

□ Australian Brokers Call - 23 March 2023

Summary Of Brokers Calls

Company	CMP	Call	Target AUD	By
KMD	\$0.95	Neutral	\$0.97	Macquarie
LFS	\$1.12	Neutral	\$1.30	Citi
MGR	\$2.06	Buy	\$3.10	Ord Minnett
NSR	\$2.51	Underperform	\$2.23	Macquarie
NUF	\$5.44	Outperform	\$7.11	Macquarie
RDY	\$3.21	Outperform	\$4.00	Macquarie
RMS	\$1.10	Outperform (\$1.30	Macquarie
SGM	\$14.98	Sell	\$14.30	Citi

KMD KMD BRANDS LIMITED **Overnight Price: \$0.95**

Macquarie rates KMD as Neutral

KMD Brands's first half result appears to have pleased Macquarie, the company making headway despite macro challenges, and management advises momentum has continued apace in second half trading through to March, sales jumping 31.9% in February.

The return of overseas travel and the cycling of covid distortions helped the company stage a mild sales recovery and management reiterated guidance and its overseas aspirations.

Gross margins rose in the face of freight and raw materials inflation and a sharp jump in operational expenditure. Net debt proved a slight miss at \$84.9m vs the broker's \$83.7mm and ditto for inventories, but strong sales are expected to eat into stocks in the June half. EPS forecasts are steady in FY23; but rise 4.6% in FY24.

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LFS LATITUDE GROUP HOLDINGS LIMITED

Overnight Price: \$1.12

Citi rates LFS as Neutral

Citi feels the market has interpreted the cyberattack on Latitude Group optimistically, despite a -7% fall upon resumption of trading.

While the company's shares were in a trading halt, the wider market fell by -1% and around half of the -7% fall relates to going ex-dividend, explains the analyst. The broker cautions given it is still too early to quantify the impact on volumes and costs. A lasting risk could be the requirement for further investment in IT and cyber defence. The Neutral rating and \$1.30 target are unchanged.

MGR MIRVAC GROUP

Overnight Price: \$2.06

Ord Minnett rates MGR as Buy

With residential sales contracts signed and commercial developments at or near completion, Ord Minnett considers Mirvac Group's earnings for the current fiscal year to be at less risk.

The broker anticipates a moderation of residential earnings in 2024, as higher interest rates, lower dwelling prices and weak wage growth filter through, but expects Mirvac Group can gain market share in these conditions. The Buy rating and target price of \$3.10 are retained.

NSR NATIONAL STORAGE REIT

Overnight Price: \$2.51

Macquarie rates NSR as Underperform

National Storage REIT has launched a \$325m equity raising to pay down debt and fund strategic plans.

Macquarie says the \$2.33 to \$2.41 price implies a cost of equity of 4.9% which compares with the incremental cost of debt of 4.6%, but says it should turn accretive in FY24.

In the full wash, the broker considers it to be earnings neutral, while giving the balance sheet a healthy boost, and delivering an extra \$450m to spend on strategic growth investments.

EPS forecasts ease -0.2% in FY 23; -0.9% in FY24; and rise 3.5% in FY25. Underperform rating retained to reflect the slowing cycle and rising interest rates. Target is \$2.23, which compares to the last entry in the FNArena database in February of \$2.15.

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NUF NUFARM LIMITED

Overnight Price: \$5.44

Macquarie rates NUF as Outperform

Macquarie cuts Nufarm's EPS forecasts by -4% in FY23 and -2% in FY24 to reflect rising interest costs.

Otherwise, it appears steady as she goes with management reiterating guidance at its annual general meeting and the broker spying a solid FY23 for agchem and seeds.

Outperform rating retained. Target price falls to \$7.11 from \$7.75 to reflect lower industry multiples and a slight rise in net debt.

RDY READYTECH HOLDINGS LIMITED

Overnight Price: \$3.21

Macquarie rates RDY as Outperform

Macquarie reviews ReadyTech after returning from restriction and adopts an Outperform rating and \$4 target price.

EPS forecasts fall -6% in FY23; and -4% in FY24 to reflect higher net interest costs. The broker appreciates the company's \$160m revenue target and high conviction pipeline, adding that rising enterprise customer numbers vindicate the company's strategy and continued investment, showing ReadyTech is gaining market share from major rivals.

RMS RAMELIUS RESOURCES LIMITED

Overnight Price: \$1.10

Macquarie rates RMS as Outperform

Ramelius Resources has announced an all-scrip off-market bid for Breaker Resources ((BRB)) for \$131m (a premium of 41%) and Macquarie observes Breaker held \$77m in cash at December 31.

Breaker's board has unanimously recommended acceptance in the absence of a better offer.

Under the deal, each Breaker shareholder gets one Ramelius share for every 2.82 Breaker shares held. What's in it for Ramelius? Macquarie says Breaker's nearby Lake Roe project could give Ramelius the critical mass it needs for development. EPS forecasts fall -3% in FY23; and -12% in FY24 and FY25 to reflect the dilution.

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SGM SIMS LIMITED **Overnight Price: \$14.98**

Citi rates SGM as Sell

Sims will acquire Northeast, one of the largest copper recyclers in the US, which processes and sells around 60ktpa of non-ferrous metal. While the purchase is for an undisclosed sum, Citi predicts the bill will be around US\$30m.

The broker expects processing synergies via more efficient freight/transport when Northeast is combined with Sims' existing operations in the US. It's also thought the combined operations should be able to access additional end-markets.

The Sell rating and \$14.30 target are unchanged.

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