

# Australian Brokers Call - 29 March 2023

## Summary Of Brokers Calls

Company	CMP	Call	Target AUD	By
ANZ	\$22.64	Buy	\$25.00	UBS
ASX	\$64.61	Neutral	\$70.00	UBS
CBA	\$96.06	Neutral	\$100.00	UBS
LLL	\$0.49	Outperform	\$1.50	Macquarie
LTR	\$2.57	Buy	\$3.35	Bell Potter
LYC	\$6.54	Neutral	\$9.00	UBS
MMS	\$14.42	Buy	\$16.40	Citi
ORI	\$15.08	Neutral	\$16.00	Macquarie

### **ANZ ANZ GROUP HOLDINGS LIMITED** **Overnight Price: \$22.64**

#### **UBS rates ANZ as Buy**

Recent events in the US and Europe in UBS' view have lowered the confidence threshold of investors for banks in their portfolios and Australia is no different. The broker now expects funding costs to move higher, fiercer deposit competition, bad debts higher than expected, and tightening bank regulation.

UBS updates earnings forecasts to reflect some of these dynamics in estimates.

ANZ Bank target falls to \$25 from \$30. Buy retained.

# Australian Brokers Call - 29 March 2023

## **ASX ASX LIMITED**

**Overnight Price: \$64.61**

### **UBS rates ASX as Neutral**

In the fallout from the pause in the CHES replacement project last November, regulators have now acted to address ASX's clearing & settlements monopoly position, UBS notes.

Proposed changes to legislation include empowering ASIC and RBA to intervene, paving the way for competition to emerge and implementing interoperability between clearing counterparties. The broker believes ASX C&S consensus revenue expectations are likely to be too optimistic in the mid-long term. Even in the unlikely event no new competition emerges, it is likely that C&S pricing is revised downwards. Neutral and \$70 target retained.

## **CBA COMMONWEALTH BANK OF AUSTRALIA**

**Overnight Price: \$96.06**

### **UBS rates CBA as Neutral**

Recent events in the US and Europe in UBS' view have lowered the confidence threshold of investors for banks in their portfolios and Australia is no different. The broker now expects funding costs to move higher, fiercer deposit competition, bad debts higher than expected, and tightening bank regulation.

UBS updates earnings forecasts to reflect some of these dynamics in estimates. CommBank target falls to \$100 from \$101. Neutral retained.

## **LLL LEO LITHIUM LIMITED**

**Overnight Price: \$0.49**

### **Macquarie rates LLL as Outperform**

While FY22 reported earnings for Leo Lithium were in line with Macquarie's forecast, a -\$10.5m earnings (EBITDA) loss was -30% wider than anticipated due to higher-than-expected corporate overhead charges.

The broker highlights the Goulamina project is tracking to plan with first production due in late 2024, and direct shipping ore (DSO) will provide early cash flow in late 2023.

The Outperform rating and \$1.50 target are unchanged.

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### **LTR LIONTOWN RESOURCES LIMITED**

**Overnight Price: \$2.57**

#### **Bell Potter rates LTR as Buy**

The board of Liontown Resources has knocked back a takeover offer from Albemarle, citing both value and opportunistic timing of the approach as reason. Albemarle had made a \$5.5bn bid for the company, equating to \$2.50 a share compared to its prior bids of \$2.20 and \$2.35 a share made in October and March respectively.

Bell Potter finds the level on interest in Liontown Resources speaks to the quality of its Kathleen Valley asset, as well as the scarcity of growth opportunities in the sector. While the broker finds Albemarle's offer reasonable, it feels additional value could be argued. The Buy rating is retained and the target price increases to \$3.35 from \$2.81.

### **LYC LYNAS RARE EARTHS LIMITED**

**Overnight Price: \$6.54**

#### **UBS rates LYC as Neutral**

A site visit to Mt Weld provided a good opportunity to revisit Lynas Rare Earths' flagship asset ahead of its planned expansion due to start in the second half of next year, but UBS was hoping for more colour on Kalgoorlie.

There were no significant developments on this front other than Lynas reiterating feed start for the June quarter and that it remains focused on overturning the cracking & leaching covenant attached to its Malaysian license. With little guidance on FY24 there remains a wide range of estimates for volume, the broker notes. Neutral and \$9.00 target retained.

### **MMS MCMILLAN SHAKESPEARE LIMITED**

**Overnight Price: \$14.42**

#### **Citi rates MMS as Buy**

Two observations stand out from Citi's update on McMillan Shakespeare vis a vis the NDIS.

Firstly, the estimated number of participants that has likely joined the plan manager pool, assuming market share hasn't changed, is below Citi's forecasts.

Secondly, the current review into NDIS does pose potential risk.

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## **ORI ORICA LIMITED** **Overnight Price: \$15.08**

### **Macquarie rates ORI as Neutral**

The analyst at Macquarie reports in from the Orica-hosted investor tour of the Americas and highlights the Latin American division has the largest exposure to future facing commodities across the group. Of total revenue, 62% derives from copper and 21% from gold.

The broker expects the explosives market in the region will grow at a 3.9% compound annual growth rate (CAGR) measured in tonnes over next five years, driven by production growth for gold, copper and iron ore, and related explosives use.

The Neutral and \$16 target retained.

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