

Australian Brokers Call - 1 March 2022

Summary Of Brokers Calls

Company	CMP	Call	Target AUD	By
ABC	\$3.30	Overweight	\$3.60	Morgan Stanley
AKE	\$9.07	Outperform	\$14.70	Credit Suisse
ANZ	\$26.01	Buy	\$30.00	UBS
APM	\$2.90	Buy	\$3.30	UBS
ASB	\$1.92	Hold	\$2.20	Ord Minnett
AUA	\$0.12	Add	\$0.33	Morgans
AVG	\$0.76	Hold	\$0.82	Morgans
CAR	\$20.50	Overweight	\$25.00	Morgan Stanley

ABC - ADBRI LIMITED Overnight Price: \$3.30

Morgan Stanley rates ABC as Overweight

Adbri's FY21 result outpaced Morgan Stanley's forecasts by 4%, thanks to lower corporate costs and a 1% beat in Cement Lime and Concrete, despite several non-recurring costs items, including covid. The broker notes the company's position as a domestic supplier gives it a natural advantage in a supply challenged environment. Earnings (EBIT) forecasts rise 14% across FY22 to FY24.

Overweight rating retained, Morgan Stanley expecting Adbri's ability to compete against imports and supply-chain challenged products will continue to benefit it, and the broker expects further upside in the cement and lime business. Target price rises to \$3.60 from \$3.20. Industry view: In line.

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AKE - ALLKEM LIMITED **Overnight Price: \$9.07**

Credit Suisse rates AKE as Outperform

Allkem delivered US\$57m in net profit in the first half, which included a 4 month benefit from the Mt Cattlin acquisition. Credit Suisse notes pricing should support 15% and 23% free cash yield in FY23 and FY24; earnings forecasts lift 15% and 5% for the same years.

Allkem upgraded second half pricing at Olaroz 25% to US\$25,000 per tonne. The company should benefit from a third of legacy contracts completing in the March quarter, allowing two thirds of volumes to be linked to index pricing and a third to spot pricing. The company flagged potential upside to spodumene pricing which remains at \$US\$2,500 per tonne for now. The Outperform rating is retained and the target price increases to \$14.70 from \$13.70.

ANZ - AUSTRALIA & NEW ZEALAND BANKING GROUP LTD **Overnight Price: \$26.01**

UBS rates ANZ as Buy

Against a backdrop of geopolitical uncertainty, UBS expects the banks to outperform given their defensive qualities and relative safe-haven status. It's also felt the market has not fully incorporated the impact of net interest margin (NIM) expansion from interest rate increases.

ANZ Bank's disappointing 1Q result now has the bank ranked second last on the list of the broker's preferences for the big four banks. Westpac Bank ((WBC)) is the preferred exposure. The Buy rating and \$30 target are retained.

APM - APM HUMAN SERVICES INTERNATIONAL LIMITED **Overnight Price: \$2.90**

UBS rates APM as Buy

Given 1H results were mostly in-line with expectations, UBS leaves forecasts unchanged for APM Human Services International and retains its Buy rating and \$3.30 target price.

The performance of the Australian division was considered a standout by the broker, in light of omicron challenges, while the APAC region APAC was the key area of softness. However omicron/lockdown impacts are expected to be temporary in nature for the region.

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ASB - AUSTAL LIMITED **Overnight Price: \$1.92**

Ord Minnett rates ASB as Hold

Austal's 1H earnings (EBIT) of \$71.1m was well ahead of the \$53.4m estimate by Ord Minnett, while FY22 earnings guidance was well ahead of the consensus forecast. However, earnings guidance was largely driven by provision releases relating to the US littoral combat ship shipbuilding program.

The broker maintains a Hold rating reflecting uncertainty regarding the company's transition to steel manufacturing. The target falls to \$2.10 from \$2.20.

AUA - AUDEARA LIMITED **Overnight Price: \$0.12**

Morgans rates AUA as Add

Audeara's first half earnings loss was well flagged through updates and reflects accelerating key growth hires and positioning ahead of the large US opportunity, Morgans notes. The key highlight was growth in the company's lead indicator of clinic numbers of 65% year on year, which now sees Audeara's products stocked in all major audiology clinics in Australia.

The company also achieved its first US sales in the US through its distribution partnership, and continues to progress its US expansion with a significant opportunity in its leading products, the broker notes. Speculative Buy and 33c target retained.

AVG - AUSTRALIAN VINTAGE LIMITED **Overnight Price: \$0.76**

Morgans rates AVG as Hold

Australian Vintage posted an interim profit ahead of Margans but earnings were impacted by elevated shipping costs and temporary cellar door closures. FY earnings guidance provided in November is unchanged. A greater level of elevated logistics costs are now expected to carry into the the second half before a partial recovery in FY23, and the FY23 impact could be further mitigated through greater operational savings, the broker notes.

The result has reinforced the clear sustainable gains the company has made over the past 2-3 years, which has mitigated the impact of covid cost pressures. The broker nevertheless retains Hold for now, looking for greater visibility on the extent of the FY23 recovery. Target falls to 82c from 90c.

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CAR - CARSALES.COM LIMITED Overnight Price: 20.50

Morgan Stanley rates CAR as Overweight

Morgan Stanley has resumed coverage with an Overweight rating. Target price is \$25. Industry view: Attractive. The broker believes Carsales Australian operations will continue to deliver "good" growth in the years ahead.

In Australia, suggests the broker, Carsales can fall back upon its strong market position with related strong pricing power. As far as the international operations are concerned, the broker seems to have taken a positive view, pointing out management's own expectations have been bettered in both Korea and Brazil, over time.

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