

# Australian Brokers Call - 04 November 2021

## Summary Of Brokers Calls

Company	CMP	Call	Target AUD	By
AMC	\$16.11	Neutral	\$17.20	Credit Suisse
AMP	\$1.18	Neutral	\$1.25	Citi
BXB	\$10.30	Buy	\$11.75	Ord Minnett
DMP	\$142.30	Neutral	\$144.25	Citi
ECX	\$2.54	Outperform	\$2.90	Credit Suisse
GNC	\$6.60	Neutral	\$6.35	Credit Suisse
KGN	\$9.69	Neutral	\$10.00	UBS
KLL	\$0.18	Add	\$0.27	Morgans

### AMC - AMCOR PLC Overnight Price: \$16.11

#### Credit Suisse rates AMC as Neutral

The first quarter update was largely in line with expectations and guidance has been reiterated. Credit Suisse believes Amcor has been at the forefront of managing raw material inflation and the stock is trading at an appropriate earnings premium to its peer group.

In flexibles the company has recovered costs with price increases while the rigids division is operating at full capacity because of high demand combined with supply constraints. Neutral rating and \$17.20 target maintained

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## **AMP- AMP LIMITED** **Overnight Price: \$1.18**

### **Citi rates AMP as Neutral**

Citi welcomes the divestment of the 19.13% stake in Resolution Life as it provides much-needed capital ahead of the de-merger. Yet this also removes around -\$30m of after-tax investment earnings that are anticipated for FY22, instigating a significant downgrade to the broker's forecasts.

The net proceeds to be paid to AMP by Resolution Life are \$141m. The company is confident of proceeding with the de-merger of the private markets business over the first half.

## **BXB -BRAMBLES LIMITED** **Overnight Price: \$10.30**

### **Ord Minnett rates BXB as Initiation of coverage with Buy**

Ord Minnett initiates coverage on Brambles with a Buy rating and \$11.75 target price. It's felt near-term headwinds are already incorporated into an overly-depressed share price. Operating leverage is expected from automation/digitisation initiatives.

The analyst notes surcharges are in place to combat the inflationary impact from lumber and transport. Earnings are expected to be supported by defensive revenues from exposure to food and beverage (F&B), fast-moving consumer goods (FMCG) and staples.

## **DMP - DOMINO'S PIZZA ENTERPRISES LIMITED** **Overnight Price: \$142.30**

### **Citi rates DMP as Neutral**

Citi observes downside risks are increasing in the second quarter as cost pressures are building. This comes despite better top-line momentum. Same-store sales growth in the first 18 weeks of FY22 were 4.3%, implying an acceleration from the first 7 weeks.

Surprisingly, Japan has slowed as since restrictions were eased at the end of September sales have turned down. Citi maintains a Neutral rating and reduces the target to \$144.25 from \$148.70.

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## **ECX - ECLIPX GROUP LIMITED**

**Overnight Price: \$2.54**

### **Credit Suisse rates ECX as Outperform**

FY21 results were well ahead of expectations with cash net profit up 81%. Credit Suisse suspects this is largely stemming from factors that will reverse as operating conditions move back to a more normal setting.

The underlying growth drivers include a recovery in new business, investment in sales capabilities and digital as well as controlling costs.

## **GNC- GRAINCORP LIMITED**

**Overnight Price: \$6.60**

### **Credit Suisse rates GNC as Neutral**

Credit Suisse believes pricing is not appreciated enough when it comes to Graincorp. Fees for receiving, storing and loading increased 3.5% to 4.0% for the 2021-22 season.

The outlook for the crop looks as good as the prior year and the broker upgrades forecasts to 28mt. Target is increased to \$6.35 from \$6.16. A Neutral rating is maintained on valuation although the broker acknowledges the upside risk.

## **KGN - KOGAN.COM LIMITED**

**Overnight Price: \$9.69**

### **UBS rates KGN as Neutral**

UBS reinstates coverage of Kogan.com with a Neutral rating and a target price of \$10, down from \$15.10. The broker's profit forecasts are set around -20% lower than consensus estimates.

The analyst is concerned over rising costs for both supply chain and distribution, greater reinvestment in marketing and higher customer acquisition costs. Moreover, there's expected to be additional fixed cost investment including headcount.

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## **KLL- KALIUM LAKES LIMITED** **Overnight Price: \$0.18**

### **Morgans rates KLL as Add**

Morgans updates its target price on Kalium Lakes to reflect equity dilution driven by the company's \$60m equity raising at \$0.18 per share, which significantly exceeded the broker's expected \$30m at \$0.20 per share.

The raising will be used to fund a \$50m capacity expansion at the company's Beyondie SOP project, which reported first production last month.

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