

Australian Brokers Call - 13 September 2021

Summary Of Brokers Calls

Company	CMP	Call	Target AUD	By
ALL	\$46.84	Outperform	\$50.30	Credit Suisse
AMA	\$0.42	Neutral	\$0.45	UBS
ANZ	\$27.59	Sell	\$28.00	Citi
AZJ	\$3.82	Add	\$4.14	Morgans
IPL	\$2.72	Buy	\$3.10	UBS
MFG	\$40.50	Sell	\$35.00	UBS
NAB	\$28.45	Neutral	\$28.50	Credit Suisse
ORI	\$12.47	Hold	\$13.65	Morgans

ALL ARISTOCRAT LEISURE LIMITED

Overnight Price: **\$46.84**

Credit Suisse rates ALL as Outperform

Credit Suisse expects, in FY21, Aristocrat Leisure will pay a commission of around \$700m to mobile platforms such as Google Play or the Apple App Store.

A -5% reduction in mobile platform fees over time from the current 28% is calculated to lift valuation by \$6. Also contributing to reduced platform fees, albeit a smaller component, Microsoft is cutting commissions to 12% for 30% and Aristocrat Leisure is already a beneficiary.

Global regulatory pressure on fees is a tailwind yet Credit Suisse only incorporates the prospect into its target, leaving earnings estimates unchanged at this point. Outperform rating maintained.

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AMA - AMA GROUP LIMITED

Overnight Price: \$0.42

UBS rates AMA as Neutral

AMA Group has raised \$150m to permanently repay \$73m in debt facilities and provide \$69m in working capital. The intentions are to reduce net debt, lengthen debt duration and improve liquidity.

Bank debt facilities are being restructured with no facility maturing before October 2024 and the first covenant test to be June 2022. The company has outlined a medium-term target of 180 sites and \$1bn or more in turnover.

ANZ - AUSTRALIA AND NEW ZEALAND BANKING GROUP

Overnight Price: \$27.59

Citi rates ANZ as Sell

Citi notes recent data from APRA signals a sharp contraction in the mortgage book of ANZ Bank despite strong market conditions. The broker observes below-system growth has been a feature of the past four years.

This is attributed to several issues, namely an over reliance on manual systems, restrictive credit policies, a reduced physical network and poor service to the broker channel. Going forward Citi believes there are better prospects for peers and retains a Sell rating and \$28 target.

AZJ - AURIZON HOLDINGS LIMITED

Overnight Price: \$3.82

Morgans rates AZJ as Add

Morgans upgrades to Add from Hold, assessing returns are improving at current prices. Beyond FY22 the broker expects a slight decline in earnings through FY23-24 because of falling interest rates.

This will affect the re-set of the network pricing in FY24 and pressure on coal earnings is anticipated amid a decline in contracted capacity and pricing.

The long-dated nature of the assets makes earnings less correlated with the business cycle and this provides a defensive element, the broker suggests. There is also the flexibility to pursue growth investments and/or capital management.

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IPL - INCITEC PIVOT LIMITED

Overnight Price: \$2.72

UBS rates IPL as Buy

UBS observes the stock is highly leveraged to global agricultural conditions in fertiliser pricing, which are favourable. Manufacturing performance has improved and the explosives market remains resilient.

EBIT growth of 30% is anticipated in FY22, and UBS also forecasts free cash flow around \$400m which supports an attractive yield of 8%.

MFG - MAGELLAN FINANCIAL GROUP LIMITED

Overnight Price: \$40.50

UBS rates MFG as Sell

Retail funds under management are experiencing outflows and UBS anticipates there would have been around -\$255m of retail net outflows during August. Meanwhile pressure on fees is elevated.

The higher-than-average fees and below-average performance is likely to put pressure on the company to lower base management fees, in the broker's opinion, and the rating is downgraded to Sell from Neutral.

NAB - NATIONAL AUSTRALIA BANK LIMITED

Overnight Price: \$28.45

Credit Suisse rates NAB as Downgrade to Neutral

Credit Suisse downgrades to Neutral from Outperform, noting the stock has rallied 5% over the reporting season and is up 64% on a year rolling basis.

While the bank has restored operating momentum the broker believes this is now captured in the share price.

National Australia Bank has historically traded at a -5% PE discount to the major banks compared to its current level of parity, the broker adds.

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ORI - ORICA LIMITED

Overnight Price: \$12.47

Morgans rates ORI as Hold

The trading update has highlighted there has been no material changes in the business and Morgans assumes Orica is comfortable with consensus estimates for FY21. Some markets continue to be affected by the pandemic and Latin America by unrest.

Morgans maintains FY21 forecasts but reduces FY22 and FY23 forecasts because of the cyclical and structural issues that are impacting the business. Nevertheless solid earnings growth is anticipated.

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