

Australian Brokers Call - 3 March 2022

Summary Of Brokers Calls

Company	CMP	Call	Target AUD	By
A2M	\$5.50	Neutral	\$5.75	Credit Suisse
CHN	\$7.48	Outperform	\$10.55	Macquarie
EBO	\$36.96	Overweight	\$43.00	Morgan Stanley
EOS	\$1.82	Neutral	\$2.23	Citi
NEC	\$2.78	Buy	\$3.90	UBS
NTO	\$1.41	Overweight	\$2.30	Morgan Stanley
NWS	\$29.69	Buy	\$42.50	UBS
SFR	\$6.22	Buy	\$7.00	UBS

A2M - A2 MILK COMPANY LIMITED

Overnight Price: \$5.50

Credit Suisse rates A2M as Neutral

In an update on a2 Milk Company's China performance, Credit Suisse notes the company continues to improve its consumer messaging in the region, with a stronger focus on key opinion leaders and consumer-preferred ingredients.

While many daigous remain in China given border closures, the channel has adapted with many fulfilling demand by ordering from Australian popup shops.

The Neutral rating and target price of \$5.75 are retained.

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CHN - CHALICE MINING LIMITED

Overnight Price: \$7.48

Macquarie rates CHN as Outperform

Chalice Mining has communicated the latest round of drilling results at Julimar with intersections confirming mineralisation circa 400m below the open pit resource at the Gonneville deposit.

The new target has been named Flinders and has now been elevated to high priority for drilling. Macquarie also points out the Hartog target in the Julimar State Forest essentially remains untested, as the company has yet to be able to establish drilling platforms that will enable drill testing of the main target areas. The broker has not made any changes to forecasts. Outperform rating and \$10.55 target price retained.

EBO - EBOS GROUP LIMITED

Overnight Price: \$36.96

Morgan Stanley rates EBO as Overweight

Strong sales momentum in Healthcare and Animal Care has seen Ebos deliver a notable beat to Morgan Stanley's forecast, reporting first half revenue of \$5,251m, up 12.8% and comparing to a forecast \$5,027m.

Despite no formal guidance for FY22, expect manufacturing costs to keep capital expenditure elevated through to the end of the financial year. The Overweight rating is retained and the target price increases to \$43.00 from \$42.00. Industry view: In-Line.

EOS - ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Overnight Price: \$1.82

Citi rates EOS as Neutral

Somewhere between November last year and this week Citi had temporarily ceased and now has resumed coverage with Neutral/High Risk and a target price of \$2.23.

The analysts see plenty of reasons to become excited again, but for the time being await more proof Electro Optic Systems can replenish its declining backlog before turning more positive. The escalation in geopolitical tensions could well play into the company's favour, but again, Citi likes to see some tangible signs first.

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NEC - NINE ENTERTAINMENT CO. HOLDINGS LIMITED

Overnight Price: \$2.78

UBS rates NEC as Buy

Looking at valuations for both Nine Entertainment Co and Domain Holdings ((DHG)), UBS estimates the latter comprises 30% of the valuation of the former.

The remainder of Nine Entertainment Co is valued by the market at \$1.97/share versus the value of \$2.79 ascribed by the broker. The Buy rating and \$3.90 target are unchanged.

NTO - NITRO SOFTWARE LIMITED

Overnight Price: \$1.41

Morgan Stanley rates NTO as Overweight

Morgan Stanley was unsurprised by Nitro Software's FY21 release given the result was largely pre-released. The company provided guidance for the coming year, with an annual recurring revenue range of US\$64-68m and an earnings loss of -US\$18-21m.

The broker considers the adoption of high trust e-signing capability will be a key risk for the company. Morgan Stanley reiterates the complementary value in deep e-signing capability, and notes the segment offers higher growth. The Overweight rating is retained and the target price decreases to \$2.30 from \$3.90. Industry view: In-Line.

NWS - NEWS CORPORATION

Overnight Price: \$29.69

UBS rates NWS as Buy

Looking at valuations for both News Corp and REA Group ((REA)), UBS estimates the latter comprises 63% of the former's market value.

This calculation implies a valuation of around \$11.90 per share for all of News Corp's other assets, well shy of the \$20.03 valuation the analyst ascribes. The Buy rating and \$42.50 target are unchanged.

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SFR - SANDFIRE RESOURCES LIMITED **Overnight Price: \$6.22**

UBS rates SFR as Buy

The maiden guidance for the MATSA project at 1H results for Sandfire Resources disappointed UBS due to lower grades and higher costs. Hence, the target is revised down to \$7, from \$8.30 though it's felt the market has already priced in lower earnings.

The poor start confirms to the analyst the complexity of optimising MATSA's mines/deposits, ore types and infrastructure. The Buy rating is maintained.

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