

Australian Brokers Call - 25 August 2021

Summary Of Brokers Calls

Company	CMP	Call	Target AUD	By
AMA	\$0.45	Neutral	\$0.56	UBS
ANN	\$36.78	Neutral	\$40.00	Credit Suisse
ASB	\$2.18	Neutral	\$2.25	Credit Suisse
AWC	\$1.68	Outperform	\$1.90	Credit Suisse
BLD	\$6.47	Neutral	\$6.80	UBS
GEM	\$1.01	Buy	\$1.20	UBS
HUB	\$27.90	Add	\$31.65	Morgans
IFM	\$1.63	Buy	\$2.20	UBS
MND	\$10.09	Neutral	\$10.60	UBS
NAN	\$7.18	Add	\$7.26	Morgans
OSH	\$3.81	Buy	\$4.65	UBS
RWC	\$5.64	Neutral	\$5.90	UBS

1.UBS rates AMA as Neutral

At first glance, FY21 operating results were in line with UBS estimates. There was no meaningful update on cost pressures, the broker notes, and the outlook remains challenging. The BASF paint integration has been completed.

Impacts from the pandemic are expected to continue in the first half of FY22. Banking covenant waivers are extended to December 2021, a positive in the broker's view. Neutral rating and \$0.56 target maintained.

If AMA meets the UBS target it will return approximately 24% (excluding dividends, fees and charges).

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2. Credit Suisse rates ANN as Neutral

Driven by a weaker Industrial result with Industrial earnings -6% in second half FY21 versus first half FY21, Ansell reported FY21 earnings per share (EPS) of US\$1.92 at the low end of guidance range and 4% below consensus.

While demand for some ANN products has remained strong, growth in surgical and industrial disappointed.

Ansell provided an FY22 EPS guidance range of US\$1.75-1.95, representing -9% to 1.5% growth versus FY21.

3. Credit Suisse rates ASB as Neutral

Austal's FY21 result was in line with expectations, with margin improvement in the US offset by margin deterioration in Australasia, mainly due to low margin emergent support work in second half FY21.

While management guided to \$1.5bn, tracking lower on FY21, Credit Suisse views this as conservative, with near-term opportunities that the broker thinks could be crystallised in second half FY22: Notably, the Offshore Patrol Cutter (OPC) program that Austal is bidding for which is expected to be awarded in fourth quarter FY22.

4. Credit Suisse rates AWC as Outperform

Due primarily to the bauxite price for third party shipments of \$26/t FOB being around US\$10/t higher than Credit Suisse estimates, Alumina reported underlying earnings of US\$69m, ahead of the broker (US\$55m), and in-line with consensus.

The company guided that alumina costs should be flat in December half – with reductions in Australia following completion of the Willowdale crusher move – fully offset by increases at Alumar and San Ciprian on oil-linked prices and bauxite.

5. UBS rates BLD as Neutral

North American business beat expectations while Australia was weighed down by exposure to major projects in FY21. As a result, with volume outlook subdued and pricing anaemic, transformation initiatives are expected to drive earnings growth.

Other than a potential surprise surrounding the fly ash sale, UBS considers the current performance and transformation largely in the price. Neutral retained. Target is reduced to \$6.80 from \$7.35.

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6.UBS rates GEM as Buy

First half results were well ahead of UBS estimates. Occupancy has improved yet the broker estimates NSW, Victoria and ACT make up 70% of revenue and therefore lockdowns will still affect the second half earnings.

The broker believes investors should look through the second half and focus on the recovery trajectory. Valuation is undemanding and UBS retains a Buy rating.

7.Morgans rates HUB as Add

Morgans assesses an in-line overall FY21 result, with the Platform revenue margin a slight miss on the back of revenue margin compression. Management stated the Administration fee pricing environment is stable and operating margin expansion is expected.

If HUB meets the Morgans target it will return approximately 13% (excluding dividends, fees and charges).

8.UBS rates IFM as Buy

FY21 results were largely in line with expectations. UBS believes the nature of the subscription-based model means Infomedia should exit FY22 with solid revenue momentum.

The broker estimates revenue guidance of \$117-123m implies organic growth of 8-14% from FX and incremental contracts. This will be complemented by the contribution of the SimplePart acquisition. Buy retained.

If IFM meets the UBS target it will return approximately 35% (excluding dividends, fees and charges).

9.UBS rates MND as Neutral

FY21 earnings growth of 18% was below UBS expectations. Labour shortages and Western Australian border closures hit the company's productivity in the second half. This has resulted in a reduction in project productivity.

An inability to fully recover costs has meant a substantial reduction in operating margins. Revenue is also expected to be lower in FY22 because of the completion of major iron ore construction projects, before new contracts ramp up into FY23.

If MND meets the UBS target it will return approximately 5% (excluding dividends, fees and charges).

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10. Morgans rates NAN as Add

Morgans sees a significant improvement in the second half and expects momentum to continue after the release of FY21 results. As a result of a strong share price the broker lowers its rating to Hold from Add while increasing its target price to \$7.26 from \$6.57.

Unit sales were up 3,030 units with the second half up 20% on the first, which reflects business opening up and likely to continue in FY22, thinks the analyst. Management updated on its next major product a “flexible endoscope”, potentially due for commercial launch in 2023.

The company also highlighted an increase in the total addressable market for Trophon2 to 60,000 units from 40,000 in the US. Other regions of Europe and ROW remain at 40,000 units each. The latter is likely understated, according to the broker.

If NAN meets the Morgans target it will return approximately 1% (excluding dividends, fees and charges).

11. UBS rates OSH as Buy

First half net profit beat forecasts amid lower interest expense, favourable inventory and lower royalties.

The main focus of the company's commentary was the update on P'nyang gas field development and how the proposed merger with Santos has slowed down the sale process in Alaska.

On the merger, UBS expects an update on estimated synergies along with a binding merger implementation agreement in the first week of September. Buy rating and \$4.65 target maintained.

If OSH meets the UBS target it will return approximately 22% (excluding dividends, fees and charges).

12. UBS rates RWC as Neutral

UBS notes, following a strong FY21 result, top line growth has started to moderate. Several factors suggest to the broker that Reliance Worldwide is unlikely to experience above-normal volume growth going forward.

Combined with declining margins this results in the broker's forecast for net profit to decline -9% in FY22. After a strong share price performance UBS downgrades to Neutral from Buy.

If RWC meets the UBS target it will return approximately 5% (excluding dividends, fees and charges).

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