beat, the broker suggests. UBS believes there's still plenty of momentum in the business but this is priced in, to the point of near perfection. Forecasts increased but rating pulled back to Neutral. Target rises to $11.50 from $10.72.

WORLEYPARSONS LIMITED ((WOR)) Downgrade to Underperform from Neutral by Macquarie and Downgrade to Neutral from Outperform by Credit Suisse .B/H/S: 2/2/1

First half results were below expectations. Revenue disappointed Macquarie although margins were better. The balance sheet is now back in focus as net debt increased to $1.015bn.

Macquarie reduces FY17 forecasts for earnings per share by -14%. Recovery is expected to be gradual and cost cutting momentum to slow, putting the pressure on the top line to deliver.

Rating is downgraded to Underperform from Neutral. Target falls to $8.28 from $9.00.

WorleyParsons' FY16 result alleviated a lot of balance sheet concerns for investors, Credit Suisse notes. The company's weak first half FY17 result has reignited those concerns. Most worrying for the broker is that "slow progress" on reducing days sales outstanding (DSO) on remaining receivables is actually no progress.

While there is considerable leverage in the business to growth in development & contracting, the broker needs to be more confident in the company's ability to reduce debt. Downgrade to Neutral. Target falls to $8.50 from $9.20.

See also WOR upgrade.

WOOLWORTHS LIMITED ((WOW)) Downgrade to Underperform from Neutral by Credit Suisse .B/H/S: 3/1/3

First half earnings were broadly in line with forecasts. Credit Suisse increases forecast food EBIT on the back of improvements in key operating metrics and envisages trend total sales growth at 3-4% as realistic.

The balance sheet was helped by a significant slowing in property investment, payments for the divestment of home improvement assets and property disposals.

Credit Suisse downgrades to Underperform from Neutral. Competitive risks are not abating and the stock appears a little expensive to the broker. Target is raised to $24.50 from $24.30.

WISETECH GLOBAL LIMITED ((WTC)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 2/2/0

Wisetech Global's first half result was better than the broker had expected. Macquarie believes the company is well on track to meet the reaffirmed FY17 guidance.

The broker has raised FY17 forecasts by 15% and FY18 forecasts by 12%. Maquarie downgrades the stock to Neutral from Outperform and target is raised to $5.80 from $5.30.

Total Recommendations Recommendation Changes

Broker Recommendation Breakup

Broker Rating Order Company New Rating Old Rating Broker Upgrade 1 3P LEARNING LIMITED Buy Neutral Macquarie 2 ALTIUM LIMITED Buy Neutral Credit Suisse 3 APA GROUP Buy Buy Ord Minnett 4 APN NEWS & MEDIA LIMITED Buy Neutral UBS 5 APN OUTDOOR GROUP LIMITED Buy Neutral Morgans 6 ASALEO CARE LIMITED Buy Neutral Credit Suisse 7 BEACH ENERGY LIMITED Neutral Sell Citi 8 BLUESCOPE STEEL LIMITED Buy Neutral Credit Suisse 9 CLEANAWAY WASTE MANAGEMENT LIMITED Buy Neutral Morgans 10 DUET GROUP Buy Neutral Citi 11 FLIGHT CENTRE LIMITED Buy Neutral Credit Suisse 12 G8 EDUCATION LIMITED Buy Buy Ord Minnett 13 HUON AQUACULTURE GROUP LIMITED Buy Neutral Ord Minnett 14 INSURANCE AUSTRALIA GROUP LIMITED Neutral Sell Credit Suisse 15 IRESS MARKET TECHNOLOGY LIMITED Buy Neutral Ord Minnett 16 MANTRA GROUP LIMITED Buy Neutral UBS 17 MCMILLAN SHAKESPEARE LIMITED Buy Neutral Macquarie 18 MCMILLAN SHAKESPEARE LIMITED Buy Neutral Citi 19 MYOB LIMITED Neutral Sell Credit Suisse 20 NIB HOLDINGS LIMITED Neutral Sell Credit Suisse 21 PLATINUM ASSET MANAGEMENT LIMITED Neutral Sell Ord Minnett 22 RHIPE LIMITED Buy Neutral Morgans 23 SMARTGROUP CORPORATION LTD Neutral Sell Citi 24 SOMNOMED LIMITED Buy Neutral Morgans 25 TASSAL GROUP LIMITED Buy Neutral Credit Suisse 26 WORLEYPARSONS LIMITED Neutral Sell Deutsche Bank Downgrade 27 ACONEX LIMITED Neutral Buy Credit Suisse 28 ARDENT LEISURE GROUP Sell Buy Citi 29 ASX LIMITED Sell Neutral Credit Suisse 30 ASX LIMITED Neutral Buy Morgan Stanley 31 BABY BUNTING GROUP LIMITED Neutral Neutral Morgans 32 BABY BUNTING GROUP LIMITED Neutral Buy Macquarie 33 BLACKMORES LIMITED Neutral Buy Credit Suisse 34 BLUESCOPE STEEL LIMITED Neutral Buy Ord Minnett 35 BRAMBLES LIMITED Neutral Buy Morgans 36 BRAMBLES LIMITED Neutral Buy Macquarie 37 BRAMBLES LIMITED Neutral Buy Citi 38 BRAMBLES LIMITED Neutral Buy Deutsche Bank 39 CABCHARGE AUSTRALIA LIMITED Neutral Buy UBS 40 CLEANAWAY WASTE MANAGEMENT LIMITED Neutral

Buy Macquarie 41 CLEANAWAY WASTE MANAGEMENT LIMITED Neutral Buy UBS 42 COCA-COLA AMATIL LIMITED Neutral Buy Citi 43 COCA-COLA AMATIL LIMITED Neutral Buy Morgan Stanley 44 CROWN RESORTS LIMITED Neutral Buy Credit Suisse 45 ERM POWER LIMITED Sell Neutral Citi 46 GODFREYS GROUP LIMITED Neutral Buy Credit Suisse 47 GWA GROUP LIMITED Sell Neutral Macquarie 48 INSURANCE AUSTRALIA GROUP LIMITED Sell Neutral Macquarie 49 ISENTIA GROUP LIMITED Neutral Buy Deutsche Bank 50 LOVISA HOLDINGS LIMITED Neutral Buy Morgans 51 MEDIBANK PRIVATE LIMITED Sell Neutral Morgans 52 MEDIBANK PRIVATE LIMITED Neutral Buy Ord Minnett 53 SENEX ENERGY LIMITED Sell Neutral Citi 54 SOUTHERN CROSS MEDIA GROUP Neutral Buy Credit Suisse 55 ST BARBARA LIMITED Neutral Buy Macquarie 56 VILLAGE ROADSHOW LIMITED Neutral Buy Deutsche Bank 57 VOCUS COMMUNICATIONS LIMITED Neutral Buy Credit Suisse 58 WEBJET LIMITED Neutral Buy UBS 59 WISETECH GLOBAL LIMITED Neutral Buy Macquarie 60 WOOLWORTHS LIMITED Sell Neutral Credit Suisse 61 WORLEYPARSONS LIMITED Sell Neutral Macquarie 62 WORLEYPARSONS LIMITED Neutral Buy Credit Suisse Recommendation Positive Change Covered by > 2 Brokers Order Symbol Company New Rating Previous Rating Change Recs 1 AHY ASALEO CARE LIMITED 67.0% 33.0% 34.0% 3 2 ALU ALTIUM LIMITED 67.0% 33.0% 34.0% 3 3 MFG MAGELLAN FINANCIAL GROUP LIMITED 83.0% 50.0% 33.0% 6 4 MTR MANTRA GROUP LIMITED 43.0% 14.0% 29.0% 7 5 S32 SOUTH32 LIMITED 71.0% 43.0% 28.0% 7 6 TGR TASSAL GROUP LIMITED 75.0% 50.0% 25.0% 4 7 PTM PLATINUM ASSET MANAGEMENT LIMITED -50.0% -75.0% 25.0% 4 8 APO APN OUTDOOR GROUP LIMITED 70.0% 50.0% 20.0% 5 9 APN APN NEWS & MEDIA LIMITED 100.0% 80.0% 20.0% 5 10 SUL SUPER RETAIL GROUP LIMITED 44.0% 25.0% 19.0% 8 Negative Change Covered by > 2 Brokers Order Symbol Company New Rating Previous Rating Change Recs 1 ISD ISENTIA GROUP LIMITED 33.0% 67.0% -34.0% 3 2 BBN BABY BUNTING GROUP LIMITED 33.0% 67.0% -34.0% 3 3 LOV LOVISA HOLDINGS LIMITED 33.0% 67.0% -34.0% 3 4 IPH IPH LIMITED 33.0% 67.0% -34.0% 3 5 EPW ERM POWER LIMITED -100.0% -67.0% -33.0% 3 6 BKL BLACKMORES LIMITED 17.0% 50.0% -33.0% 3 7 SBM ST BARBARA LIMITED 67.0% 100.0% -33.0% 3 8 ASX ASX LIMITED -56.0% -31.0% -25.0% 8 9 CCL COCA-COLA AMATIL LIMITED -6.0% 19.0% -25.0% 8 10 WTC WISETECH GLOBAL LIMITED 50.0% 75.0% -25.0% 4 Target Price Positive Change Covered by > 2 Brokers Order Symbol Company New Target Previous Target Change Recs 1 CIM CIMIC GROUP LIMITED 33.870 28.503 18.83% 3 2 TGR TASSAL GROUP LIMITED 5.000 4.405 13.51% 4 3 BSL BLUESCOPE STEEL LIMITED 13.711 12.176 12.61% 7 4 WEB WEBJET LIMITED 11.860 10.574 12.16% 5 5 NHF NIB HOLDINGS LIMITED 5.174 4.704 9.99% 7 6 GEM G8 EDUCATION LIMITED 4.045 3.683 9.83% 4 7 AHY ASALEO CARE LIMITED 1.650 1.533 7.63% 3 8 WOW WOOLWORTHS LIMITED 25.764 24.286 6.09% 7 9 IRE IRESS MARKET TECHNOLOGY LIMITED 12.570 11.968 5.03% 4 10 CWN CROWN RESORTS LIMITED 13.112 12.517 4.75% 6 Negative Change Covered by > 2 Brokers Order Symbol Company New Target Previous Target Change Recs 1 ISD ISENTIA GROUP LIMITED 2.140 2.783 -23.10% 3 2 IPH IPH LIMITED 5.857 7.003 -16.36% 3 3 BBN BABY BUNTING GROUP LIMITED 2.813 3.183 -11.62% 3 4 VRL VILLAGE ROADSHOW LIMITED 3.978 4.343 -8.40% 4 5 EPW ERM POWER LIMITED 1.063 1.150 -7.57% 3 6 VOC VOCUS COMMUNICATIONS LIMITED 5.414 5.824 -7.04% 8 7 MTR MANTRA GROUP LIMITED 3.434 3.636 -5.56% 7 8 BKL BLACKMORES LIMITED 111.833 118.333 -5.49% 3 9 TLS TELSTRA CORPORATION LIMITED 4.819 5.024 -4.08% 8 10 MQA MACQUARIE ATLAS ROADS GROUP 5.480 5.608 -2.28% 5 Earning Forecast Positive Change Covered by > 2 Brokers Order Symbol Company New EF Previous EF Change Recs 1 STO SANTOS LIMITED 18.757 -4.432 523.22% 8 2 AQG ALACER GOLD CORP 22.659 5.626 302.76% 5 3 ILU ILUKA RESOURCES LIMITED 9.148 -7.631 219.88% 7 4 OSH OIL SEARCH LIMITED 26.558 10.060 164.00% 8 5 AWC ALUMINA LIMITED 10.492 4.575 129.33% 7 6 SXY SENEX ENERGY LIMITED -0.586 -12.934 95.47% 6 7 MQA MACQUARIE ATLAS ROADS GROUP 31.842 18.050 76.41% 5 8 VAH VIRGIN AUSTRALIA HOLDINGS LIMITED 0.758 0.486 55.97% 7 9 OGC OCEANAGOLD CORPORATION 46.028 30.200 52.41% 5 10 OZL OZ MINERALS LIMITED 55.618 37.816 47.08% 8 Negative Change Covered by > 2 Brokers Order Symbol Company New EF Previous EF Change Recs 1 EPW ERM POWER LIMITED -5.050 -2.550 -98.04% 3 2 DUE DUET GROUP 7.910 10.038 -21.20% 6 3 QUB QUBE HOLDINGS LIMITED 7.711 9.603 -19.70% 8 4 ISD ISENTIA GROUP LIMITED 14.067 17.233 -18.37% 3 5 TRS THE REJECT SHOP LIMITED 63.833 75.033 -14.93% 3 6 TEN TEN NETWORK HOLDINGS LIMITED -2.761 -2.476 -11.51% 4 7 APN APN NEWS & MEDIA LIMITED 24.228 27.154 -10.78% 5 8 VOC VOCUS COMMUNICATIONS LIMITED 30.643 34.214 -10.44% 8 9 TOX TOX FREE SOLUTIONS LIMITED 13.700 15.240 -10.10% 5 10 PTM PLATINUM ASSET MANAGEMENT LIMITED 26.550 29.450 -9.85% 4 Technical limitations

If you are reading this story through a third party distribution channel and you cannot see charts included, we apologise, but technical limitations are to blame.

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Uranium Week: Momentum Vanishes

By Greg Peel

If this year's uranium price rebound has not ended, it has certainly stalled for now. On a lack of buying interest, industry consultant TradeTech's weekly spot price indicator fell -US$2.50 last week to US$22.50/lb, following a -US$1.50 fall the week before, which was the first since a bounce off the December low.

Suddenly a price rebound of almost 50% is now only 27%.

Industry data continue to suggest utilities across the globe have no desperate need to buy more material, having been sufficiently stocked for some time. Recent buying interest from end-users has been more about taking advantage of multi-year low prices which may not last forever if supply-side curtailments continue. Sensing a long-awaited recovery, speculators did their bit to create the sharp price rebound of early 2017.

Speculators are now stuck with positions as the buyers back off again, and despite the rebound in the spot price, most operating mines across the globe continue to burn cash at these levels. TradeTech reports only three transactions concluded in the spot market last week, totalling 300,00lbs U3O8 equivalent.

There was mixed news on the demand-side front last week.

The saga of US legacy reactor shutdowns continues. As any potential support for the industry in each state must come from the state government, not the federal government, the issue of non-competitive nuclear power must be dealt with on a state by state basis.

This time it was Ohio's turn to contemplate the impact cheap gas-fired electricity is having on both nuclear and coal-fired generation. FirstEnergy will consider the sale or closure of two nuclear reactors in the state after the company reported a significant quarterly loss which included write-downs for both nuclear and coal-fired assets.

FirstEnergy has challenged the Ohio government to create "zero emission credits" to acknowledge the fact that, like renewables, operating nuclear reactors do not emit any carbon. Gas-fired plants do emit carbon, albeit less so than coal-fired.

Meanwhile over in Japan, another two reactors have satisfied new post-Fukushima safety standards, paving the way for their restart. Interestingly, Kansai Electric's Ohi units 3 and 4 are located on the Sea of Japan coast.

To date, twelve Japanese reactors have achieved safety approval level but only five have made it all the way to restart, and two of those are currently shut down for maintenance.

Kansai Electric now has to jump through the hoops of local government approval, which has so often been the stalling point for restarts given the protests of local residents. No doubt anticipating such a protest, particularly on the coast, Kansai will first construct a tsunami-proof wall to protect the reactors.

It will need to be a bit bigger than the one at Fukushima.

TradeTech's term price indicators remain unchanged at US$27.75/lb (mid) and US$35.00/lb (long).

The Short Report

Guide:

The Short Report draws upon data provided by the Australian Securities & Investment Commission (ASIC) to highlight significant weekly moves in short positions registered on stocks listed on the Australian Securities Exchange (ASX). Short positions in exchange-traded funds (ETF) and non-ordinary shares are not included. Short positions below 5% are not included in the table below but may be noted in the accompanying text if deemed significant.

Please take note of the Important Information provided at the end of this report. Percentage amounts in this report refer to percentage of ordinary shares on issue.

Stock codes highlighted in green have seen their short positions reduce in the week by an amount sufficient to move them into a lower percentage bracket. Stocks highlighted in red have seen their short positions increase in the week by an amount sufficient to move them into a higher percentage bracket. Moves in excess of one percentage point or more are discussed in the Movers & Shakers report below.

Summary:

Week ending February 23, 2017

Last week saw the ASX200 stall at the 5800 barrier and concentrate on individual stock moves in by far the busiest week of the results season. There were few big moves in short positions last week but a lot of moves less than one percentage point among stocks having reported.

The first, most notable move was that of WorleyParsons ((WOR)). The company posted a shocker which saw shorts in Worley rise to 11.4% from 10.4% to make it the fifth most shorted stock on the market. This week came the bombshell.

Dar Group has taken a 14.9% stake in the company, the timing of which, one presumes coincided with Worley's big plunge in share price post result release. Dar had previously approached Worley late last year and made a full takeover offer, which the board rejected. Why was the market not informed at the time?

I'm sure we're soon to find out, quite possibly in court.

Last week I said I'd reserve judgement on Orocobre ((ORE)), which leapt from nowhere into the 10% plus bracket, having been caught out by dubious data before. Orocobre is still in there, at 11.0%, so we must assume the move to be genuine. This week Orocobre downgraded production guidance and the share price plunged.

On the other hand, I suggested a jump to 9.5% from 6.5% shorted for Bega Cheese ((BGA)) seemed understandable on as share price rally post-result. Last week the share price pulled back a bit and then took off again, and last week Bega shorts fell back to 7.0%. It's only a small stock, so it could make sense – profits taken – but I can never be sure when it comes to ASIC data, which relies entirely on a trader's self-disclosure (albeit, under obligation).

Otherwise, we note Domino's Pizza ((DMP)) continues to rise in the ranks (poor result), suggesting the shorters are looking for more, Ardent Leisure ((AAD)) has dropped down (poor result), suggesting profits taken, Estia Health ((EHE)) has dropped down (good result), suggesting short-covering, and the same can be said for Tassal Group ((TGR)) and G8 Education ((GEM)).

No movers & shakers this week – it' all summed up above.

Weekly short positions as a percentage of market cap:

10%+

MYR 17.5 ACX 16.7 WSA 13.7 TFC 12.9 WOR 11.4 VOC 11.3 ORE 11.0 NEC 10.6 SYR 10.6 MTS 10.0

No change

9.0-9.9%

MYX Out: BGA

8.0-8.9%

MND, DMP, OFX, NWS, BAL

In: DMP Out: HSO, FLT

7.0-7.9%

FLT, NXT, DOW, RWC, IGO, MTR, GTY, PRU, HSO, BEN, BGA, SRX, ISD, EHE

In: BGA, FLT, HSO, IGO, PRU, SRX Out: DMP, ISD, EHE

6.0-6.9%

SGH, A2M, RIO, PDN, SEK, ILU, IVC, MYO, ISD, IPD, CSV, AWC

In: ISD, A2M, ILU, CSV Out: IGO, PRU, SRX, EHE, AAD, TGR

5.0-5.9%

AAD, IFL, EHE, MSB, BKL, GXL, IPH, CSR, TGR, AAC, KAR, OSH, CTD, WOW, SUL, GMA

In: AAD, EHE , TGR, BKL Out: CSV, ILU, A2M, GEM

Movers and Shakers

See above.

ASX20 Short Positions (%)

To see the full Short Report, please go to this link

IMPORTANT INFORMATION ABOUT THIS REPORT

The above information is sourced from daily reports published by the Australian Investment & Securities Commission (ASIC) and is provided by FNArena unqualified as a service to subscribers. FNArena would like to make it very clear that immediate assumptions cannot be drawn from the numbers alone.

It is wrong to assume that short percentages published by ASIC simply imply negative market positions held by fund managers or others looking to profit from a fall in respective share prices. While all or part of certain short percentages may indeed imply such, there are also a myriad of other reasons why a short position might be held which does not render that position "naked" given offsetting positions held elsewhere. Whatever balance of percentages truly is a "short" position would suggest there are negative views on a stock held by some in the market and also would suggest that were the news flow on that stock to turn suddenly positive, "short covering" may spark a short, sharp rally in that share price. However short positions held as an offset against another position may prove merely benign.

Often large short positions can be attributable to a listed hybrid security on the same stock where traders look to "strip out" the option value of the hybrid with offsetting listed option and stock positions. Short positions may form part of a short stock portfolio offsetting a long share price index (SPI) futures portfolio – a popular trade which seeks to exploit windows of opportunity when the SPI price trades at an overextended discount to fair value. Short positions may be held as a hedge by a broking house providing dividend reinvestment plan (DRP) underwriting services or other similar services. Short positions will occasionally need to be adopted by market makers in listed equity exchange traded fund products (EFT). All of the above are just some of the reasons why a short position may be held in a stock but can be considered benign in share price direction terms due to offsets.

Market makers in stock and stock index options will also hedge their portfolios using short positions where necessary. These delta hedges often form the other side of a client's long stock-long put option protection trade, or perhaps long stock-short call option ("buy-write") position. In a clear example of how published short percentages can be misleading, an options market maker may hold a short position below the implied delta hedge level and that actually implies a "long" position in that stock.

Another popular trading strategy is that of "pairs trading" in which one stock is held short against a long position in another stock. Such positions look to exploit perceived imbalances in the valuations of two stocks and imply a "net neutral" market position.

Aside from all the above reasons as to why it would be a potential misconception to draw simply conclusions on short percentages, there are even wider issues to consider. ASIC itself will admit that short position data is not an exact science given the onus on market participants to declare to their broker when positions truly are "short". Without any suggestion of deceit, there are always participants who are ignorant of the regulations. Discrepancies can also arise when short positions are held by a large investment banking operation offering multiple stock market services as well as proprietary trading activities. Such activity can introduce the possibility of either non-counting or double-counting when custodians are involved and beneficial ownership issues become unclear.

Finally, a simple fact is that the Australian Securities Exchange also keeps its own register of short positions. The figures provided by ASIC and by the ASX at any point do not necessarily correlate.

FNArena has offered this qualified explanation of the vagaries of short stock positions as a warning to subscribers not to jump to any conclusions or to make investment decisions based solely on these unqualified numbers. FNArena strongly suggests investors seek advice from their stock broker or financial adviser before acting upon any of the information provided herein.

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The Wrap: China, Telcos, Penalty Rates, A-REITs

Weekly Broker Wrap: Chinese policy; Superloop; telco mobile subscribers; penalty rates judgment; and A-REITs outlook.

-China's government expected to downplay official targets for growth and inflation -Superloop readying to monetise its assets -Mobile subscriber rates accelerating -Penalty rates decision beneficiaries likely to be JBH, MYR and WES -Operating fundamentals and capital positions strong for A-REITs

By Eva Brocklehurst

China

ANZ Bank analysis notes that structural reforms are now a priority of government policy in China. This message is expected to be reinforced at the country's National People's Congress meeting on March 5. The analysts expect the government to embrace a risk management attitude and downplay the importance of official targets on growth and inflation. The analysts also believe the government has attempted to prevent a financial bubble and strong credit growth is not welcome.

The Chinese economy has become more market-driven and its performance is relatively insensitive to global and domestic events. Adopting targets for growth can introduce some flexibility but allow policy makers to adjust actions accordingly and the ANZ analysts expect the headline growth target range to be widened to 6.0-7.0%.

Meanwhile, monetary policy appears to have reached its limit in boosting real economic growth. The analysts believe policy makers should also question the effectiveness of monetary policy in serving the real economy. Credit extended to financial institutions now represents 25% of bank total assets versus 12% in 2017. Financial services contributed 8.3% to GDP in 2016 compared with just 4.5% a decade ago.

The analysts believe a key item to watch will be the official target for M2 money supply. Last year, targets were set at 13% for both M2 and TSF (social financing). With nominal GDP growth of just 8%, an expansion of TSF by 12.8% has exaggerated the credit burden. Therefore, lowering the M2 and TSF targets to 11-12% should confirm the government's intention to taper this in 2017

The analysts believe such action would be seen as monetary policy tightening and likely to trigger some liquidity concerns in the interbank market, with a sell-off in the rates markets.

Superloop

Superloop ((SLC)) has completed core parts of its initial roll-out of its regional network. In Hong Kong it has built a 110 km fibre-optic network that has connected 30 strategic sites. In Singapore, the network reaches over 30 key buildings, giving the business access to over 1000 enterprises. The company has signed a deal with Vocus Communications ((VOC)) for international, inter-capital, regional ethernet access and metropolitan fibre capacity in Australia, valued in excess of $20m over 15 years.

Brokers observe, given the progress, the company can now shift to monetising its assets. Hence, Superloop has been scaling up its sales teams. Brokers also note the company is achieving synergy targets from its BigAir acquisition.

Morgans is impressed with the network coverage in Australia, Singapore and Hong Kong and the unique value proposition. The company is the only owner/operator of telecommunications and digital services. Looking forward, sales execution is the next area of focus.

The stock trades at a premium to telecommunications peers and, in the broker's view, to justify this it needs to grow at a faster rate. On current forecasts this remains the case, but Morgans requires evidence that the sales strategy is working. Hence, a Hold rating. Target is $2.74. The main upside and downside risk for the stock relates to the rate of sales.

Telecommunications

Total telecommunications mobile subscriptions increased by 2.4% in the first half of FY17, to 31.2m. UBS notes mobile is Telstra's ((TLS)) largest individual segment, generating 42% of FY16 operating earnings (EBITDA). While market share has come under pressure in the first half, particularly in post-paid, where Optus took share in the first half, the company did manage to grow its overall subscriber base.

The next catalysts are the outcome of the company's capital allocation review and the regional mobile review conducted by the consumer regulator, the ACCC. The broker estimates for the half-year to December 2016, total mobile industry subscribers lifted around 560,000. This represents an acceleration on recent industry trends. The broker concludes from headline data, that mobile subscriber share now sits at 49.5% for Telstra, 31.9% for Optus and 18.6% for Vodafone.

Net additions were much stronger than Ord Minnett expected at both Optus and Telstra, while Optus is observed taking a greater share of post-paid mobile as a result of its EPL exclusivity. Ord Minnett observes amaysim ((AYS)) intends to launch its own NBN offering in the next 90 days, although does not plan to be a price disruptor as an NBN retail service provider.

Shaw and Partners believes Telstra will struggle to grow its core business, given the $2-3bn hit from the NBN. TPG Telecom ((TPM)) is expected to be driven by moves into mobile and spectrum auction, while Vocus appears to have stabilised, although the broker believes it needs to address operating cash flow and a stretched balance sheet.

Penalty Rates

The Australian Fair Work Commission has brought down a judgment to reduce penalty rates. The implications for the retail industry are that Sunday penalty rates will be reduced to time-and-a-half from double-time. Base wage and public holiday loading rates are reduced to double-time-and-a-quarter from double-time-and-a-half.

Citi observes the impact on retailers is varied. Some have lower-than-award Sunday rates in enterprise agreements. The broker expects the biggest beneficiaries will be JB Hi-Fi ((JBH)) and Myer ((MYR)). There is also a meaningful benefit for Wesfarmers ((WES)).

Retailers will probably add additional staff on Sunday as a result and may pass some of the gains back through lower prices. The Fair Work Commission is currently seeking submissions on implementation. A provisional judgment has suggested instalments commencing from July 1, 2017. Changes to public holiday rates will take effect from July 1, 2017. Hence, the broker observes the likely impact is in FY18 and FY19.

A-REITs

Shaw and Partners forecasts total shareholder returns of 9.3% over the 12 months for the Australian real estate investment trust sector on a weighted average basis. The distribution yield spread over bonds is 2.2% on the same basis. The broker believes the sector, clearly, remains an attractive investment proposition relative to cash.

Overall, operating fundamentals appear healthy and capital positions strong. Sector gearing has trended lower to around 27.7% from 28.8% last June, in part from asset revaluation gains but also because of asset sales.

The broker's main real estate Buy ideas are Centuria Capital ((CNI)), Gateway Lifestyle ((GTY)), Lend Lease ((LLC)) and Mirvac ((MGR)). Within the pure A-REIT sector the broker also has a Buy rating on Abacus Property ((ABP)) and Centuria Metropolitan ((CMA)). While retaining a Hold rating for Vicinity Centres ((VCX)), the broker notes the stock is looking increasingly compelling. On a relative basis, Dexus ((DXS)) and Folkestone Education ((FET)) are screening expensive.

Opportunity Knocking For TFS Corp

Indian sandalwood producer TFS Corp is moving its focus to sales of its product and brokers laud the opportunity ahead.

-Prices received materially higher than previously expected -Efforts being rewarded for diversifying end markets -Strong competitive advantage should deliver high returns

By Eva Brocklehurst

Indian sandalwood producer TFS Corp ((TFC)) is starting to make significant headway in sales of its product and has embarked on a substantial ramp-up of harvest volumes. The company is in transition from a pure plantation manager to a product sales company. This transition means the company will be re-branded Quintis.

Canaccord Genuity observes TFS Corp is beginning to monetise its asset base at prices that are materially higher than previously expected. The broker calculates that on current heartwood yield expectations and current prices, each hectare is generating marginal revenue that well exceeds its marginal cost and investors' cost of capital. An oil price of just US$1,000/kg is required to generate a 10% pre-tax return on capital.

UBS forecasts a long-term oil-equivalent price of US$2,800/kg, versus current contracts at around US$4,500/kg on relatively low production. There is enormous risk around potential pricing, the broker highlights, after volumes ramp up in FY22, but the company is expected to have a significant time advantage over competing production.

Management has reiterated FY17 guidance for cash operating earnings (EBITDA) to increase by at least 25% on FY16 levels. The first half was the strongest on record, with plantation sales increasing 32% and providing a solid base for the seasonally high second half sales period.

As the company proves up the commodity price with long-term supply agreements, and there is more transparency on the scale of the market, Canaccord Genuity expects a sales process for the company's products to appeal to the larger investment community The broker, not one of the eight monitored daily on the FNArena database, has a Buy rating and $3.38 target.

FY17 total product sales are expected to be in the range of $45-55m, a slight reduction on prior guidance of at least $60m. The difference is explained by lower Australian sandalwood product sales following market disruption associated with the delay to finalising a new 10-year supply contract with the Western Australian government.

There was also some deferral of Indian sandalwood product sales to the company's Middle Eastern counterpart because of complexities with the first timber exported to the region. This issue is now resolved and the group delivered heartwood to the customer in February.

Pharmaceutical Potential

Argonaut notes product sales are ramping up and demand for plantation investment products is strong, while the company's pharmaceutical business is progressing its trials, with four products in phase 2 and one potentially entering phase 3 in 2017.

The broker observes the company has put significant effort into identifying and widening its end-markets for wood and oil. The pharmaceutical market is a case in point and success is expected to not only deepen the market for Indian sandalwood but provide a significant value uplift to the company.

UBS believes pharmaceutical demand will be significant by the time production increases in FY22, although the channel is unproven. Indian Sandalwood has been shown to have anti-bacterial and anti-inflammatory properties and is currently used in acne treatments.

Argonaut notes earnings are typically heavily weighted towards a second half and a strong end is expected to the financial year. Despite a positive trend in product sales the broker pulls back earnings forecasts, partly due to the disruption previously mentioned.

In addition, the sale of wood products, as opposed to oil, has challenges associated with much higher volumes, quarantine requirements and regulations and this has hindered early sales. The broker, not one of the eight monitored daily on the database, has a Buy rating and $3.30 target.

Moelis considers TFS Corp a compelling investment opportunity, with a durable competitive advantage that should deliver high returns on capital. With the expansion of end markets and a considerable ramp-up in harvest volumes the broker believes the company is well placed. Moelis, not one of the eight monitored on the database, also has a Buy rating and a $3.18 target.

The business remains a global leader in the production of Indian sandalwood with a quasi monopoly and high barriers to entry. More detail was forthcoming from the company on the options for the Santalis subsidiary, including contemplating realisation of value via either an IPO or trade sale.

UBS notes the structure the company is exploring entails retaining 50-60% ownership but providing a funding model for trials. If the company is successful in unlocking value from Santalis, the broker expects it to be accretive to valuation. UBS retains a Buy rating and $3.20 target.

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Outlook Promising As SpeedCast Revs Up

Growth in market share and industry consolidation opportunities underpin broker confidence in remote communications provider SpeedCast International.

-Organic growth in 2016 via taking market share -Acquisitions being integrated successfully so far -Harris CapRock merger creates largest player globally

By Eva Brocklehurst

Remote communications provider SpeedCast International ((SDA)) re-charged its batteries in 2016, making acquisitions and expanding its market share. Brokers believe underlying demand for remote communications will continue to grow strongly and this feature, plus industry consolidation opportunities, underpins confidence in the stock.

The company's 2016 results were messy, as expected, with a number of one-offs centring on acquisitions, integration and currencies. Most importantly, Morgans contends, operating cash flow was up 51% and free cash flow was up 33%. The company failed to hit its 10% organic growth target but still reported organic growth. The fact that growth was obtained by taking market share is a positive, in the broker's opinion, especially in the light of macro conditions.

At this point in time, Morgans believes organic growth will be limited. The main catalyst for a re-rating of the stock is the integration of current acquisitions and delivering a couple of clean results, free of one-offs. While not forecasting a recovery in the company's energy segment in 2017, Morgans believes investors are getting a free option on an eventual recovery.

The uncertainty for investors in SpeedCast, in the broker's view, centres on operating risks relating to the integration of acquisitions as well as the paying down of debt and creating surplus free cash flow. To date, a number of acquisitions have successfully been integrated and have delivered value for shareholders. Failure to successfully integrate new acquisitions, or to realise synergies and economies of scale, could result in disappointment, the broker suggests.

UBS believes the best way to estimate the 2017 earnings profile is from the bottom up, and using the second half of 2016 as a guide. The broker's calculations suggest an operational earnings (EBITDA) outcome of around $125m, even without organic growth or additional contributions from new contracts.

The enterprise and emerging markets division is expected to grow strongly in FY17, driven by cellular backhaul, new products and government contracts. Management noted the pipeline of contract opportunities has grown. Acquisitions made during 2016 contributed a combined $24.7m to revenue for that year.

Despite the stretched balance sheet and near-term headwinds in energy-related markets, Credit Suisse considers the stock inexpensive because of the longer-term growth potential and multiple drivers of incremental upside.

The growth outlook is expected to improve throughout 2017 because of a stabilising of the energy market and the company has noted sentiment has improved in recent months. The company should also benefit from greater exposure to the higher growth segment in the maritime sector, the broker suggests.

Harris CapRock

The company acquired Harris CapRock on January 1 and notes that $9m of the planned $50m in synergies has already been achieved. Harris CapRock revenue fell to US$315m in 2016 from US$420m in 2015 because of the downturn in the oil and gas industry and contract losses, including some to SpeedCast. Macquarie expects revenue to fall a further -5% on an underlying basis in 2017.

Nevertheless, this merger is expected to create the largest player globally in the maritime and energy sector and Harris CapRock remains key to the broker's forecasts in 2017.

The Harris CapRock transaction settled a few months earlier than Morgans expected and the acquisition is considered well placed to deliver pro forma EBITDA of US$76m in SpeedCast's hands, assuming no growth or decline in the core base.

Prior to selling Harris CapRock the vendors, Harris Corp, had returned the business to profitability after a number of tough years. Morgans believes SpeedCast acquired the assets at an attractive price at the bottom of the earnings cycle.

The assets were acquired for US$425m after earnings had declined substantially and Morgans believes there is significant medium-term cyclical upside, although this is not priced into forecasts. A material increase in earnings is not needed for the asset to create value for shareholders, although the broker suggests it would be nice.

There are four Buy ratings on FNArena's database. The consensus target is $4.36, suggesting 21.2% upside to the last share price. Targets range from $3.80 (UBS) to $4.83 (Macquarie).

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ASX200: Failure At The Peak

By Craig Parker, asset manager, Moat Capital

It seems the 5800 level I mentioned to look out for last week is now the technical breather point for our market. We will be looking for some form of consolidation between the 5800 and the 5600 level before making another run for the 6000 level. We now cannot say that our market is in a short-term uptrend with the latest peak not able to break higher than the previous peak at the 5800 level. The next level of support is around the 5600 level where the previous trough bottomed out on the daily chart. This level should provide a re-entry point with a breakout to the upside.

Headwinds our market is up against are high Iron Ore prices and talk of the price being overinflated. Technically it is overbought on the weekly and has bearish RSI divergence. Not great signs for further price rises and considering the Iron Ore stocks such as BHP are very weighty on the indexes our market will likely follow tune if they fall further. The Iron Ore price could correct to around the 80 mark which could provide some technical support.

Another negative factor is the US market (S&P 500) being technically overbought and in fact hasn't been this technically overbought on the daily RSI for over 5 years. A correction here will place further downward pressure on our market. Also, Gold has rallied and is technically looking strong having recently broken through the 1240 resistance barrier which is generally not the best sign for equities markets – unless you are investing in gold stocks. Gold is getting close to the 200-day moving average which might provide some resistance and has had some bearish divergence on the daily RSI.

Let's see what the Donald has to say about tax policy next week. He might need to say something special as the markets are looking a little nervous. Once his initial affect runs its course then we could be in for some serious volatility. All in all, an interesting couple of weeks ahead.

ASX200 daily

Iron ore weekly

S&P500

Spot gold USD

Authorised Representative Sentinel Private Wealth AFSL 344762

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February Reports: Ultimate Polarisation

In this week's Weekly Insights:

-February Reports: Ultimate Polarisation -Investor Sentiment On A High -If History Repeats: The Jan-Feb Signal -A New Website - The Sequel -Who's Afraid Of The Big Bad Bear? -All-Weather Model Portfolio -Rudi On TV -Rudi On Tour

February Reports: Ultimate Polarisation

By Rudi Filapek-Vandyck, Editor FNArena

The quickest way to put a serious dent in one's investment performance is through buying shares in smaller cap industrial stocks, or so it appears.

Only one year ago disappointing financial performances followed by a decent share market shellacking were still the prerogative of mining and energy companies. Smaller cap industrials were soaking up the limelight with solid growth numbers and an oozing confidence to keep investors on board.

Seldom has the contrast in operational momentum between the two switched so markedly. February 2017 has become the corporate reporting season that allowed resources stocks to rise above the field, carried by elevated commodity prices on top of stringent cost control and accelerated debt reductions.

Shareholder dividends in Australia are firmly on their way to a new record high by mid year, and this year's boost is coming from swelling cash piles among the likes of Rio Rinto ((RIO)), BHP Billiton ((BHP)), Fortescue Metals ((FMG)), South32 ((S32)), and many others.

The swift turnaround for resources companies has been accompanied by better results for Big Banks, and for large, Blue Chip stocks in general.

Which makes it rather remarkable that smaller cap industrials, the Champions from 2015 and the first half of 2016, have quickly become the Killing Fields for many an investor's unfounded hope and misguided expectations. Land mines and booby traps. There were so many around this season, I'd have to hire a dedicated team to keep track of them all (see further below).

Contrarian Good News Stories

Good news stories a-plenty this February, in particular among resources companies for which debt and balance sheet stresses disappeared alongside higher-for-longer commodity prices. But most of it had been widely anticipated. After all, most commodity prices are public knowledge, and available daily. Share prices are no longer dirt cheap, so we need to see a pick-up in general sentiment for BHP Billiton shares to have a genuine crack at $30, but that's what is missing from global markets right now.

The banks did an overall good job in dismissing speculation about the need for additional capital and/or dividend cuts, assisted by extremely low debt defaults. But major bank shares already are trading above consensus price targets.

Hence most of the positive surprises this month came from companies such as CSL ((CSL)), ResMed ((RMD)), Carsales ((CAR)), Amcor ((AMC)), Link Administration ((LNK)), NextDC ((NXT)), Melbourne IT ((MLB)), and WiseTech Global ((WTC)). Their share prices had fallen out of favour and off most investors' radar as large cap banks and resources stocks continued their strong come-back in the second half of last year. This month's financial results proved those absent investors wrong and quick corrections to the upside ensued. We can add Aristocrat Leisure ((ALL)) to this list too.

Meanwhile, while nobody's paying attention, former yield-driven high flyers such as Goodman Group ((GMG)) and Transurban ((TCL)) are establishing a quiet come-back on the back of solid financial performances, and falling bond yields.

The Bear Is Hiding Among Smaller Cap Industrials

Investing under challenging circumstances often turns into a loser's game. No longer are share market returns determined by the profitable investment decisions made, rather they become beholden to the disappointments, the misses, the public punishments and the free fall in share prices that occur instantly.

On Monday, Slater & Gordon's ((SGH)) share price fell yet another -21.88% but general widespread interest in the shares evaporated long time ago. Far more damage will have been caused by the likes of GBST Holdings ((GBT)), Ardent Leisure ((AAD)), iSentia ((ISD)), Village Roadshow ((VRL)), Aconex ((ACX)), RCG Corp ((RCG)), and others. Not to mention larger cap disappointments from Telstra ((TLS)), Magellan Financial ((MFG)), and from Brambles ((BXB)).

In line with past experiences, February 2017 provided ongoing evidence that once a company is gripped inside a bad news cycle, it is not easy to shake off the past and start a new beginning. Probably the most anticipated disappointment this month came from Flight Centre ((FLT)) which released its fifth downgrade in three years, while competitors Webjet ((WEB)) and Corporate Travel ((CTD)) continue to confound the critics and doubters.

Village Roadshow too is building a rather miserable track record, as is CSG Ltd ((CSV)), and OFX Group ((OFX)), and Godfreys ((GFY)), and possibly Blackmores ((BKL)). Looking over the field of casualties, one cannot but reflect back on what has happened to the many growth narratives that inspired many an investor in the years past. The Chinese dining boom. The ageing population. The Chinese tourism boom. From Bellamy's ((BAL)), to Capilano Honey ((CZZ)), to Japara Healthcare ((JHC)), to Mantra Group ((MTR)); many an investor who bought into what seemed like a sustainable growth story, and stuck with the narrative, is post February left licking his wounds.

Below is the share price graph of Mantra Group from the past twelve months. It clearly shows a share price that, through ups and downs, is trending from near the top on the left towards the bottom on the right. Not exactly the underpinnings of a raging bull market. The sad observation is many of ASX-listed smaller cap industrials are showing a similar looking price chart.

Other observations that deserve to be highlighted:

-retail remains a heavily polarised experience; few Champions among many battlers; Nick Scali ((NCK)) keeps breaking all the records

-the legal profession continues to disappoint, including Slater & Gordon, Shine ((SHJ)), IPH Ltd ((IPH)), Xenith IP ((XIP)) and Quantm IP ((QIP))

-competition is fierce, and intensifying, inside the telecommunication sector

-Resources might have become the new defensives, the sector never is fully free from operational risks, including at Doray Minerals ((DRM)), Iluka Resources ((ILU)), WorleyParsons ((WOR)), and others.

Note balance sheet weakness has now become a major focal point for investors at WorleyParsons and Village Roadshow. Capital raisings and asset sales should be expected.

Moderately Below Forecasts

As far as corporate profits are concerned, February 2017 has likely been the best interim update since 2010. Usually analysts' expectations are higher coming into reporting season than they come out of it, but this year the skew was towards increasing forecasts, not reducing them.

Assuming no disasters between now and August, FY17 might well be en route to becoming Australia's strongest growth performance post GFC. This year can possibly beat FY11, the last time resources companies enjoyed an outburst in positivism.

Behind those general statistics, however, hides the ugly truth that outside the resources sector, things remain shaky and unpredictable. No room for complacency, as proven by the numerous disasters among smaller cap industrials. The February reporting season is not yet officially finished, so we don't have as yet have final numbers to crunch. But as things seem to be lining up in these final days, earnings beats and misses seem close to FNArena's calculations at the end of the February reporting season in 2015.

Back then, we registered 36% corporate releases beating expectations, while 26% missed market expectations. These numbers each are near the highest in the history of our analysis starting post August 2013. It doesn't take much to see both extremes as yet more evidence of a heavily polarised share market. Key difference: two years ago smaller cap industrials were the shining beacon in a macro-driven, over-enthusiastic local share market. This time around, smaller cap industrials represent a true boulevard of broken dreams and lost opportunities.

The most used expression in February's stockbroker research reports was "moderately below expectations", and various variations on the theme. One given day I opened one broker's daily overview to find that same sentence prominently in the first half a dozen or so assessments inside the report.

There have been many of such "moderately below expectations" corporate releases this month, but investors did not treat all of them equally. Iress' ((IRE)) share price catapulted higher post the release of a slight miss, but there was no such generous treatment for the likes of Hansen Technologies ((HSN)), Bapcor ((BAP)), Altium ((ALU)), ARB Corp ((ARB)), Baby Bunting ((BBN)), or Magellan Financial.

Here awaits potential opportunity for investors daring to go against the grain.

Also, preliminary calculations suggest this month's average increase in stockbroker price targets for companies having reported might be amongst the most tepid recorded since August 2013. This is not necessarily a reliable signal for further share market upside as behind all calculated averages hides a seldom witnessed polarisation in corporate profits and share price momentum.

Special mentioning: the operational leverage inside slimmed down BlueScope Steel ((BSL)) is simply phenomenal.

More Revenues, Less Spending

Analysts at Credit Suisse make the observation that, overall, corporate Australia is guiding towards higher revenues, while at the same time promising to keep a lid on spending. It appears a general scepticism towards sustainability of elevated commodity prices and ongoing desire to please shareholders is outweighing pleadings from the likes of PM Malcolm Turnbull and RBA governor Phillip Lowe to finally embark on a large corporate spending spree.

My personal take on this remains that businesses shall remain reluctant to spend until they experience a genuine, sustainable pick up in demand. Average wage growth remains dismal. House prices may not provide a favourable background for much longer. Investors should note, however, the combination of more revenues and restrained spending is the main reason why Credit Suisse expects the ASX200 to reach 6000 by year-end.

Corporate Australia's frugal attitude towards business spending is, of course, feeding into a record high dividend payout by mid-year, and possibly beyond.

Special note: stronger sales and weaker capex hasn't happened in over ten years in Australia, according to Credit Suisse.

Equally worth noting: most of upgrades to profit estimates are happening among large cap stocks, not necessarily confined to resources only. Commodities analysts have to date not accounted for any growth post FY17.

The latter will be the background battle to determine whether/when exactly resources stocks share prices can look forward towards the next upswing. Is there a follow-up chapter to the present buoyancy, or will it simply remain a temporary phenomenon?

Investor Sentiment On A High

US equity indices are holding up remarkably well as we approach the end of February, but volumes have been dwindling, making a few analysts and commentators nervous about what might follow next.

Share market volumes are not always a reliable signal, but adding to the general discomfort is the fact market indicators, such as CNN's Fear and Greed Index, are back in euphoric territory. This suggests elevated investor confidence, some call it complacency, and thus an increased risk for some kind of a correction to the downside.

Time to take another look at our very own market sentiment indicator here at FNArena. The signal consists of comparing share prices for the Big Four Banks with where consensus price targets are at. As long as there are no specific bank related problems around, this signal tends to provide highly dependable, and consistent, reads on local market sentiment and confidence.

I don't think it'll surprise anyone that our very own market indicator equally suggests market sentiment looks elevated. All Big Four share prices are trading above consensus target and recent market updates either had no impact on analysts' price targets/valuations, or not enough to push up price targets above where share prices are trading.

History suggests this is not the time to start accumulating shares in the Big Four Banks. It usually means that if those elevated share prices retreat, they'll likely drag the rest of the market with them. It does by no means imply the market is heading for a cliff.

Elevated share prices simply means the odds are moving in favour of downside risks. All we have to work out from here onwards is the exact timing and how far exactly bullish sentiment will allow share prices to fall?

Paid subscribers can check share prices and consensus targets via the FNArena website. See Stock Analysis and The Icarus Signal.

If History Repeats: The Jan-Feb Signal

Analysts at Bespoke in the US have a knack for churning out historical data that often underpin the market's optimistic bias. Their latest finding is no exception.

It appears 2017 is the 28th year post 1945 wherein US equities posted positive returns for both January and February. In the 27 preceding years, reports Bespoke, the S&P 500 gained an average of 19.9%. For the March through year-end period the S&P 500 averaged a gain of 12.4% with positive returns 25 out of 27 times.

History doesn't necessarily repeat itself, and there were two exceptions, but who's going to question the strength in the market's narrative for the year?

A New Website - The Sequel

"The more time I spend on the new FNArena website, the more I like it."

We very much welcome this sort of feedback. It has been arriving in our inbox via multiple messages in the days past.

Of course, we know there are still a few niggling technical flaws, and we are working on resolving those.

Alas, not everyone is blessed with a natural urge to explore, and neither does a busy work schedule facilitate a lot of spare time to look for additional treasures on the newly launched FNArena website. Which is why we are turning the launch of the new website into a sequel the coming weeks.

So stay tuned for more tips and insights about what else is there, waiting to be discovered...

Who's Afraid Of The Big Bad Bear?

Market speculation is rife about when exactly giant international retail disruptor Amazon will be opening its doors in Australia, so to speak, and what kind of impact, devastating or not, this might have on the likes of Harvey Norman ((HVN)), RCG Corp ((RCG)), Premier Investments ((PMV)), and others.

But every Internet shopper in Australia already knows there is a dot com dot au Amazon market place where products can already be purchased in exchange for local dollars. Differences with the US-based Amazon website remain prominent, however. This also includes the availability of my latest book, Who's Afraid Of The Big Bad Bear?

The Australian Amazon allows the purchase of eBook version only, while foreign Amazon websites also offer the paperback version. It's an antiquated legal thing, originally meant to protect local content.

Paying subscribers should note a free copy in pdf is included in 6 and 12 months subscriptions. Look up "Special Reports" on the brand new FNArena website, where you'll also find prior publications, as well as PowerPoint slides of my on-stage presentations.

All-Weather Model Portfolio

In partnership with Queensland based Vested Equities, FNArena manages an All-Weather Model Portfolio based upon my post-GFC research. The idea is to offer diversification away from banks and resources stocks which are so dominant in Australia, while also providing ongoing real time evidence into the validity of my research into All-Weather Performers.

This All-Weather Model Portfolio is available through Self-Managed Accounts (SMAs) on the Praemium platform. For more info: info@fnarena.com

Rudi On TV

This week my appearances on the Sky Business channel are scheduled as follows:

- Tuesday around 11.15am, Skype-link to discuss broker calls - Wednesday, 8-9pm, hosting Your Money, Your Call Equities - Thursday, 12.30-2.30pm - Friday around 11.05am, Skype-link to discuss broker calls

Rudi On Tour

Your Editor has been invited to present at the Australian Shareholders Association's (ASA) 2017 Securing Your

Investing Future Conference to be held at the Grand Hyatt Melbourne from 15-16 May.

The conference details - www.australianshareholders.com.au/conference-2017

Speaker information - www.australianshareholders.com.au/speakers

Program information - www.australianshareholders.com.au/program

Those who register before 31 March 2017 will receive $70 off the registration fee. Telephone: 1300 368 448

(This story was written on Monday 27th February 2016. It was published on the day in the form of an email to paying subscribers at FNArena).

(Do note that, in line with all my analyses, appearances and presentations, all of the above names and calculations are provided for educational purposes only. Investors should always consult with their licensed investment advisor first, before making any decisions. All views are mine and not by association FNArena's - see disclaimer on the website.

In addition, since FNArena runs a Model Portfolio based upon my research on All-Weather Performers it is more than likely that stocks mentioned are included in this Model Portfolio. For all questions about this: info@fnarena.com or via the direct messaging system on the website).

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