WEEK 36

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Friday, 4 September 2020

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AUSTRALIA

Growth Returns To The Fore For Costa Group

Growth is returning to the fore for Costa Group as the weather gods smile favourably on a range of horticultural produce.

-2021 to benefit from non-recurrence of one-off costs
-Morocco, China expected to drive growth in 2021
-Initiatives expected to keep yield and fruit quality ahead of historical levels

By Eva Brocklehurst

Water availability and poor cropping conditions are now behind Costa Group ((CGC)), and the business appears primed for a strong second half in 2020. International earnings have recovered while gearing has improved as well.

The market has rewarded the better outlook, Macquarie observes, although several external variables continue to have an impact. These include pandemic-related costs and the lingering impacts of drought in terms of fruit size and yields.

Still, 2021 should benefit from the non-recurrence of $34m in one-off costs, and the broker acknowledges seasonal conditions in Australia have improved substantially. Costa Group has water security across all sites in 2020 and has doubled its capacity for water at Corindi where dams are now 93% full.

Goldman Sachs considers the citrus division is still somewhat weak and the second half is likely to show a smaller contribution compared with the second half of 2019. Quality has been below original expectations as a result of hail damage in late 2019. The broker also points out **securing seasonal labour remains a challenge because of the problems related to international and state border closures**.

Going forward the citrus crop is likely to be much better and Morgans suggests this could mean prior 2020 guidance can be achieved, although guidance was not reinstated. The broker expects 2021 will be a much stronger year for the company, with the usual caveats that devastating bushfires are not repeated and the weather outlook remains favourable.

Additionally, Morgans points out 2021 is an "on-year" for the citrus crop and demand/pricing has been strong, while there will be a full 12 months of capacity expansion at Monarto (mushrooms). Macquarie flags strong consumer demand and good yield & quality in mushrooms.

Further plantings are being made in Morocco (berries) and the avocado footprint is maturing. Costa Group will now be the largest grower and marketer of avocados in Australia and is on track to reach 2m trays of its own production over the next four years.

Growth Expenditure

Growth capital expenditure has fallen this year and is expected to reduce further in 2021. Morgans envisages scope for operating leverage to return in 2021 and understands the operating earnings return hurdles of 20% are unchanged.

The balance sheet has improved after the capital raising in 2019 and Citi observes an adequate return on the capital expenditure and a fading expenditure profile over the next three years. Wilsons assesses further expenditure on growth would also present upside to existing forecasts, noting the balance sheet is now in a position to accommodate such plans.

Growth is returning to the fore for Costa Group, Credit Suisse agrees, as the weather becomes more benign. **The second half will largely be underpinned by the rest of the citrus harvest, mushrooms and Australia's main berry season, as well as tomatoes.**

Most of the remaining production is undercover and mostly protected from weather risk. Rain has helped and water infrastructure has been completed. Moreover, output pricing is firm.

The stock should re-rate as earnings momentum improves over the next year, although Citi expects a partial reversal in margins in 2021, highlighting it is not practical to assume perfect weather continues. UBS highlights increasing consumption of food at home has meant stronger demand for grocery items and this underpins an improved earnings outlook.

International

Driving growth in 2021 are Morocco and China in terms of expansion of berry acreage, as well as the Australian berry premiumisation and increased output of mushrooms.

International was the highlight for Macquarie in the first half. There was a more normal season in Morocco, which exhibited earnings growth potential, and revenue increased 130% in China as acreage expanded.

Citi anticipates the company's initiatives should keep yield and fruit quality ahead of historical levels and forecasts long-term margins of 35% in the international segment. There was no update on the plans for additional acreage in China or Morocco but the broker expects Costa Group will grow sales faster in China which is a higher margin region.

Goldman Sachs, not one of the seven stockbrokers monitored daily on the FNArena database, has a Neutral rating and $3.45 target, believing growth is largely factored into the current share price, while Wilsons, also not one of the seven, has an Overweight rating and $3.67 target.

The database has four Buy ratings and one Hold (Macquarie). The consensus target is $3.63, suggesting 6.6% upside to the last share price.

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AUSTRALIA

Demand Running Apace At NextDC

NextDC is one of the few businesses benefiting from accelerated demand resulting from the pandemic, although the longer-term outlook is also robust.

-Spike in activity triggers plans to upgrade M2 data centre
-Unique offering of earnings resilience and growth
-Refinancing of unsecured notes the next key event

By Eva Brocklehurst

NextDC ((NXT)) has a problem. A good problem, in that the company is hard pressed to keep up with demand for space at its data centres. Brokers suggest NextDC is one of the few businesses benefiting from accelerated demand stemming from the pandemic. NextDC experienced a record number of contract gains in Melbourne over FY20.

Historically, Melbourne was a much slower investment in terms of hyper-scale but a recent uptick in activity has triggered plans to upgrade M2 and, along with the start of the M3 development, this is a welcome sign.

Ord Minnett points out some of the latest contracts include options which could lead to an early commitment for third-generation data centres. The broker upgrades to Accumulate from Hold, adding M3 to its longer-term forecasts.

Canaccord Genuity agrees NextDC is among those business that are thriving in the current environment because of the demand for cloud services. This is not so much in evidence in the FY20 results but rather in the number of contracts that have been announced to the last six months.

Morgan Stanley considers the issue facing the company is one of internal capacity rather than either demand or capital. Demand has scaled up fast industry-wide and NextDC has credibility as a top supplier, taking market share. Still, the broker envisages **a risk that NextDC may run out in S2 and M2 before the new data centres**

go live.

Goldman Sachs points out trends for revenue are constructive with FY21 revenue of $242-250m anticipated. However yields declined -4% in FY20 as a result of faster ramping up of lower-price hyper-scale S2 contracts and the timing of early stage hyper-scale deployment.

UBS assesses the recent re-rating is warranted and points out NextDC is one of the few companies setting guidance in the current environment, targeting 20-24% operating earnings growth. The main negative, and the broker's view, is that smaller sites such as C1 (Canberra) and P1 (Perth) are taking longer to fill, but this remains immaterial relative to the growth coming out of Sydney and Melbourne.

Morgans also upgrades, to Add from Hold. The broker points out there are not too many businesses that have a combination of earnings resilience and growth. One question being pondered is whether there is a short-term spike in cloud demand because of remote working or whether the working world has permanently changed.

The broker is betting on the latter. Catalysts relate to the potential for more material contracts in the pipeline and the major debt refinancing event before Christmas.

Debt

The company will shortly make a commitment to refinance a significant amount of debt to fund its capital program that is likely to accelerate now the M3 land has been acquired. An announcement is expected ahead of the redemption of floating notes in December.

Every megawatt of incremental capacity requires $8-10m in fit-out expenditure, which excludes building expenditure. The main issue, therefore, Morgan Stanley asserts, is how growth will be funded going forward. Hence, the broker finds the renegotiation of debt facilities, or an expansion, a major positive.

Canaccord Genuity also expects the refinancing of unsecured notes III could be the next key event. At 6.25% the interest payable on these notes is significantly above the rates on the IV series and replicating the terms of the latter could save the company substantial amount of money in interest.

While capital expenditure was higher than prior guidance in FY20 this stemmed from accelerated building completion and the purchase of the land in Melbourne for M3, although the company is yet to confirm the exact location for the new facility.

Macquarie acknowledges NextDC is an attractive exposure, despite its a premium valuation. Sydney's S3 will now ramp up faster, in the broker's view, and should reach 90% billing utilisation by FY27.

Relative to Credit Suisse estimates, the FY21 operating earnings outlook is lower, although this primarily reflects an almost full run-rate of operating expenditure being incurred at S2 and utilisation only running at 20MW by the end of the financial year. As a result, the broker expects operating leverage will emerge in future as utilisation ramps up.

FNArena's database has five Buy ratings and two Hold. The consensus target is $12.67, suggesting 2.3% upside to the last share price. Targets range from $10.25 (Citi) to $14.15 (UBS). Of the stockbrokers not monitored daily on the database, Goldman Sachs has a Buy rating and $13.20 target while Canaccord Genuity has a Buy rating and $13.00 target.

AUSTRALIA

Lendlease Renews Focus On Development

Lendlease has outlined a welcome strategy to ramp up earnings from development and investment while simplifying its business. However, uncertainties continue.

-Improved perception of earnings quality
-Lack of detail on the development pipeline
-Simpler business as non-core assets are exited

By Eva Brocklehurst

Development and recurring investment earnings are now the focus for Lendlease ((LLC)), which has outlined ambitious targets while signalling it will continue to look at new opportunities.

The company aims to increase investment earnings over the next five years to take assets under management to $100bn by 2030, target a return on invested capital of 6-9% and increase invested development capital to $5-6bn from $4.8bn.

Lendlease will subsequently have a simpler and more productive operating structure and Citi believes this will lift the perception of modest earnings quality that has weighed on the stock. Therefore the changes are positive.

UBS is cautious, pointing out the relationship to earnings from the increase in development is not clear, as profits can be booked at various stages depending on the project structure. Therefore it remains difficult to forecast with any degree of confidence.

Management expects development production to rise to over $8bn per annum which would be a more than 80%

increase on levels of the past five years or so and, using assumptions based on the company's targets, Macquarie has calculated an FY25 operating earnings range of $650-1.1bn, noting the balance sheet is reasonable, taking into account the medium-term strategy.

As asset sales are completed and the company obtains additional debt and retains more earnings, Macquarie calculates gearing should rise to around 15.7%. However, this remains in the middle of the targeted gearing range of 10-20%.

The strategy makes sense to Credit Suisse as it **helps increase predictable annuity-style earnings that in turn could lead to a re-rating.** The focus on operating earnings and the improvement in perceptions of earnings quality is also welcome.

Uncertainties

Nevertheless, the broker agrees timing is everything and it is unclear as to exactly when this run-rate for production will be achieved as there are several assumptions that need to be made regarding the timing of the roll-out.

Credit Suisse finds no reason to adjust underlying assumptions at this stage and suspects, in the near term, the company still needs to deal with challenging market conditions, exit the services business and complete the Melbourne metro project with no incremental impairments.

Morgan Stanley considers **the biggest impediment to execution will be market conditions and the extent of demand for leasing commercial or residential assets**. Lendlease will set up more "programmatic partnerships", the broker notes, where it will bring co-investors into multi-asset projects rather than on an asset by asset basis, creating more development performance fee opportunities.

Ord Minnett would have preferred more detail on the development pipeline, funding and completion timeframe to support the targets but considers this strategy review a meaningful step towards the next phase of growth.

The increase in capital allocated to the investment division will be achieved through re-allocation of group capital, with growth in capital employed funded in part by retained earnings and in part by incremental debt. The headline target for return on invested capital of 6-9% could screen high, although Credit Suisse points out this is directed to partnerships/joint ventures/funds with leverage.

Simplification

In simplifying the business, Lendlease has announced the sale of the US business Telco Towers, for around book value at $300m. The retirement portfoliio in Australia will be sold down and the company intends to ultimately own 20-25%.

UBS calculates a potential 25% sell-down at book value implies a return of $500m and this capital could be reinvested, but again highlights earnings are not "crystal-clear" and still include development revaluations.

The broker points out that both Mirvac ((MGR)) and Goodman Group ((GMG)), other developers/fund managers, exclude development profits on owned stakes. The end result is that they should trade on a higher earnings multiple to reflect this exclusion.

UBS, too, finds **significant omissions regarding details on the provisions/write-downs to exit non-core businesses or end-market demand for development product**. There is also no changes to management/structure outlined.

Over the past ten years the company has done a good job growing the asset base by retained earnings but Credit Suisse notes this has been negatively affected by the poor performance of the soon-to-be-offloaded engineering division, and the impact of the pandemic in the second half of FY20.

While acknowledging scope to attract investment to fund the urban regeneration plans - a business Lendlease is very good at - Credit Suisse has issues with timing and funding of incremental investments and finds a lack of clarity at the individual project level.

Hence, investors should look at the stock from a top-down perspective, the broker advises, based on the capital employed and target returns, rather than trying to approach an earnings target by building up from an individual project level. The distribution policy is based on operating earnings and will be on a payout ratio of 40-60%, which will more closely aligned dividends with underlying cash flow, the broker adds.

FNArena's database has four Buy ratings and one Hold (Ord Minnett). The consensus target is $13.96, signalling 20.4% upside to the last share price.

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AUSTRALIA

Orbost Gas Plant Key To Cooper Energy

The outlook for Cooper Energy hinges on the performance of the Orbost gas plant and whether it can achieve nameplate capacity.

-Cost to obtain nameplate capacity remains unclear
-May take several months before reconfiguration produces results
-Could Cooper Energy become a takeover target?

By Eva Brocklehurst

Cooper Energy's ((COE)) Sole gas play in Victoria's Otway Basin is demanding attention, and the outlook is heavily dependent upon the performance of the Orbost gas plant. The main focus is taking production from the current 40-45 TJ/d to nameplate at 68 TJ/d, to enable the delivery of gas into higher-priced term contracts.

However the Orbost plant is being shut for cleaning and will run at limited capacity for some time. It will shut again in November for three weeks to reconfigure the absorbers while analysis of the cause of the problems is ongoing.

Management has indicated there is no change to gas prices under the agreements with industrial utility customers, although Macquarie still envisages some risk while noting the cost of the works have not been finalised. Orbost gas plant repairs have weighed on the stock and **until the plant reaches nameplate capacity Ord Minnett suspects Cooper Energy will trade at a discount to full value.**

Work is progressing in order to improve production at the plant and Cooper Energy has highlighted a transition agreement with APA Group ((APA)), where revenue and costs will be shared on a 50-50 basis until firm and stable production can be achieved. Once this occurs the transition to contract term pricing as opposed to spot sales will occur.

Victorian spot prices have averaged $5.00/GJ in 2020 to date, down from $9.30/GJ in 2019, because of lower demand and a weaker global LNG market. This has meant Queensland gas volumes are increasingly diverted to the domestic market. As the natural decline affecting south-east Australian supply continues, bottlenecks are constraining southern gas flows while budget reductions have slowed the development of new supply.

Nevertheless, Bell Potter, not one of the seven stockbrokers monitored daily on the FNArena database, retains a positive view on the situation and upgrades to Buy with a $0.48 target. The broker believes the company is becoming a producer of scale and these are long-life assets which have good infrastructure in place.

Risk

The main risk, Credit Suisse asserts, is if Orbost does not reach nameplate. Moreover, the cost to obtain this level of production is uncertain as the actual cause of the problems is not altogether clear, and the broker understands many investors may wish to steer clear of the stock.

Canaccord Genuity, also not one of the seven, believes market tightness will re-emerge in 2022, and maintains a long-term gas forecast of $8.00/GJ. The broker holds to the view that it remains a case of when, not if, the plant hits its 68 TJ/d nameplate, although understands others may be less confident.

Canaccord, with a Buy rating with a $0.56 target, agrees the growth potential in the Otway basin shouldn't be undervalued, noting the acquisition and upgrade of the 150 TJ/D Athena gas plant, in which Cooper Energy has a 50% stake, has several benefits. This will lower operating costs, increase reserves and enable the accelerated development of additional gas.

Cooper Energy has only just started to test the upside potential of the basin, in the broker's view, and the Annie discovery is the beginning, while there is drilling at Elanora and Nestor to look forward to.

The company is in the process of arranging extensions to its repayment profile and Macquarie assumes this will also come at a cost, although acknowledges the decision is prudent because of the uncertainty that remains surrounding this Sole gas ramp-up.

Following the pull-back in the stock, Macquarie assesses the risk/reward balance is becoming more promising. It will be more than three months before the market will witness the outcome of the reconfiguration of the absorbers and the broker intends to revisit the investment case closer to this time.

Takeover Target?

Credit Suisse points out there is increasing likelihood Cooper Energy could become a takeover target, if other industry participants are confident in the project's growth path and synergy potential. More information on costs and commercial synergies at the Orbost plant may also be available to operators such as SGH Energy ((SVW)) and Beach Energy ((BPT)) that have assets nearby.

The broker considers, at this stage, the market is appropriately factoring in the risks and prefers to remain on the sidelines until the issues are resolved and LNG prices recover.

Cooper Energy reported an underlying net loss of -$6.6m in FY20, larger than many expected. The result was primarily affected by costs and the company took $108m in impairments, mainly across the Otway and Gippsland assets.

Full year capital expenditure guidance was reiterated at $50-58m for FY21. The majority is associated with the Otway development and a final investment decision is targeted Otway and Manta-3 (Gippsland) in 2022. FNArena's database has two Buy ratings and two Hold for Cooper Energy, with a consensus target of $0.44, suggesting 38.3% upside to the last share price.

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AUSTRALIA

Competition Heats Up In Buy Now Pay Later

Competition in the Buy Now Pay Later market is accelerating, as rivals are attracted to the economics generated by first mover Afterpay. How well can the two local providers withstand the onslaught?

-New entrants could limit long-term growth potential of first movers
-Afterpay, Klarna and Affirm have sizeable leads on Zip Co in US
-Consumer adoption & engagement remains key

By Eva Brocklehurst

As competition heats up in the Buy Now Pay Later (BNPL) segment, and operators set their sights on the huge US market, the risks are becoming heightened. The US market remains relatively under-penetrated compared with Australia in terms of these instalment payments systems.

Yet because of the attractive economics generated by first mover **Afterpay** ((APT)), with an interest income equivalent to 62% and a net interest margin equivalent of 52%, UBS considers it inevitable new entrants will emerge, along with well-resourced incumbents in associated segments, and this will subsequently reduce the economics currently enjoyed by participants, limiting their long-term growth potential.

There remains the possibility of regulatory intervention as such operators proliferate. UBS is of the view that the more successful Afterpay is the more likely it will attract scrutiny from regulators. **Regulatory risks centre on whether Afterpay can continue to prohibit merchants from surcharging and whether it will be considered a provider of credit in the future.**

BNPL is not currently considered credit and credit checks are not made and customers can sign up for multiple services. UBS also has evidence that BNPL uses are more likely to be indebted relative to non-users.

Around 64% of the BNPL customers the broker surveyed believe this is a credit line and 30% have used a credit card to pay down their balance. Merchant fees represent a 19-49% internal rate of return to Afterpay, UBS notes, and if customers are presented with the true cost of BNPL that could be risky to the growth outlook.

Citi envisages potential for 2-3 players to co-exist but, as is the case with most online verticals, this is a "winner takes most" market. Furthermore, PayPal's entry to BNPL could shake up the segment, as it has a ubiquitous presence in the US and 190m active accounts.

PayPal is the largest new entrant in BNPL and, as UBS notes, follows the Shopify partnership with Affirm. UBS agrees low barriers to entry leave Afterpay vulnerable to competition though its first mover advantage has made it more defensive in Australasia.

However, Afterpay is spreading its wings, acquiring EmpatKali to establish a base and explore opportunities in Asian markets, which follows the acquisition of Pagantis, with an emphasis in southern Europe.

Ord Minnett assesses these expansions are unlikely to generate significant revenue until FY22 but should underpin the company's ability to garner benefit from e-commerce, as well as the growing appetite for instalment payments, at the expense of traditional credit providers.

Zip Co Vs Afterpay

In contrast, Citi notes **Zip Co** ((Z1P)), along with its newly acquired Quadpay, remains at an early stage in market penetration and, while it should grow above system, it remains exposed to consumer discretionary expenditure. In this way, Zip Co is also more exposed to the entry of PayPal and Shopify in instalment payments.

PayPal has a similar product to Afterpay that allows users in the US to pay for purchases in four instalments over a six-week period with no fees/interest if paid on time. This is expected to launch in the December quarter of 2020.

The broker fears Zip Co may be too late entering the US market as Afterpay, Klarna and Affirm all have a sizeable lead. Citi highlights Zip is currently trading at a -56% discount to Afterpay on a forward enterprise value/revenue basis and, while acknowledging Afterpay's valuation is stretched, considers the premium is justified because of stronger unit economics and balance sheet.

Moreover, Zip is expected to underperform Afterpay if a bad debt cycle eventuates in the near term and would need to raise additional capital or reduce operating expenditure if this transpired. In sum, Citi considers consumer adoption and engagement is key, and if Afterpay and Quadpay can continue to increase purchase frequency then merchants will add them as an option.

There is upside risk to the level of investment required in co-marketing and product marketing. In this way Afterpay may be in a better position as it has a large consumer and merchant network with a strong balance sheet. Quadpay has a differentiated offering, in that consumers can "shop anywhere", but there is downside risk to transaction margins as it charges per instalment payment for using this option.

As the stock has surged 35% over the last month, Citi downgrades Zip Co to Sell/High Risk from Neutral/High Risk. While anticipating the trends in recently-acquired Quadpay will improve and customer numbers grow, the broker remains concerned that the revenue yield is too high and could come under pressure, particularly in the consumer fee front.

Zip Co/eBay

On the partnership with eBay, Citi envisages this is a good distribution agreement and upgrades small-medium enterprise (SME) receivables assumptions as a result ,while UBS highlights the execution risk in the UK with the ZipBiz (eBay partnership) launch.

UBS suspects the market may be under-appreciating, particularly retail investors, the capital intensity of Zip Co's (and Afterpay for that matter) business in Australasia. The UK is likely to be the main swing factor in the broker's forecasts, as it is yet to launch.

At the other end of the sentiment spectrum, Morgans believes the launch of ZipBiz and the eBay Australia partnership has positive potential for revenue yield, asserting the Quadpay acquisition and associated capital raising have provided the means for Zip Co to ramp up its offshore expansion to a presence in five jurisdictions.

On FNArena's database there are no fence sitters for Zip Co, with two Buy ratings and three Sell. The consensus target is $6.75, suggesting 2.1% upside to the last share price. Targets range from $4.80 (Macquarie) to $10.28 (Morgans).

There are two Buy ratings, three Hold and one Sell (UBS) for Afterpay, with a consensus target of $81.72, that suggests 3.1% upside to the last share price. Targets range from a low of $28.25 (UBS) to $106.00 (Morgan Stanley).

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AUSTRALIA

Consistency A Hallmark Of Evolution Mining

Evolution Mining has confirmed its reputation as a consistent performer in the gold sector, although most brokers assess this is reflected in the price.

-Focus on maximising cash margins
-Pay-out policy unchanged, no change to reserve gold price
-Long-term plan for Red Lake well ahead of expectations

By Eva Brocklehurst

Evolution Mining ((EVN)) has used its strategy briefing to highlight the sustainability of its mines and a focus on maximising cash margins. The company has emphasised it has the lowest reserve price calculation among peers, at A$1450/oz, and remains disciplined on acquisitions.

Evolution Mining believes value-accretive acquisitions must either come from a forced sale or more gold potential than originally factored into the deal, and Morgan Stanley cites Red Lake (Canada) as the prime example.

The consistency in Evolution Mining's message and application does not mean there is no risk or the potential for assets to vary against what is planned but, as Credit Suisse points out, this is a risk inherent with all miners.

Regardless, the broker welcomes the company's more conservative profile which should prove more sustainable, and **there are several options under a range of gold price scenarios**. Commitment to shareholder returns is unchanged, with a pay-out policy of 50% of free cash flow. Evolution Mining is willing to take gearing to 35% for acquisitions but will only operate in tier-1 mining jurisdictions, basically North America and Australia.

No significant cost inflation is projected over three years and there is no planned change to the reserve gold price. However potential future price adjustment may occur to facilitate a Mt Rawdon stage 5 cutback

(Queensland).

Ord Minnett expects the company's drilling programs and project studies across the main operations of Red Lake, Cowal (NSW), Ernest Henry (Queensland) and Mungari (Western Australia) should unlock significant value, although a lot of this is already factored into forecasts.

The broker models a mine life to FY33 for Ernest Henry noting an ore reserve update is due in the March quarter. Ernest Henry and Cowal comprise more than two thirds of the broker's valuation for the stock, although probably have less leverage to higher gold prices. Hence, the scrutiny of other assets.

Red Lake

The main revelation for brokers was the growth aspirations for Red Lake, set at 300-500,000ozpa. This long-term plan is well above Morgan Stanley's peak production estimate of 255,000ozpa from FY25 until the end of life in FY38.

In fact, Macquarie finds the prospect of an open pit compelling, although awaits more clarity on the cost and approval process before including it in forecasts. Still, the broker assumes a higher conversion to reserves, which extends assumed mine life and leads to an upgrade to Neutral from Underperform.

Citi notes an option for pushing underground tonnage higher via a decline. The prior owner received a permit for a decline which the company suspects may add 1mtpa. However the broker flags this means more mill capacity would be required, as the two small existing mills have always been an issue.

The company emphasised the delineation of further high-grade gold and the shifting of the bottleneck to the mill from the mine. Again, Citi points out open cut mines that require shifting of infrastructure and townships remain challenging and this is probably why, for now, the company's plan is still 200,000ozpa at costs below US$1000/oz.

Ord Minnett assesses it is probably too early to model the options and scenarios for potential ore bodies and retains questions around the legacy infrastructure and technical considerations.

Cowal

At Cowal, Evolution Mining intends to submit permit application to access the resource under stage H via a ramp and new pits. Adding these pits to Citi's model extends the oxide streams and adds $0.10 to the valuation.

Sustainable production at Cowal is envisaged as upwards of 330,000 ounces from FY24, with a peak around 400,000 ounces in FY31. To reach this, the company is investigating the highest grade possible underground for the first 2-3 years of life.

First ore is anticipated in 12-18 months. While the mill is at 9.0mtpa it is permitted to increase to 9.8mtpa, although to reach this quickly would require a large capital expense, Morgan Stanley points out.

Mungari

Meanwhile, at Mungari a processing rate of 2.0mtpa is considered sustainable. The improved visibility means Evolution is targeting 110-120,000 ounces for 10 years. This reflects upside to Morgan Stanley's 7-year mine life estimate which also has production falling towards 65,000 ozpa. The broker believes the finalisation of plans for the Castle Hill area would greatly increase the visibility on the production outlook.

FNArena's database has three Hold ratings and four Sell for Evolution Mining with a consensus target of $5.00 that signals -11.9% downside to the last share price.

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AUSTRALIA

Nufarm Emerging From The Trough

Better weather should drive improved profitability for Nufarm in FY21 and the company is also emerging from some of the problems that beset its business in Europe.

-Cyclical factors reversing in Europe, costs re-based
-Improved demand and seasonal conditions in Australasia/North America
-Omega-3 still significant for the growth outlook

By Eva Brocklehurst

The extreme agricultural conditions confronting Nufarm ((NUF)) over the past couple of years have eased and better weather should be a driver of profitability in FY21. Moreover, the company appears to be getting on top of problems with its supply chain in Europe.

Nufarm expects FY20 operating earnings (EBITDA) of $290-300m, or $230-240m for continuing operations. The latter represents a decline of -27%. Most of the earnings decline has stemmed from the European portfolio, which has been affected by severe drought and higher input costs.

Elevated inventory and margin pressure on Nufarm-manufactured products have also put downward pressure on European prices. Both structural and cyclical factors have affected earnings but the company asserts Europe may be at a trough.

With cyclical factors reversing and a potential re-basing of costs, UBS believes the opportunity in Nufarm is to the upside and the stock is trading at a discount that is too large, despite the subdued sentiment around Europe.

Macquarie also notes **some potential relief coming from lower raw material costs in the past quarter, as Chinese manufacturing gets back to normal**. However this will not benefit the company until the second half of FY21 because of lags in inventory and the timing of the main European season. A $10m benefit is expected from the closure of the 2,4-D synthesis plant at Linz in Austria.

Nevertheless, Ord Minnett assesses there are still structural challenges. The regulatory environment in Europe may be a hindrance in the longer term, with preliminary papers circulated that set a target for a -50% reduction in the use of chemical pesticides by 2030.

The broker is "not comfortable" with this risk in isolation and the possibility other regions may follow. Secondly, **innovators in crop protection have expanded into the generic segment and the result is compression of the value chain**, which could limit profitability upside and returns for Nufarm.

The path forward in Europe remains the key issue for Goldman Sachs and the impairment is indicative of the challenges to the operating base. However, the broker believes Nufarm is on the right path although it remains incumbent on management to prove its strategy for right-sizing the business. Goldman Sachs, not one of the seven stockbrokers monitored daily on the FNArena database, reiterates a Buy rating with a target of $5.40.

Bell Potter, also not one of the seven, agrees the challenge centres on determining exactly what is the base level of earnings in Europe following two disrupted years. The broker has a Hold rating and $4.40 target.

Australasia/North America

Meanwhile, conditions are improving in Australia and North America. Earnings in Australia more than doubled in the second half, as the drought appears to be breaking on the east coast, and there is now a better outlook for the summer cropping season.

Improved demand and more favourable crop conditions in North America have also meant an increase in planting. In Asia a strong second half in crop protection was underpinned by better weather, product launches and lower costs.

Omega-3

Omega-3 is still the key to Morgan Stanley's Overweight rating. The broker values this business at $2.10 a share, with a 50% probability. US Food & Drug Administration approval should provide a positive catalyst in coming months, the broker asserts.

Macquarie upgrades to Neutral from Underperform, given the extent of the recent decline in the share price. The challenges in Europe now appear to be priced in and the broker expects improved confidence should be the focus when the company reports FY20 results on September 23.

At 23x FY21 price/earnings estimates, Nufarm is trading at a 73% premium to global peers and Macquarie notes global peers are, in general, patented agrichemical participants compared with Nufarm, which is a generic agrichemical business. This means Nufarm should trade at a discount, although the broker acknowledges size and relative earnings growth are also relevant along with the long-dated Omega-3 potential.

Citi, on the other hand, reiterates a Buy rating, believing the stock now represents good value, underpinned by a balance sheet that is more robust after the sale of the Latin American business. The broker agrees the commercialisation of the Omega-3 provides a strong growth option for the long-term.

The database has four Buy ratings, two Hold and one Sell (Morgans, yet to comment on the update). The consensus target is $4.76, signalling 18.4% upside to the last share price. Targets range from $4.00 (Ord Minnett) to $5.60 (Citi).

See also, Treasure Chest: Nufarm Beats Down Costs on July 28, 2020.

AUSTRALIA

IOOF Raises The Stakes With MLC Acquisition

IOOF is set to become one of the largest wealth managers in Australia as it acquires the MLC business from National Australia Bank.

-Is the transaction too big and too risky for IOOF?
-Is the acquisition really 20% accretive?
-Volatility in the share price likely

By Eva Brocklehurst

The purchase of MLC Wealth will make IOOF Holdings ((IFL)) one of the largest wealth managers in Australia, adding scale and providing extra capability such as corporate superannuation. IOOF will acquire the business from National Australia Bank ((NAB)) for $1.44bn, to be funded 72% by equity, and 28% by debt.

This is a long-dated deal with approval likely to take up to 10 months and full integration a further three years. The company anticipates 50% of the $150m in synergies will come in the first full year.

However, Morgan Stanley points out MLC has lost market share for the past decade, and experienced outflows in the 12 months to March 2020, at around -5% of assets under management in superannuation & platforms and around -7.5% in portfolio management. This is despite the re-pricing of key products.

Importantly, the broker believes IOOF needs to reduce the outflows in MLC to hold onto the potential 20% accretion it anticipates into FY23. IOOF would also be integrating the ANZ OnePath and MLC deals at the same time.

Bell Potter considers the transaction "too risky, too big and too complicated" for IOOF in its current state, as MLC revenue margins have been trending down along with the sector. The requirement to reinvest, coupled with compliance concerns, is likely to limit the synergies on offer and the timing of gains.

Synergies?

Moreover, the broker argues the deal is dilutive compared with the guided headline rate of 20% accretion to earnings per share. The broker asserts this figure assumes the deal is completed on July 1, 2020 and that a significant portion of synergies flow through in the first year.

Yet the acquisition will not be completed until the end of FY21 and this throws some variables into the mix. Bell Potter forecasts lower synergies because of the lack of disclosure on how the $150m will be achieved, amid the need to invest in old technologies.

Ord Minnett upgrades to Buy from Hold, although has some reservations about the deal and the price and this concern centres on whether all synergy targets can be achieved. Nevertheless the broker's Buy rating is underpinned by a belief that consensus estimates for FY21 are understated compared with long-term metrics as well as the raising of equity ahead of completion of the purchase.

Moreover, comparisons with other diversified financial stocks are favourable and, even if some advisers leave MLC, Ord Minnett suggests the attrition risk can be contained. The company's acquisition of both OnePath and now MLC have also, arguably, been completed in the wake of up-to-date approaches to governance and compliance.

The broker also suggests **dealer groups are starting to increase their fees to try and avoid losses, which should benefit IOOF's market-leading position in advice**.

Balance Sheet Concerns

Bell Potter envisages problems with the balance sheet, as current drawn debt of $460m will increase to include $250m in additional debt and $200m in a notes facility with National Australia Bank.

The broker lists over $700m in abnormal expenses to pay over the years ahead, including $270m in remediation, $360m for the MLC integration and the remaining $60m for the OnePath integration, with no additional detail provided on how funding will occur. Unsurprisingly, Bell Potter, not one of the seven stockbrokers monitored daily on the FNArena database, retains a Sell rating with a $3.40 target.

Credit Suisse downgrades FY21 estimates for earnings per share by -40% to account for the equity raising and highlights the mismatch between the timing of the current raising and the closure of the deal towards the end of FY21.

The broker expects volatility in the share price as the shares on issue will increase significantly and debate will continue around the merits of the acquisition. The database has two Buy ratings and two Hold for IOOF. The consensus target is $4.66, suggesting 25.3% upside to the last share price. The dividend yield on FY21 and FY22 forecasts is 6.5%.

National Australia Bank

On the other side of the ledger, brokers consider the deal an incremental positive for NAB, as it strengthens the bank's capital position and improves returns. CLSA described the transaction as a "clean exit" for the bank, which is expected to deliver around 30 basis points in capital benefit and place its CET1 ratio at the upper end of peers.

UBS considers the exit welcome news, as wealth management has been troublesome for some years and did not deliver the expected returns. NAB will now have sufficient capital, in the brokers' view, along with its capital raising in April, to absorb the expected increase in provisioning.

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 28-08-20

By Mark Woodruff

Guide:

The FNArena database tabulates the views of seven major Australian and international stock brokers: Citi, Credit Suisse, 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: Monday August 24 to Friday August 28, 2020
Total Upgrades: 20
Total Downgrades: 15
Net Ratings Breakdown: Buy 48.07%; Hold 40.97%; Sell 10.96%

For the week ending Friday August 28, there were twenty upgrades and fifteen downgrades to company ratings by stock analysts in the FNArena database. Of the twenty upgrades, fourteen went to a direct Buy, and only two of the fifteen downgrades went to a direct Sell.

Three stocks received two upgrades from separate brokers. Suncorp's FY20 result beat estimates, Oil Search was deemed undervalued and TPG Telecom reduced capital expenditure and its new merger partner Vodafone Australia outperformed.

Appen received the dubious honour of two downgrades from brokers, due to a weak first half, which casts doubt on the second. Scepticism deepened when a broker described its business as 'relatively opaque', which doesn't garner confidence in the forecasting stakes.

IDP Education received the largest percentage change to target price as a result of a material 'beat' to consensus expectations, due to a strong student placement pipeline and good cost control. A property theme then emerged on the table for largest target price changes as Charter Hall Group had all three operating divisions reporting growth, Aventus Group benefited from support for large format retail in preference to shopping malls and Domain Holdings posted a solid FY20 result.

Percentage falls in target prices weren't as large as rises, with the largest fall representative of these more straightened pandemic times, as luxury retailer Michael Hill's profit result disappointed.

However, hope springs eternal, with the largest upgrade to earnings estimates for the week being registered by Wagners, producer and seller of construction materials, despite an in-line profit result. South32 was second on the earnings upgrade table as it divests itself of various businesses, and next up was NextDC, which slightly exceeded earnings expectations and painted a strong growth outlook.

To no one's surprise, two podium positions on the table for negative earnings revisions by brokers were filled by Qantas Airways and Air New Zealand, due to delays in near-term domestic and long-term international travel, while Whitehaven Coal featured for a soft profit result and some balance sheet concerns.

Total Neutral/Hold recommendations take up 48.07% of the total, versus 40.97% on Neutral/Hold, while Sell ratings account for the remaining 10.96%.

Upgrade

ADBRI LIMITED ((ABC)) Upgrade to Neutral from Sell by UBS .B/H/S: 1/4/2

With both margins and volumes holding up better than expected in the first half, UBS upgrades Adbri to Neutral from Sell. The company's net profit (NPAT) was 12% ahead of the broker's forecast.

No guidance has been provided for 2020 but management stated net profit was on track to achieve its pre-covid-19 guidance of $110m. Noting this, the broker has upgraded its 2020 net profit by 24%.

UBS feels Adbri has passed the trough in margins for its core cement division and the outlook seems to be improving. Other tailwinds include positive residential demand and a pipeline of Infrastructure work.

The target price is increased to $2.40 from $2.03.

ATLAS ARTERIA ((ALX)) Upgrade to Outperform from Neutral by Credit Suisse .B/H/S: 1/4/0

Traffic on Atlas Arteria's APRR toll road in France had bounced back to pre-virus levels by mid-August, only to be tempered by heat waves.

Still, Credit Suisse suggests traffic may only be down -3% year on year on the second half. Atlas Arteria will now pay its previously deferred 11c first half dividend in October.

Coming back to the actual first half result, it was weaker than the broker expected. But in light of the subsequent news, Credit Suisse lifts its target to $7.90 from $6.90 and upgrades to Outperform from Neutral.

APA GROUP ((APA)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/4/0

Macquarie upgrades to Outperform from Neutral and raises the target to $11.72 from $11.36. The broker notes the management team has been rebuilt and the project pipeline is being filled. There is also the significant North American opportunity.

Nevertheless, the earnings outlook is flat as the economic downturn has taken the edge off volumes and the refinancing of SEAgas lowers energy investment.

AVENTUS GROUP ((AVN)) Upgrade to Buy from Neutral by UBS .B/H/S: 3/0/0

Aventus Group's FY20 result highlighted the resilience of large format retail during the pandemic, observes UBS. The REIT's funds from operations (FFO) was slightly ahead of the broker's forecast.

No FFO or distribution guidance was provided due to the current uncertainty.

The group's resilient large-format retail assets, strong foot traffic and benefits from changing household spending patterns will more than offset the risk of any housing slowdown, expects the broker.

UBS upgrades its rating to Buy from Neutral with the target price increasing to $2.50 from $1.65.

CAPITOL HEALTH LIMITED ((CAJ)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 2/0/0

Underlying operating earnings in FY20 were materially higher than Ord Minnett anticipated. The result was underpinned by cost control and a bounce in volumes towards the end of the year. GP attendance also held up well.

Growth options abound, the broker notes, supported by a strong balance sheet. With the long-term structural dynamics in the industry intact, Ord Minnett upgrades to Accumulate from Hold. Target rises to $0.28 from $0.20.

ELANOR INVESTORS GROUP ((ENN)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 1/0/0

Earnings in FY22 were materially lower than Ord Minnett expected following the temporary suspension of several fund distributions. The highlight of the result was the growth in funds management, with revenue up 43%.

The portfolio was obviously affected by the pandemic, given the concentration in retail and hospitality assets, but the capital position of each fund is stable, the broker notes.

Ord Minnett also assesses the share price describes no value to the funds management business now and this is underpinned by recurring fees. Rating is upgraded to Buy from Accumulate and the target lowered to $1.77 from $2.27.

FORTESCUE METALS GROUP LTD ((FMG)) Upgrade to Neutral from Sell by Citi .B/H/S: 2/4/1

Fortescue Metals Group's FY20 profit was in line with Citi's estimates as well as the consensus. A (total) dividend of $1.76 implies a payout ratio of 77% and was more than Citi expected. There is no change in FY21 guidance with shipments of 175-180mt expected during the year.

Citi's mining team notes upside risk to iron ore pricing in 2021 given China stimulus and positive lead indicators like excavator sales
and property starts. The mining team thinks iron price could average US$85/$75/t in 2021-22 with Fortescue earnings per share of US$1.46/$1.13 in FY21-22.

Citi upgrades its rating to Neutral from Sell with the target price increasing to $17.50 from $11.70.

See also FMG downgrade.

INTEGRAL DIAGNOSTICS LIMITED ((IDX)) Upgrade to Outperform from Neutral by Credit Suisse .B/H/S: 4/1/0

Credit Suisse is confident of a sharp recovery in both Victoria and New Zealand after restrictions are eased in the next 4-6 weeks. Industry growth of 5-7% appears increasingly bankable.

However, the broker does not believe the relative valuation appeal will last for long and upgrades to Outperform from Neutral. Target is raised to $4.50 from $4.30. FY20 results were broadly in line and the broker notes cash conversion was excellent.

NIB HOLDINGS LIMITED ((NHF)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/4/0

Macquarie notes nib Holdings' result missed consensus forecasts for both earnings and the dividend. But in the wake of a sharp share price response, the broker upgrades to Outperform.

Despite no underlying profit growth guidance being offered, on a -22% discount to peers the broker believes value has emerged. Target rises to $5.15 from $4.80.

OIL SEARCH LIMITED ((OSH)) Upgrade to Add from Hold by Morgans and Upgrade to Buy from Neutral by Citi .B/H/S: 5/2/0

Morgans reports Oil Search delivered an in-line first half result, while adapting its growth plans to lower medium-term and long-term energy demand conditions.

The main news in the result for the broker was the company working on a new development plan in Alaska, with plans evolving materially as it seeks to optimise capital efficiency.

The key question for Morgans is how the company funds its future growth in Alaska and PNG (where risks remain a key hurdle).

The rating is upgraded to Add from Hold as Morgans suggests shares are trading at a -20% discount to valuation. The target price is increased to $3.65 from $2.80.

Citi believes a value argument is developing for Oil Search and upgrades to Buy/High Risk from Neutral/High Risk. The High Risk tag is retained because of the potential for oil prices to be volatile.

Unless there is another sharp contraction in the oil price, however, Citi believes Oil Search has raised enough equity, although a top up may be required for the final investment decision on Alaska to keep the non-escrowed cash balance above US$50m. Target is raised to $3.87 from $3.76.

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

Morgans increases the valuation for PTB Group on more optimistic assumptions for FY21 earnings, growth rates in the US and the potential for dividends.

The broker has increased forecast FY21 revenue significantly on the assumption that reduced customer flight hours will be mostly limited to Trans Maldivian Airways (TMA).

If US earnings remain resilient, the analyst says the company could implement its growth plans more quickly.

Morgans lifts the forecast FY21 dividend to 5cps because of higher earnings forecasts and an assumption that 50% of dividends will be funded by the DRP.

The rating is upgraded to Add from Hold. The target price is increased to $0.77 from $0.65

REDBUBBLE LIMITED ((RBL)) Upgrade to Add from Reduce by Morgans .B/H/S: 1/0/0

Morgans bypasses a Hold rating and gives a double increase in rating for Redbubble to Add from Reduce.

The broker highlights momentum is strong and growth rates since the end of FY20 have accelerated on an already impressive 4QFY20.

Additionally, the business model should provide a fair degree of leverage, is capital light and in the right place at the right time.

The only incremental information from a pre-announced result was August trading had continued a similar trend to July (up 132%).

The target price is increased to $4.33 from $0.54.

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

SomnoMed posted an impressive result according to Morgans, considering the impact covid-19 was supposed to have on the business, aided by strict cost containment and government assistance.

The broker states it is willing to back a recovery over the medium-term, with revenues returning to pre-covid-19 levels by FY22.

Despite lockdowns in many of the jurisdictions having an impact on sales, North America was up 3%, Europe was down -6% and the Asia Pacific Region (APAC) was down -6%, notes the analyst.

The broker highlights a number of positives including a strong thematic of sleep, a solid underlying business with a wide distribution network, net cash with minimal debt and quality market leading products and new product launches due shortly.

Morgans upgrades profit (NPAT) assumptions by 120% and 114% for FY22 and FY23. The rating is upgraded to Add from Hold. The target price is increased to $2.02 from $1.33.

SUNCORP GROUP LIMITED ((SUN)) Upgrade to Neutral from Underperform by Credit Suisse and Upgrade to Equal-weight from Underweight by Morgan Stanley.B/H/S: 2/5/0

FY20 results beat Credit Suisse estimates and the final dividend of $0.10 was also above forecasts. The second half did not contain the conservatism the broker was expecting and margins were also higher than anticipated. Still, further margin pressure is considered likely.

The broker assesses FY21 is commencing in better shape than previously anticipated and upgrades to Neutral from Underperform.

That said, while acknowledging Underperform was incorrect, Credit Suisse suspects the market is underestimating the extent of the headwinds in FY21 and is not supportive of a more positive stance.Target is raised to $9.95 from $8.75.

Suncorp Group’s cash net profit beat Morgan Stanley's estimate by 5%. The second half dividend was 10c which is slightly below the broker's forecast.

The broker expects bank margins to benefit from deposit mix shift away from term deposits and towards at-call deposits in FY21. While the group has not given any cost targets, the broker expects cost headwinds from covid-19 to abate in FY21.

Morgan Stanley rates the stock as Underweight with a target price of $7.50. Industry view: In-line.

[FNArena has received confirmation the rating has been upgraded since to Equal-weight with a $9.50 price target].

TPG TELECOM LIMITED ((TPG)) Upgrade to Outperform from Neutral by Macquarie and Upgrade to Neutral from Underperform by Credit Suisse.B/H/S: 3/2/1

TPG Telecom's maiden result post merger was in line but mixed, Macquarie notes. The virus dragged on mobile subscriptions but fixed line was as expected. Capex guidance has been reduced.

The reduction in capex, along with solid execution on fixed line, and recent share price weakness lead the broker to upgrade to Outperform from Neutral. Target rises to $9.00 from $8.60.

First half operating earnings (EBITDA) were ahead of Credit Suisse estimates. The beat primarily came from Vodafone Australia. Regardless of the strong performance, management is still guiding to a more severe impact from the pandemic in the second half.

Credit Suisse notes market share trends remain unfavourable for Vodafone Australia with subscriber losses a result of limited network capacity prior to the merger and the impact of the pandemic from April to June.

Synergies from the merger were not quantified but integration is underway. Given the recent decline in the share price, Credit Suisse upgrades to Neutral from Underperform and raises the target to $7.40 from $7.35.

See also TPG downgrade.

WAGNERS HOLDING COMPANY LIMITED ((WGN)) Upgrade to Neutral from Underperform by Macquarie .B/H/S: 1/2/0

The FY20 result for Wagners Holding was largely in-line with Macquarie's estimates, segment margins were better, but offset by corporate costs.

Management is depending on an infrastructure-driven activity boost to offset the softer residential market and anticipates stable concrete demand. Unfortunately, Macquarie believes margins have now reset at structurally lower levels.

The broker lifts FY21-FY23 EPS estimates by 26%, 5% and 2%, respectively, driven by marginally increased sales expectations and better margins from improved cost control.

The rating is upgraded to Neutral from Underperform. The target price is increased to $1.20 from $1.05.

See also WGN downgrade.

WESTERN AREAS NL ((WSA)) Upgrade to Outperform from Neutral by Credit Suisse .B/H/S: 5/2/0

FY20 earnings missed forecasts largely because of depreciation & amortisation. Beyond this the results were in line. There are a number of emerging options for Forrestania, Credit Suisse observes.

The balance sheet remains solid and finances are considered prudently managed. Rating is upgraded to Outperform from Neutral on valuation. Target rises to $2.50 from $2.40.

Downgrade

APPEN LIMITED ((APX)) Downgrade to Hold from Accumulate by Ord Minnett and Downgrade to Underperform from Neutral by Credit Suisse.B/H/S: 3/1/1

First half results were below Ord Minnett's estimates. Full year operating earnings guidance of $125-130m has been maintained. The softness in the first half was driven by a deceleration in underlying earnings growth and the cycling of some one-off contracts.

The broker finds the company's business relatively opaque and difficult to forecast but notes the exposure to the artificial intelligence sector should provide significant growth potential.

As the stock has re-rated since early May, the rating is downgraded to Hold from Accumulate. Target rises to $35 from $33.

Credit Suisse suggests the market had been standing by for a material 2020 earnings upgrade from Appen with yesterday's first half result, but now the focus has swung to whether full year guidance can even be achieved.

The first half was weaker than the broker expected, but has only led to slight forecast downgrades and a target drop to $29 from $30, retaining the same 45x multiple.

Full year guidance is unchanged, but this implies a 60% second half skew, the broker notes, and the A$ is providing a headwind. Downgrade to Underperform from Neutral.

BINGO INDUSTRIES LIMITED ((BIN)) Downgrade to Neutral from Outperform by Credit Suisse .B/H/S: 2/3/0

FY20 results were in line with expectations. Management has indicated pricing is stabilising at lower levels. Credit Suisse finds a path to significant growth beyond FY21 with management expecting building construction activity to recover from FY22.

The broker lowers FY21 estimates by -8% to account for lower contributions from collections and posts collections as well as lower margin assumptions.

Rating is downgraded to Neutral from Outperform, as the broker awaits more evidence of demand recovery. The target is lowered to $2.40 from $2.45.

CHARTER HALL GROUP ((CHC)) Downgrade to Neutral from Outperform by Credit Suisse .B/H/S: 4/2/0

FY20 results were better than Credit Suisse expected. All three operating divisions reported growth and the broker envisages a growth opportunity from sale and leaseback opportunities and completions.

Charter Hall is guiding to operating earnings per security of 51c in FY21 with distribution growth of 6%.

Credit Suisse increases FY21 and FY22 estimates by 5.1% and 4.6%, respectively. The stock appears fairly valued, hence the rating is downgraded to Neutral from Outperform. Target is raised to $12.21 from $9.17.

FLIGHT CENTRE LIMITED ((FLT)) Downgrade to Hold from Add by Morgans .B/H/S: 3/3/0

Flight Centre reported a large FY20 underlying loss of -$509.9m, with the larger second half loss of -$612.6m reflecting covid-19 border closures and travel restrictions, notes Morgans.

The Leisure division with its high cost base, weighting to international travel and high rate of cancellations was severely loss making.

The analyst calculates the company has enough liquidity to weather a low revenue environment for around 16 months, and while expecting a loss in FY21, by FY24 Morgans expects the company to return to its FY19 earnings.

The rating is downgraded to Hold from Add. The target price is increased to $13.60 from $13.

FORTESCUE METALS GROUP LTD ((FMG)) Downgrade to Underperform from Neutral by Credit Suisse .B/H/S: 2/4/1

The highlight in FY20 results was the strong $1 (final) dividend and Credit Suisse now makes less conservative assumptions around long-run unit costs and strip ratios, which increases the target to $15.00 from $12.50.

Nevertheless, given the recent sustained outperformance of the share price the rating is downgraded to Underperform from Neutral. The downgrade is a valuation call, the broker emphasises.

While a lot of the strong run up in the share price is justifiable, the question Credit Suisse believes should be asked is how much upside is available when iron ore is over US$120/t and earnings may be close to peaking.

See also FMG upgrade.

HOME CONSORTIUM LIMITED ((HMC)) Downgrade to Neutral from Outperform by Credit Suisse .B/H/S: 0/2/0

FY20 results were in line with Credit Suisse estimates. Credit Suisse notes FY21 guidance has been withdrawn in light of the uncertainty, although the company appears to be progressing well with its strategy.

Subsequent to the recent equity raising, gearing is well within covenants, the broker notes.

As the share price has rallied subsequent to the equity raising Credit Suisse envisages better absolute value elsewhere and downgrades to Neutral from Outperform. Target edges down to $3.21 from $3.22.

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

IGO's FY20 numbers matched guidance provided at the company's June quarter update, so no surprises.

A 5c final to make 11c for the year came in at the top end of management's dividend payout range. This will be reviewed in FY21, and Credit Suisse suspects a dividend/buyback combination will be forthcoming.

FY21 production and cost guidance is unchanged. The miner is hoping to expand across various metals, likely through M&A, with lithium and rare earths now on the radar.

Target rises to $4.35 from $4.05 after switching to a net asset and enterprise value blend from discounted cash flow. Upgrade to Neutral from Underperform on valuation.

MICHAEL HILL INTERNATIONAL LIMITED ((MHJ)) Downgrade to Neutral from Buy by Citi .B/H/S: 2/2/0

Citi finds the sales outlook challenging, given the deteriorating macro economic outlook. The broker upgrades estimates for FY21 and FY22 net profit because of wage subsidies and rent concessions that were stronger than expected.

However, the easy gains appear to be exhausted and there remains an absence of material long-term growth strategies, in the broker's view. Rating is downgraded to Neutral from Buy and the target lowered to $0.33 from $0.46.

NEW ENERGY SOLAR ((NEW)) Downgrade to Equal-weight from Overweight by Morgan Stanley .B/H/S: 0/1/0

Morgan Stanley thinks New Energy Solar's near-term outlook suffers from operating and capital issues. Moreover, the company's gearing levels have increased, necessitating the company to consider refinancing options.

Noting the distributions are largely tax-deferred and supported by cashflows, Morgan Stanley downgrades its rating to Equal-weight from Overweight with the target price decreasing to $1.08 from $1.41. Industry view: Cautious.

OOH!MEDIA LIMITED ((OML)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 3/1/0

oOh!media reported a first half 2020 underlying net loss of -$16.9m versus a profit of $18.2m in the same period last year, but Ord Minnett states management has done an excellent job achieving more than -$80m in cost savings, and supported by its capital raising, reducing leverage.

Despite signs of emerging positivity for regional growth, the broker lowers earnings (EBITDA) estimates for 2020 and 2021 by -50.7% and -38.8%, respectively.

This is due to lower than expected revenues in the first half, as well as the company's commute, retail, fly and locate segments continuing to be affected by macro weakness, the pandemic restrictions and reduced audiences.

The rating is downgraded to Hold from Accumulate on a lack of valuation support. The target price is decreased to $1.05 from $1.25.

RURAL FUNDS GROUP ((RFF)) Downgrade to Neutral from Buy by UBS .B/H/S: 0/1/0

Rural Funds Group's FY20 result was devoid of any impact from covid-19 with earnings (AFFO) up 3%, comments UBS.

Dividend guidance for FY21 is 4% growth with earnings (AFFO) at 11.7c (down -13% versus last year) due to increased capital expenditure profile on long-dated projects like Macadamias.

UBS downgrades its rating to Neutral from Buy on valuation grounds with the target price increasing to $2.35 from $2.30.

STOCKLAND ((SGP)) Downgrade to Neutral from Outperform by Credit Suisse .B/H/S: 1/5/0

FY20 results were better than Credit Suisse expected. While there are some hurdles to overcome in FY21 these have been well flagged.

Upside potential stems from the commercial pipeline and the broker assesses Stockland Group has capacity to fund incremental expenditure on new developments via debt.

While acknowledging the leverage to a recovery in residential and the long-term upside from developments, Credit Suisse downgrades to Neutral from Outperform as the stock is considered fairly valued. Target rises to $3.96 from $3.56.

TPG TELECOM LIMITED ((TPG)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 3/2/1

Given the merger was completed only four days before the end of the interim period, Ord Minnett describes the TPG Telecom result as messy.

The company flagged a number of headwinds that impacted profitability in the half including Vodafone revenue and margins declines due to lower handset sales, lower subscribers and reduced roaming charges, while TPG Corporation saw lower margins because of the ongoing transition to the NBN, notes the broker.

The rating is downgraded to Hold from Accumulate. The target price is decreased to $7.70 from $8.65.

See also TPG upgrade.

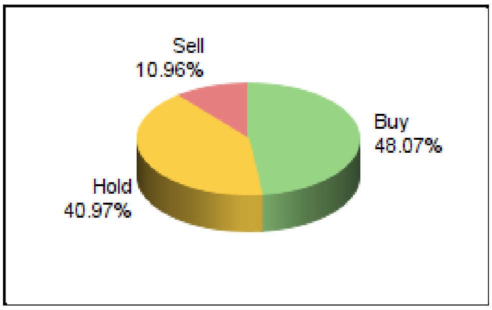
WAGNERS HOLDING COMPANY LIMITED ((WGN)) Downgrade to Neutral from Outperform by Credit Suisse .B/H/S: 1/2/0

FY20 revenue was ahead of expectations while net profit was in line. Quarries and transport/haulage performed well as major projects were ramped up. The company's high debt is a concern although the broker expects this to reduce in FY21 because of the successful recent refinancing.

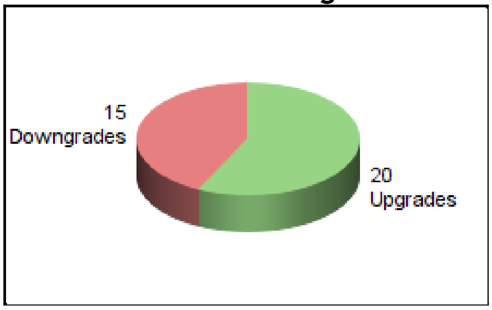
More earnings growth is expected in FY21 although Credit Suisse notes further upside depends on project gains, given flat industry volumes. As a result, the broker chooses to remain conservative and the rating is downgraded to Neutral from Outperform. Target is raised to $1.10 from $1.00.

See also WGN upgrade.

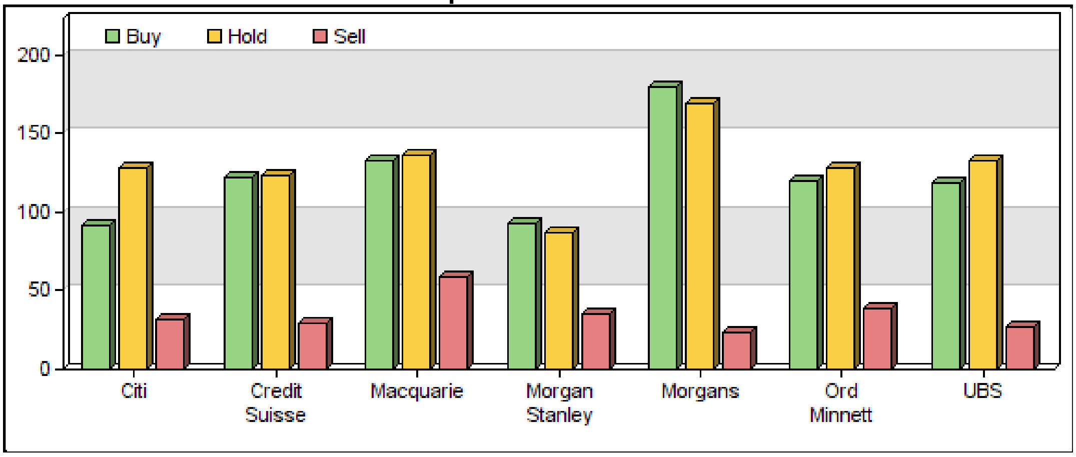
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ADBRI LIMITED	Neutral	Sell	UBS
2	APA GROUP	Buy	Neutral	Macquarie
3	ATLAS ARTERIA	Buy	Neutral	Credit Suisse
4	AVENTUS GROUP	Buy	Neutral	UBS
5	CAPITOL HEALTH LIMITED	Buy	Neutral	Ord Minnett
6	ELANOR INVESTORS GROUP	Buy	Buy	Ord Minnett
7	FORTESCUE METALS GROUP LTD	Neutral	Sell	Citi
8	INTEGRAL DIAGNOSTICS LIMITED	Buy	Neutral	Credit Suisse
9	NIB HOLDINGS LIMITED	Buy	Neutral	Macquarie
10	OIL SEARCH LIMITED	Buy	Neutral	Citi
11	OIL SEARCH LIMITED	Buy	Neutral	Morgans
12	PTB GROUP LIMITED	Buy	Neutral	Morgans
13	REDBUBBLE LIMITED	Buy	Sell	Morgans
14	SOMNOMED LIMITED	Buy	Neutral	Morgans
15	SUNCORP GROUP LIMITED	Neutral	Sell	Morgan Stanley
16	SUNCORP GROUP LIMITED	Neutral	Sell	Credit Suisse
17	TPG TELECOM LIMITED	Buy	Neutral	Macquarie
18	TPG TELECOM LIMITED	Neutral	Sell	Credit Suisse
19	WAGNERS HOLDING COMPANY LIMITED	Neutral	Sell	Macquarie
20	WESTERN AREAS NL	Buy	Neutral	Credit Suisse
Downgrade				
21	APPEN LIMITED	Sell	Neutral	Credit Suisse
22	APPEN LIMITED	Neutral	Buy	Ord Minnett
23	BINGO INDUSTRIES LIMITED	Neutral	Buy	Credit Suisse
24	CHARTER HALL GROUP	Neutral	Buy	Credit Suisse
25	FLIGHT CENTRE LIMITED	Neutral	Buy	Morgans
26	FORTESCUE METALS GROUP LTD	Sell	Neutral	Credit Suisse
27	HOME CONSORTIUM LIMITED	Neutral	Buy	Credit Suisse
28	IGO LIMITED	Neutral	Sell	Credit Suisse
29	MICHAEL HILL INTERNATIONAL LIMITED	Neutral	Buy	Citi
30	NEW ENERGY SOLAR	Neutral	Buy	Morgan Stanley

31	OOH!MEDIA LIMITED	Neutral	Buy	Ord Minnett
32	RURAL FUNDS GROUP	Neutral	Buy	UBS
33	STOCKLAND	Neutral	Buy	Credit Suisse
34	TPG TELECOM LIMITED	Neutral	Buy	Ord Minnett
35	WAGNERS HOLDING COMPANY LIMITED	Neutral	Buy	Credit Suisse

Recommendation

Positive Change Covered by > 2 Brokers

Order	Symbol	Company	New Rating	Previous Rating	Change	Recs
1	AVN	AVENTUS GROUP	100.0%	67.0%	33.0%	3
2	APA	APA GROUP	43.0%	14.0%	29.0%	7
3	CCL	COCA-COLA AMATIL LIMITED	43.0%	14.0%	29.0%	7
4	SUN	SUNCORP GROUP LIMITED	21.0%	-7.0%	28.0%	7
5	OSH	OIL SEARCH LIMITED	64.0%	36.0%	28.0%	7
6	MMS	MCMILLAN SHAKESPEARE LIMITED	50.0%	25.0%	25.0%	4
7	TPG	TPG TELECOM LIMITED	33.0%	8.0%	25.0%	6
8	SGR	THE STAR ENTERTAINMENT GROUP LIMITED	79.0%	57.0%	22.0%	7
9	IDX	INTEGRAL DIAGNOSTICS LIMITED	80.0%	60.0%	20.0%	5
10	AQG	ALACER GOLD CORP	50.0%	33.0%	17.0%	4

Negative Change Covered by > 2 Brokers

Order	Symbol	Company	New Rating	Previous Rating	Change	Recs
1	AIA	AUCKLAND INTERNATIONAL AIRPORT LTD	20.0%	100.0%	-80.0%	5
2	CHC	CHARTER HALL GROUP	58.0%	92.0%	-34.0%	6
3	APX	APPEN LIMITED	40.0%	70.0%	-30.0%	5
4	MHJ	MICHAEL HILL INTERNATIONAL LIMITED	50.0%	75.0%	-25.0%	4
5	IEL	IDP EDUCATION LIMITED	80.0%	100.0%	-20.0%	5
6	BIN	BINGO INDUSTRIES LIMITED	40.0%	60.0%	-20.0%	5
7	SXY	SENEX ENERGY LIMITED	75.0%	92.0%	-17.0%	6
8	GOZ	GROWTHPOINT PROPERTIES AUSTRALIA	33.0%	50.0%	-17.0%	3
9	QAN	QANTAS AIRWAYS LIMITED	33.0%	50.0%	-17.0%	6
10	SGP	STOCKLAND	17.0%	33.0%	-16.0%	6

Target Price

Positive Change Covered by > 2 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	IEL	IDP EDUCATION LIMITED	20.108	16.460	22.16%	5
2	CHC	CHARTER HALL GROUP	12.752	10.950	16.46%	6
3	AVN	AVENTUS GROUP	2.660	2.300	15.65%	3
4	DHG	DOMAIN HOLDINGS AUSTRALIA LIMITED	3.578	3.142	13.88%	6
5	SHL	SONIC HEALTHCARE LIMITED	33.706	31.233	7.92%	7
6	SUN	SUNCORP GROUP LIMITED	10.241	9.567	7.05%	7
7	CCL	COCA-COLA AMATIL LIMITED	9.904	9.254	7.02%	7
8	SGP	STOCKLAND	3.930	3.682	6.74%	6
9	AQG	ALACER GOLD CORP	10.275	9.700	5.93%	4
10	APX	APPEN LIMITED	36.380	34.580	5.21%	5

Negative Change Covered by > 2 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	MHJ	MICHAEL HILL INTERNATIONAL LIMITED	0.563	0.607	-7.25%	4
2	SXY	SENEX ENERGY LIMITED	0.375	0.397	-5.54%	6
3	ORG	ORIGIN ENERGY LIMITED	6.457	6.800	-5.04%	7
4	QAN	QANTAS AIRWAYS LIMITED	4.092	4.225	-3.15%	6
5	APA	APA GROUP	11.240	11.499	-2.25%	7
6	TPG	TPG TELECOM LIMITED	8.335	8.487	-1.79%	6
7	WSA	WESTERN AREAS NL	2.747	2.783	-1.29%	7
8	OML	OOH!MEDIA LIMITED	1.225	1.235	-0.81%	4
9	NST	NORTHERN STAR RESOURCES LTD	13.767	13.825	-0.42%	6

10	NHF	NIB HOLDINGS LIMITED	5.086	5.089	-0.06%	7

Earning Forecast

Positive Change Covered by > 2 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	WGN	WAGNERS HOLDING COMPANY LIMITED	3.430	0.427	703.28%	3
2	S32	SOUTH32 LIMITED	13.119	5.757	127.88%	7
3	NXT	NEXTDC LIMITED	0.910	-3.983	122.85%	7
4	SXY	SENEX ENERGY LIMITED	1.248	0.608	105.26%	6
5	APT	AFTERPAY LIMITED	0.567	-15.000	103.78%	6
6	DHG	DOMAIN HOLDINGS AUSTRALIA LIMITED	5.525	3.045	81.44%	6
7	PRU	PERSEUS MINING LIMITED	7.217	4.463	61.71%	3
8	FLT	FLIGHT CENTRE LIMITED	-85.986	-181.671	52.67%	7
9	BKL	BLACKMORES LIMITED	166.800	110.050	51.57%	6
10	SBM	ST BARBARA LIMITED	30.783	21.814	41.12%	5

Negative Change Covered by > 2 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	QAN	QANTAS AIRWAYS LIMITED	-39.263	-2.012	-1851.44%	6
2	WHC	WHITEHAVEN COAL LIMITED	-3.843	2.070	-285.65%	7
3	AIZ	AIR NEW ZEALAND LIMITED	-17.716	-7.149	-147.81%	3
4	AD8	AUDINATE GROUP LIMITED	-3.717	-2.053	-81.05%	3
5	OML	OOH!MEDIA LIMITED	0.188	0.568	-66.90%	4
6	CTD	CORPORATE TRAVEL MANAGEMENT LIMITED	8.580	24.480	-64.95%	6
7	ORG	ORIGIN ENERGY LIMITED	23.477	57.529	-59.19%	7
8	REG	REGIS HEALTHCARE LIMITED	4.275	7.600	-43.75%	4
9	WSA	WESTERN AREAS NL	10.006	16.526	-39.45%	7
10	BIN	BINGO INDUSTRIES LIMITED	5.836	8.064	-27.63%	5

Technical limitations

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WEEKLY REPORTS

Early Closure of Reactors Pressures Uranium Price

The uranium price continues its slide as nuclear plant decommissions in the US and Scotland are planned.

-Exelon Generation decommissions two plants due to falling energy prices
-Weekly spot price declinsd over one percent
-Australian state backs away from lifting ban on uranium mining

By Mark Woodruff

The news that Exelon Generation would decommission its Dresden and Byron units 10 and 20 years earlier, respectively, than expected, was a blow to the industry. The near-term outlook for the uranium market held by many traders, producers, and utilities immediately shifted from a cautiously optimistic outlook to a more bearish view, reports industry consultant TradeTech.

Exelon, which operates the largest fleet of commercial reactors in the US, said its Byron and Dresden Nuclear Generation Stations would face early closure, while additional plants are at risk due to financial pressures in the market. These closures will result in the loss of four reactors "that together supply clean, zero-emissions energy to more than four million homes and businesses in northern Illinois", quotes TradeTech.

Despite the plants' efficient and reliable operations, Exelon noted that Dresden and Byron face revenue shortfalls totalling "hundreds of millions of dollars" because of declining energy prices and market rules that allow fossil fuel plants to underbid clean resources in the PJM1 capacity auction. PJM1 is a regional transmission organization that coordinates the movement of wholesale electricity in all or parts of 13 US states and the District of Columbia.

This underbidding occurs in the PJM1 capacity auction, explains TradeTech, even though there is broad public support for sustaining and expanding clean energy resources to address the climate crisis.

Early reactor closures have not been confined to the US, as EDF Energy confirmed this week it would close the Hunterston B Nuclear Station in Scotland nearly two years early. The plant is now slated to close by January 2022.

Uranium Pricing

TradeTech's Weekly Spot Price Indicator fell to $30.75 per pound U3O8. This was a decrease of -$0.40 or -1.3% from last week's value, and a drop of -$0.05 from the August 27 Daily U3O8 Spot Price Indicator.

The weekly spot price has trended downward since reaching a year-high of $34.25 in May and has since declined over -10%. The average weekly uranium spot price for 2020 is $29.62 per pound U3O8, $3.78 per pound U3O8 above the 2019 average.

Spot market participants were hit with a variety of significant developments last week, including news of the above mentioned decommissions by Exelon and growing rumours that the US Department of Commerce (DoC) and the Russian government may be closer to reaching agreement on an extension of the Russian Suspension Agreement (RSA), which is due to expire at the end of this year.

The lack of a resolution on the RSA has kept US utilities almost completely on the sidelines in terms of purchasing for most of 2020. Many US utilities entered into agreements with Russian-owned entities in recent years, with the expectation that the RSA would expire and that they would be free to purchase Russian-origin material with fewer constraints than those currently imposed by the current RSA.

TradeTech explains the DoC has taken a very firm stance on limiting the amount of Russian imports into the US going forward, which means that several utilities that were counting on Russian material to fill their needs may be forced to buy material elsewhere, or draw down strategic inventories to even lower levels, as they strive to remain competitive.

TradeTech's term price indicators remain at US$36.50/lb (mid) and US$39.00/lb (long).

Company News

ASX-listed Lotus Resources ((LOT)) will soon enter into discussions with major global utilities covering offtake from its Kayelekera Uranium Mine in Malawi, ahead of the mine's reopening after being placed in care and maintenance for six years. Kayelekera, formerly owned by Paladin Energy Ltd ((PDN)), produced 10.19 million pounds of uranium in 2009-14 before low uranium market prices led to suspended operations. Lotus holds 65% of the mine, with a current resource of 376.5 million pounds U3O8. The existing infrastructure will allow for a quick, low-capital restart and the company is expecting annual production of 3 million pounds U3O8. (Paladin Energy owns a 13% share in Lotus Resources.)

Country News

State cabinet ministers in the Australian state of New South Wales backed away from supporting minor political party One Nation's nuclear power bill in the Upper House last week, which would have lifted an over three decade ban on uranium mining and nuclear power in the state.

The NSW Nationals leader Deputy Premier John Barilaro, who earlier this year said his party would back the One Nation bill, has now been tasked with commissioning more research around uranium mining and will report back to cabinet before any policy decisions are made, reports the Sydney Morning Herald.

WEEKLY REPORTS

The Short Report - 03 Sep 2020

See **Guide** further below (for readers with full access).

Summary:

Week ending August 27, 2020

Last week marked the last week of results season bar a couple of days, and by week's end the ASX200 was still bouncing around each day on results while not actually going anywhere.

Last week chook farmer Inghams Group ((ING)) reported and, despite a miss of forecasts, the market had feared worse so the stock rallied on the day.

Inghams had been hanging around in the 10%-plus shorted club almost consistently since the drought began to have its impact, let alone the virus. Initially it was an issue of soaring chook feed prices, and then a matter of no restaurants to sell to. But last week Inghams shorts dropped to 7.9% from 10.3%.

Short covering was clearly in play.

The only other stock to see a short position change of one percentage point or more last week was rare earths miner Lynas Corp ((LYC)), which the week before announced a sizeable capital raising with its result. This opens up a chance to short the stock and pick up discounted shares in the raising – a form of "risk arbitrage".

Last week Lynas dropped off the 5%-plus shorted table from 6.5%, suggesting arbitrage closed.

Beyond that we note it's getting even thinner at the top post result season, while remaining relatively consistent towards the bottom in terms of number of stocks. Last week saw four stocks come into the bottom of the table for only one dropping out, but all four are familiar names for the short table.

No Movers & Shakers this week.

Weekly short positions as a percentage of market cap:

10%+
WEB 15.0
MYR 11.3

Out: ING

9.0-9.9

IVC, ORE

In: ORE

8.0-8.9%

No stocks

Out: NEA, ORE

7.0-7.9%

ING, CUV, CTD, NEA, BOQ

In: ING, NEA Out: GXY

6.0-6.9%

FNP, Z1P, GXY, PNV, BIN, MTS, SGM, JBH

In: GXY, PNV, JBH Out: FXL, LYC, MSB

5.0-5.9%

MSB, FLT, FXL, CLH, SUL, AVH, A2M, IFL, ALG, SEK, LOV, PGH, BUB, AMA, NEC, CLQ

In: MSB, FXL , A2M, AMA, NEC, CLQ Out: JBH, PNV, BEN

Movers & Shakers

See above

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	4.1	4.1	NCM	0.2	0.4
ANZ	0.8	1.0	RIO	1.7	1.7
BHP	4.3	4.2	SCG	1.2	1.2
BXB	0.2	0.2	SUN	0.5	0.4
CBA	0.6	0.5	TCL	0.5	0.5
CSL	0.3	0.3	TLS	0.3	0.3
GMG	0.7	0.5	WBC	0.7	0.7
IAG	0.9	0.8	WES	0.5	0.5
MQG	0.3	0.3	WOW	0.3	0.1
NAB	1.0	0.9	WPL	1.2	1.2

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

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.

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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WEEKLY REPORTS

The Wrap: Covid-19, REITs, Housing & Retail

The second wave in Western Europe may not be as deadly as feared; industrial and office REITs collected more rent than discretionary malls; policy measures are preventing a steeper decline in house prices

-Covid-19 in Western Europe: A ripple rather than a wave
-REITs: Faltering rent collection in discretionary retail
-Housing prices: A long way from home

-By Angelique Thakur

Herd Immunity Threshold – Achieving Nirvana

Western Europe is currently the epicentre of the second wave of coronavirus cases with many countries recording major spikes since July 1, 2020 (Spain – 1900%, Ireland – 900% and Netherlands – 500%).

But simply looking at the raw numbers can be misleading, as Bell Potter's analysts have found out. They suggest the sharp rise in the number of cases is more due to an increase in testing rates than a higher number of people testing positive.

Which gets us to another point - fatality. Bell Potter has found the number of deaths has not kept pace with the sharp “rise” in cases. Simply put, there is a mismatch between cases and deaths with deaths too low.

One of the things this may point towards, suggests Bell Potter, is the massive undercounting of case numbers in the first outbreak.

To understand this better, the analysts crunched some numbers based upon the number of deaths recorded. The results were mind-boggling. If what the analysts suggest is true, instead of the 30,000 cases recorded per day (at peak levels) in the first outbreak in Western Europe, the actual Western European cases may have been running at over 500,000 per day at their peak!

This takes the sheen off the current outbreak, rendering it as little more than a ripple, let alone a wave, Bell Potter suggests.

It may also appear the original assumptions about herd immunity may have been incorrect and we may be much closer to achieving herd immunity than we might think. Bell Potter believes much of Western Europe and the USA have likely hit herd immunity thresholds (HITs).

This is based on studies that suggest a 10-20% infection rate may result in HITs being reached for covid-19 as opposed to the conventional 60-70% infection rate. This is further supported by studies showing widespread pre-existing T-cell immune responses to covid-19 in up to 80% of individuals.

In a nutshell, Bell Potter feels life in Western Europe and the USA will return to normal by the year's end, with herd immunity broadly obtained.

Life post-covid

Continuing on the same topic, Citi analysts have tried to answer how life may change post-covid. For starters, Citi suspects some changes will be fleeting while others will hold sway for a long time. A case in point is the belief the game was over for cruises, a notion negated by the rise seen in bookings for 2021.

Citi highlights other changes, like the rise of telemedicine, will have longer-term implications. Another area is business travel, expected to see a -10%-20% reduction with companies learning how to engage effectively via virtual meetings over the last few months.

Moreover, a shift away from city centres may also be in the offing. Considering the stigma of working from home over, the analysts expect a shift towards suburbanisation, which may lead to more housing activity and the need for vehicles.

The analysts feel income inequality will ultimately lead to higher taxation and pushback on immigration and imports. Anti-globalisation efforts will likely hinder profit margin expansion as access to cheaper overseas labour diminishes.

REITs' rental woes

Morgan Stanley's June quarter rent collection stats show Industrial and Office REITs had fewer issues with converting billings to cash flows than their discretionary retail peers. In particular, Goodman Group ((GMG)) and Charter Hall Group ((CHC)) offer growth and earnings prospects far more resilient than peers, highlights Morgan Stanley. The analysts also like Dexus Property ((DXS)) which, despite earnings challenges, is likely to deliver cash earnings and minimal write-offs.

Across stocks covered by Morgan Stanley, 69% of uncollected rent was expensed in the form of waivers and provisioned credit losses. However, the various approaches taken by the REITs to account for uncollected rent makes profit recognition a difficult, if not slippery, process.

A case in point is the July rent collection of Scentre Group ((SCG)), reported at 82%, a stark difference from Vicinity Centres' ((VCX)) 47%. On closer inspection, the analysts found Scentre Group had included billings from previous months as part of its July rent collection. If the same method is applied to Vicinity Centres, its July rent collection increases to circa 75%.

Morgan Stanley found GPT Group ((GPT)) and Vicinity Centres to be the most conservative in terms of profit recognition of uncollected rent.

The analysts contend the Melbourne lock-down will be a setback for REITs like Vicinity Centres with considerable exposure to Victoria (45% of income).

Preferring to adopt a conservative stance, a rent collection rate of 70% has been assumed for major retail REITs such as GPT, Vicinity, Scentre Group, Mirvac ((MGR)) and Stockland ((SGP)) in the December half.

Policy propping up prices

National house prices fell another -0.5% in August and are -2.5% down from their April peak. Leading the way was Melbourne which saw a fall of -1.2% month on month (-4.7% from peak levels). Sydney and Brisbane were more resilient at -0.5% and -0.1%.

Policy support for housing market participants will continue to be provided until 2021 which Morgan Stanley believes will help contain some of the housing stress this spring selling season. With Melbourne expected to ease restrictions in the coming months, price declines are expected to moderate even more.

But this does not mean all is well. The analysts still expect a challenging scenario for the rest of the calendar year. July building approval levels, while better than before, are low and hint at a reduction in construction levels in the coming months. Since the sector makes up over 10% of employment, Morgan Stanley fears this will also impact the labour market.

Led by the impending removal of the support measures, muted immigration activity and sluggish credit supply, market conditions will likely remain subdued through 2021, Morgan Stanley concludes.

Retail sales growth expected to slow down

Driven by the government stimulus, household income grew 8% in the June quarter (year on year), ensuring Australian households had one of the strongest quarters in income growth for many years.

However, excluding the support, the picture was pretty grim with household income falling by -9%.

While the September quarter looks equally encouraging, led by government support, the retailers are faced with the question of what would happen in the December quarter and beyond when the stimulus fades away.

Citi analysts studying the scenario expect cash flow to households to slow down materially. This in turn will hit retail sales with growth expected to slow down to -1% in the December 2020 quarter from 2%-4% in the June and September quarters.

Also, as restrictions ease, consumers will likely redirect more spending outside of retail, suggest the analysts. What remains to be seen is how far households draw down on savings.

Citi analysts expect sales growth to inevitably moderate with the September 2020 quarter to be the peak of sales momentum. Momentum will soften over the December 2020 quarter and then further into 2021, they assert.

In such a scenario, Citi's preference remains for grocery over discretionary retail. For discretionary retail, Citi prefers companies pricing in less optimistic FY22 earnings like Super Retail ((SUL)) and Harvey Norman ((HVN)), rated as Buy by the broker.

On the other hand, valuations appear stretched for Wesfarmers ((WES)), JB Hi-Fi ((JBH)) and Lovisa ((LOV)), all of which are rated as Sell by Citi.

Some other stocks Citi prefers include Baby Bunting ((BBN)), Bapcor ((BAP)), Beacon Lighting ((BLX)), Coles ((COL)) and Metcash ((MTS)).

SMALL CAPS

Damstra Shaping Up For Post-Pandemic World

Damstra is ideally placed in a post-pandemic world, given its suite of products for site management, health and safety.

-Softness in FY20 earnings attributed to a timing issue
-Vault likely to lead to further expansion in North America
-Consumption/recurring revenue model working in Damstra's favour

By Eva Brocklehurst

Monitoring, asset management and employee health are more important than ever and in its first year as a listed entity on the ASX, Damstra Holdings ((DTC)) has impressed on that front. Shaw and Partners points out opportunities across a range of industries exist and Damstra is ideally placed with a suite of products for site management, health and safety.

The business has been growing by 20-30% per annum within a market that is growing more than 6% per annum. Currently 25% of the company's revenues are generated internationally, with a client base that includes large mining, construction and telecommunications organisations.

Hence, international is expected to overtake domestic income and drive a step change in growth in the next 1-2 years. Moreover, Shaw and Partners points out disclosure is improving, and greater clarity on what is driving the business has spurred investor confidence.

FY20 earnings were clearly affected by disruptions caused by the pandemic frustrating the conversion of several new opportunities as well as the commencement of contracts. Yet FY21 guidance for revenue of $33-35m signals to Morgan Stanley that the softness experienced in FY20 was genuinely a timing issue, and the broker maintains an Overweight rating and $2.00 target.

Vault

Vault, a US data management software business that helps organise and track data creation as well as documentation processes, is increasingly likely to be acquired by Damstra.

This is an important lever to US expansion, Shaw suggests, and the company needs to "bulk up" geographically. The broker anticipates an additional $8m or more in pro forma revenue and calculates $50m in revenue by FY22 for the combined businesses.

The company is also expected be an active consolidator in both the US and Europe and Shaw reiterates a Buy rating with a $2.05 target, expecting continued traction internationally could mean further strategic interest.

Large Product Suite

Damstra has a wide product suite across multiple industries covering workforce management, access control, e-learning and risk assessment. For example **the company provides an innovative mobile fever detection product across a range of terminals and uses**, particularly relevant during the current pandemic.

Moelis flags more than 20 clients that have already ordered the fever detection units with 140 units already delivered or en route. This is well ahead of expectations and supports a robust outlook for FY21, with the broker upgrading to Buy and $2.09 target. Moelis notes cross selling opportunities from Velpic e-learning also appear to be playing out.

Hardware and software are designed in house with management having significant experience across technology, finance and site management. Shaw and Partners finds the consumption/recurring model works in Damstra's favour, as new business can be gained post the pandemic. Around 90% of revenue is recurring and gross margins are high at over 65%.

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RUDI'S VIEWS

Rudi's View: August 2020 Fits The Post-2013 Narrative

Dear time-conscious investor: August reporting season has been a positive experience, with multiple new trends and highlights

August 2020 Fits The Post-2013 Narrative

By Rudi Filapek-Vandyck, Editor FNArena

As we leave August 2020 behind us, dominated by a domestic reporting season that on multiple levels proved better-than-feared, it is my personal observation that investors in Australia now can be clearly divided in two opposing groups:

-those who are elated and chuffed as exposure to the sharp rebound in equities has paid off in spades, or at least it has seriously mitigated the losses incurred earlier in the year;

-those who feel deeply frustrated as most of their money is not in the share market, or it is in equities that have not fully participated in the strong recovery off the late-March low.

Probably the stock that illustrates the 2020 share market narrative the best in Australia is Afterpay ((APT)), a local payments facilitator that only started life as a publicly listed company in mid-2017.

Who could ever have imagined that a little over three years later, this company is now the global leader in a newly emerging online segment of the global payment processing industry, one that now has everybody’s attention, with Afterpay’s market capitalisation rallying into the local Top20?

The Afterpay story is two-fold: on the one hand we have an increasing number of newly listed technology disruptors who start from humble beginnings but potentially have a great future ahead of them.

On the other hand, the covid-19 pandemic and global lockdowns have pushed newly emerging societal shifts and trends into acceleration, with the unexpected result there are companies and business models out there that are not just benefiting, they are thriving.

When I met up with an old mate of mine recently, who’s a mortgage broker, I was perplexed to hear many of his customers who run a café or restaurant are, post the initial scare from lockdowns, currently experiencing extreme boom-time conditions.

Lockdowns are bad news. The human instinct is to focus on the sad stories that emerge. Many cafes and restaurants in my neighbourhood are still closed, or have vacated the premises.

But those re-opening in the right place and with the right adjustments and operational costs are meeting huge pent-up demand.

Every crisis shares that same common core characteristic: the strong will become stronger.

This time around, the global pandemic has created a separate group of “lucky winners”, so to speak, and their growth potential has been turbo-charged.

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Afterpay might be among the few truly lucky ones on the ASX that are enjoying two firm, beneficial shifts driving their business and the share price, they are certainly not the only one.

In many ways, the Afterpay story is not dissimilar from NextDC's ((NXT)), or from Xero's ((XRO)), or from Carsales' ((CAR)), and a number of others.

Not every sustainable growth story listed on the ASX is equally witnessing their customers' spending going ballistic, but if they are truly carried by market leadership, a defendable moat, a commercial advantage, and they are not weighed down by too much debt, an inability to amend or cut costs, or by delusional or bad management, they will come out stronger, if they haven't already.

Short-term threats and issues aside, beneath the surface of daily moving share prices, the dominating narrative of successful investing in the share market has not changed since 2013: it's about finding growth, and sticking by it.

You certainly wouldn't want to bet against it.

Goodman Group ((GMG)) just beat its own guidance, yet again, for the ninth time in succession. Nick Scali ((NCK)) has guided for 60% growth in net profit this half to December.

ARB Corp's ((ARB)) order book is at an all-time record high.

NextDC's quintessential dilemma is that demand growth for data centres is so strong, it may potentially run out of capacity before the next phase of expansion becomes available.

Of course, for long term investors as opposed to shorter-term momentum followers, the crucial question is the longevity of it all. Reading through analysts' research reports in August, this is equally front of mind for those who need to put a value and a recommendation on these stocks.

Most question marks involve retailers currently shooting the lights out.

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As strong and solid as the companies above, and many more others, stood out with their financial performances in August, for plenty of others what comes naturally to the few remains too hard to accomplish or to maintain.

Shares in AMP ((AMP)) might look undervalued, and they have been for quite a while, but the company again disappointed in August, while attracting lots of media coverage for all the wrong reasons.

If ever a company on the local bourse has provided plenty of evidence that paying attention to corporate culture, and to ESG (Environmental, Social and Governance criteria) in general is not a luxury but essential, it would have to be AMP.

I also believe it is companies like AMP that are teaching your typical “value” investor some incredibly harsh lessons, causing immense frustration for much longer.

Other examples from the same basket of “simply offering too much attraction to resist”, but proving frustrating duds instead, include (in no particular order) Boral ((BLD)), Unibail-Rodamco-Westfield ((URW)), Ainsworth Game Technology ((AGI)), Bendigo and Adelaide Bank ((BEN)), Challenger ((CGF)), and yes, let’s throw Telstra ((TLS)) in the mix as well.

Let’s call a spade a spade: shares in growth companies might temporarily get a bit hot under the collar, but they are still multiple times a better investment than cheap looking stocks that cannot deliver the bare essential, which is growth.

One special mention goes out to Whitehaven Coal ((WHC)) whose share price got clobbered upon realisation that if coal prices stay at current low level for much longer, this company will receive that dreaded phone call from its lenders.

This is not to say the company is facing insolvency or the board might have to call in administrators, but a fresh equity raising (at a serious discount) will definitely become a real possibility – and that’s what the market has now quickly priced in.

Another special mention has to be made for the local aged care providers, with all of Regis Healthcare ((REG)), Estia Health ((EHE)) and Japara Healthcare ((JHC)) yet again being exposed as underfunded, low quality, struggling operators in a sector that has not necessarily seen the final piece of bad news just yet.

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As well, while share price responses throughout August have been mostly positive, see also CommSec data further below, investors better not lose sight of what has been the main story in share markets for the past few years: gains achieved by new competitors and disruptors are creating headwinds for under-fire incumbents.

Analysts at Citi, on Monday, argued the case that strong momentum for the likes of Sportsbet and BetEasy, where top line and margins are almost literally flying higher as Australian punters are moving online, stand in sharp contrast with declining revenues at Tabcorp Holdings ((TAH)).

While optimistic shareholders in Tabcorp might argue bricks and mortar venues will re-open at some point, Citi points out Sportsbet in particular is spending hard and fast to pamper these new clients in an attempt to make them stick.

Tabcorp is equally one of the larger cap stories on the ASX that has provided mostly frustration for investors who thought they were buying into an attractive, cheap looking valuation, with an attractive looking yield.

The share price remains well, well below the pre-covid level, and prior to the sell-off in February those shares had range-traded for five years!

Citi thinks Tabcorp is still only half way to a more sustainable outlook, post capital raising and that badly needed cut to the payout ratio. Current yield 2.2% on FY21 consensus forecasts.

The broker suggests the incoming CEO needs to reset the wagering business and exit gaming services in order to pull this moribund elephant back onto a sustainable growth path.

The story for all of these, and many other companies remains the same: today’s cheap looking share price can only move sustainably higher if and when the successful turnaround arrives, and that means: growth, where art thou?

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Australian bank shares, with notable exception of CommBank ((CBA)), are still circa -25% below pre-covid prices.

In similar vein as for others in that “cheap but frustrating” basket of stocks, UBS banking analysts concluded on Monday it’s best investors retain a cautious approach to the sector.

For Australian banks to shake off their current book value discount, UBS suggests the following stepping stones need to fall into place:

-we need to see ongoing reduction in virus cases, preferably with positive news about a vaccine

-economic data needs to continue to improve

-the bond market's yield curve (difference between short term and long term bonds) needs to steepen materially

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Of course, there are many more ways for companies and business models under pressure to try to turn around that sagging, moribund momentum.

Long-time struggling telecom reseller amaysim Australia ((AYS)) is now selling its energy customers grouped together under the brand of Click Energy to equally struggling energy retailer AGL Energy ((AGL)).

And that other prime example of bad corporate culture and negative ESG scores, IOOF Holdings ((IFL)) is buying struggling MLC off under-pressure National Australia Bank ((NAB)).

August provided many more examples, both successful and unsuccessful, and investors will be hoping the buyers can get as much (lasting) benefit out of these transactions as the sellers think they do.

Companies that are still looking to sell include BHP Group ((BHP)), Downer EDI ((DOW)), Lendlease ((LLC)), and Oil Search ((OSH)).

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With August now done and dusted, FNArena will soon have its final statistics for the season ready, but one observation is easily made: this has been one of the best reporting seasons in a long, long while.

On CommSec's data analysis, 53% of ASX200 companies that reported results saw a lift in share prices on the day of earnings release with an average gain of 0.7% and a gain of 0.8% after two days.

Big gainers include WiseTech Global ((WTC)), IDP Education ((IEL)) and Monadelphous ((MND)) while on the receiving end some of the stand-out punishments were delivered to Whitehaven Coal, Bravura Solutions ((BVS)), Nanosonics ((NAN)), and Appen ((APX)).

Despite persistent weakness towards the end of the month, mostly on macro factors including the strong Australian dollar, the local market rose an additional 2.2% over the season.

It got pretty volatile, in particular during the final week, but all in all the undercurrent remained positive.

Of course, the broader context is investors have been hit hard with dividend cuts and many share prices that have not recovered from the February-March mayhem, but companies have shown they still know how to cut costs, and hence beat market expectations.

Irrespective, investors must bear in mind August turned into a positive experience because analysts' forecasts were too low, not because corporate Australia has been shooting the lights out.

A lack of quantitative guidance for the year ahead by companies remains a dominant feature.

On CommSec's numbers, of all companies reporting a profit for FY20, only 48% managed to report growth, with 52% reporting a decline.

Adding all profit reports up for the season, CommSec concludes aggregate earnings were down -38% on a year ago, which in itself was not a great reporting season.

All revenues combined went up by 3.4%, but total expenses rose by 4.1% also because covid-19 required extra measurements, see for example the updates released by Coles ((COL)) and Woolworths ((WOW)).

The major pain point, of course, was in dividends.

Even though plenty of companies surprised by unexpectedly paying out a dividend, or a higher dividend, the fact remains, in aggregate, total dividends paid out by Australian companies declined by -36%.

Looking back over the six months to December 2019 (interim results), CommSec reports just over 87% of the ASX200 companies issued a dividend. But for the full year to June 2020, only 69% of companies have elected to pay a cash return to shareholders.

The average over the past 20 reporting seasons stands at 86%.

Still on CommSec data, almost 23% of companies lifted dividends; 12% held dividends steady; 53% of companies reduced dividends or didn't pay a dividend; and 12% of companies that didn't pay a dividend last time (in February) also didn't pay a dividend this time.

Of those trimming dividends, 20% of all companies or 27 companies that paid a dividend last time indicated they won't be paying a final dividend. And 47 companies (34%) paid a reduced dividend.

Of the 94 companies paying a dividend, 33% lifted dividends; 17% kept the payout steady; and 50% reduced the dividend.

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There's plenty of ongoing uncertainty, but also plenty of ongoing support from governments and central banks, leading CommSec to predict the All Ordinaries is likely to remain in a range of 6,350-6,750 by end-2020, with the range for the ASX200 between 6,200-6,600.

Investors might also pay attention to Citi strategists who this week reported Citi's market sentiment gauge, the Panic-Euphoria Model, has surged firmly into euphoria territory.

As a matter of fact, Citi's reading of market sentiment hasn't been this high since early 2001, leading the strategists to warn that, historically, this translates into a 100% probability that share markets are due for a downward correction.

As per always, the exact timing is not yet known.

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The FNArena-Vested Equities All-Weather Model Portfolio still hasn't been enticed into buying shares in Afterpay, but the portfolio has plenty of quality and sustainable growth stocks to keep the performance up.

On my observation from running this portfolio for more than 5.5 years, the portfolio has had mostly positive experiences during each of the February and August reporting seasons, in line with the general observations described earlier.

The portfolio re-allocated some funds into quality, sustainable dividend payers post results in August, and the choice was made to add APA Group ((APA)), Charter Hall Long WALE REIT ((CLW)), and Aventus Group ((AVN)).

We also used share price weakness to add Nanosonics ((NAN)) and MNF Group ((MNF)).

All in all, the Portfolio gained 2.99% over the month, which was slightly better than the ASX200 Accumulation Index at circa 2.7%.

Year to date, since January 1st, the All-Weather Portfolio is up 2.58% whereas the ASX200 Accumulation index is still more than -7% in the negative.

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Prior previews and updates on August results:

https://www.fnarena.com/index.php/2020/08/27/rudis-view-august-reporting-favours-quality-growth/

https://www.fnarena.com/index.php/2020/08/20/rudis-view-early-signals-from-august-2020/

https://www.fnarena.com/index.php/2020/08/13/rudis-view-gold-conviction-calls-early-results/

https://www.fnarena.com/index.php/2020/08/06/rudys-view-august-2020-nothing-like-the-past/

https://www.fnarena.com/index.php/2020/07/30/rudis-view-coming-soon-the-august-reporting-season/

https://www.fnarena.com/index.php/2020/07/23/forecasts-not-valuations/

(This story was written on Monday 31st August, 2020. It was published on the day in the form of an email to paying subscribers, and again on Thursday as a story on the website).

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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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