

Australian Brokers Call - 28 March 2023

Summary Of Brokers Calls

Company	CMP	Call	Target AUD	By
AGY	\$0.40	Outperform	\$0.80	Macquarie
AKE	\$10.14	Outperform	\$17.00	Macquarie
ALD	\$29.87	Outperform	\$39.45	Macquarie
ALX	\$6.46	Neutral	\$6.44	Macquarie
FBU	\$3.98	Outperform	\$5.25	Macquarie
HAS	\$2.34	Outperform	\$3.60	Macquarie
ILU	\$10.16	Outperform	\$12.30	Macquarie
LAU	\$0.94	Buy	\$1.10	Ord Minnett

AGY ARGOSY MINERALS LIMITED **Overnight Price: \$0.40**

Macquarie rates AGY as Outperform

Argosy Minerals' FY22 full-year result outpaced Macquarie's forecasts, the company reporting a loss that was roughly half that which the broker had expected, thanks to a stronger-than-expected profit share from its joint venture.

The company closed the year with a net cash balance of \$36.6m.

Management reports the Rincon development is on schedule, with full ramp-up expected in the June quarter.

Outperform rating and 80c target price retained.

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AKE ALLKEM LIMITED **Overnight Price: \$10.14**

Macquarie rates AKE as Outperform

Allkem has announced a 27% upgrade to its Olaroz resource estimate and Macquarie updates its base case forecasts accordingly.

The broker sharply increases its resource option value for the mine but advises near-term group earnings and valuation are mostly unaffected. Outperform rating and \$17 target price retained.

ALD AMPOL LIMITED **Overnight Price: \$29.87**

Macquarie rates ALD as Outperform

Ampol's Lytton refinery has been closed for maintenance at its Fluidised Catalytic Cracking Unit, resulting in lower gasoline output for 40 days, but management does not expect consumers will be affected. Macquarie considers the fix to be relatively simple and unlikely to result in extensions.

The broker expects the situation offers Ampol an opportunity to optimise the outage and cuts Lytton's June-half earnings (EBIT) by -\$58m to \$295m. Meanwhile, management points to a strong start to 2023, thanks to good market conditions. EPS forecasts fall -6% in 2023; are steady in 2024; and rise 3% in 2025.

ALX ATLAS ARTERIA **Overnight Price: \$6.46**

Macquarie rates ALX as Neutral

Macquarie reports that the French government is planning to change concessions on its auto routes (APRR and AREA).

The broker assesses that this creates uncertainty for investors and might affect Atlas Arteria's ability to raise long dated debt if the approach affects dividends.

But while acknowledging the threat to valuation, Macquarie says the situation could offer a chance for the company to bring forward the concession re-tender, which would result in short-term earning losses being offset by a 20-year to 30-year concessions extension. Neutral rating and \$6.44 target price are retained.

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FBU FLETCHER BUILDING LIMITED

Overnight Price: \$3.98

Macquarie rates FBU as Outperform

Macquarie expects New Zealand February building consents to show a sharp deterioration but Fletcher Building observes a strong capacity buffer in the country of roughly 30%.

Outperform rating and NZ\$8 target price retained, the broker expecting a sharp retreat in the share price, combined with strong FY24 guidance should underpin the company's share price from here. Macquarie says the market appears to be factoring in a steeper fall than history would suggest (or a structural deterioration in the company's business) but sees no evidence of this.

HAS HASTINGS TECHNOLOGY METALS LIMITED

Overnight Price: \$2.34

Macquarie rates HAS as Outperform

Macquarie cuts its rare-earths price forecasts to reflect shifts in supply and demand and spot prices. While observing strong headwinds, the broker expects demand could recover given restocking by magnet producers and improved consumption but that this demand was likely to be skewed to the December half. Macquarie also believes the market's response to Tesla's announcement to be unduly harsh. Meanwhile, China has announced its first batch of 2023 rare-earths production quotas and Macquarie observes a 19% jump in mining quotas and an 18% rise in refining quotas, year on year. The broker expects the NdPr market will remain tight but advises unplanned mine disruptions or restocking by magnet producers could shift dynamics. Outperform rating and \$3.60 target price retained for Hastings Technology Metals.

ILU ILUKA RESOURCES LIMITED

Overnight Price: \$10.16

Macquarie rates ILU as Outperform

Macquarie cuts its rare-earths price forecasts to reflect shifts in supply and demand and spot prices.

While observing strong headwinds, the broker expects demand could recover given restocking by magnet producers and improved consumption but that this demand was likely to be skewed to the December half. Macquarie also believes the market's response to Tesla's announcement to be unduly harsh. Meanwhile, China has announced its first batch of 2023 rare-earths production quotas and Macquarie observes a 19% jump in mining quotas and an 18% rise in refining quotas, year on year.

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LAU LINDSAY AUSTRALIA LIMITED

Overnight Price: \$0.94

Ord Minnett rates LAU as Buy

Ord Minnett sees a "vacuum of opportunity" within the refrigerated transport industry, following the announcement that Scott's Refrigerated Transport has entered into receivership. It estimates the company accounted for up to 10% of the industry.

The broker's analysis sees Lindsay Australia gaining a \$40m revenue uplift in the coming fiscal year, as the next largest industry participant, while reports have suggested Lindsay may be considering acquiring some assets from Scott's.

The Buy rating is retained and the target price increases to \$1.10 from \$0.83.

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