

Australian Brokers Call - 30 March 2023

Summary Of Brokers Calls

| Company | CMP | Call | Target AUD | By |
|---------|---------|--------------|------------|-------------------|
| ALQ | \$12.10 | Outperform | \$13.60 | Macquarie |
| AWC | \$1.44 | Underperform | \$1.10 | Macquarie |
| AZY | \$0.02 | Buy | \$0.06 | Shaw and Partners |
| BHP | \$45.00 | Outperform | \$53.00 | Macquarie |
| BOE | \$2.24 | Outperform | \$3.20 | Macquarie |
| CRN | \$1.60 | Outperform | \$2.60 | Macquarie |
| DRR | \$4.76 | Neutral | \$5.00 | Macquarie |
| KLS | \$5.88 | Buy | \$6.88 | Ord Minnett |

ALQ ALS LIMITED **Overnight Price: \$12.10**

Macquarie rates ALQ as Outperform

ALS Ltd has upgraded FY23 profit guidance ahead of its FY23 result by a modest 2% at the midpoint, higher prices boosting revenue and margins.

Guidance now outpaces consensus and Macquarie's estimates and the broker's EPS forecasts rise 2% in FY23 and 6% in FY24 and FY25.

Macquarie sheets the price rises back to the company's portfolio strength and growth drivers, stronger commodities prices, a recovery in junior commodities financing (it had all but dried up by mid last year), a likely rise in expenditure from senior gold producers, and continued strength in green commodities. Outperform rating and \$13.60 target price retained, the broker observing the company is trading at a -12% discount to global peers.

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AWC ALUMINA LIMITED

Overnight Price: \$1.44

Macquarie rates AWC as Underperform

Macquarie reviews the Australian resources sector after revising commodity price forecasts: copper, gold and zinc forecasts are tipped to rise while nickel, cobalt, palladium and coal forecasts fall. Coking coal, iron ore and silver forecasts are mixed across the 2023 to 2027 forecast period. Companies are upgraded and downgraded according to their exposures.

The broker upgrades near-term earnings forecasts between 14% to 23% for large caps with iron ore exposures. Macquarie raises Alumina's target price to \$1.10 from \$1.00 to reflect alumina price rises, but retains an Underperform rating to reflect forecast dividend yield challenges. EPS forecasts fall sharply in FY23 to reflect cost challenges but rise sharply in FY24.

AZY ANTIPA MINERALS LIMITED

Overnight Price: \$0.02

Shaw and Partners rates AZY as Buy

Antipa Minerals has significantly expanded its 2023 exploration program, notes Shaw and Partners, having significantly increased the mineral resource at the Minyari Dome project in WA.

The new exploration program will involve up to 12,000m of drilling from May 2023 onwards. The pre-feasibility study will be paused to incorporate the 2023 drilling program results, with work expected to recommence in early 2024. To better align with its emerging gold sector coverage, the broker alters its valuation method, and its target drops to 6c from 8c. Buy.

BHP BHP GROUP LIMITED

Overnight Price: \$45.0

Macquarie rates BHP as Outperform

Macquarie reviews global iron ore miners, upgrading near-term iron ore price forecasts to reflect rising demand; and a 2% reduction in shipments and lower port inventories as poor weather slowed operations.

Shipments from smaller ports in the year to date were a touch higher than forecast.

The broker raises target prices across the sector, observing free cash flow yields are rising. Macquarie prefers BHP among the large caps, citing its stronger organic growth options. On the current run rate, the broker expects BHP's Pilbara shipments to be in the upper half of guidance, and Rio Tinto's ((RIO)) to be in the lower half of its guidance. Mt Gibson's ((MGX)) target price falls to 50c from 60c. Outperform rating retained for BHP. Target price rises to \$53 from \$52..

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BOE BOSS ENERGY LIMITED

Overnight Price: \$2.24

Macquarie rates BOE as Outperform

Macquarie reviews the Australian resources sector after revising commodity price forecasts: copper, gold and zinc forecasts are tipped to rise while nickel, cobalt, palladium and coal forecasts fall. Coking coal, iron ore and silver forecasts are mixed across the 2023 to 2027 forecast period. Coking coal forecasts fall sharply. Uranium forecasts are trimmed. Companies are upgraded and downgraded according to their exposures.

The broker upgrades near-term earnings forecasts between 14% to 23% for large caps with iron ore exposures. Macquarie cuts Boss Energy's EPS forecasts in FY24.

CRN CORONADO GLOBAL RESOURCES INC

Overnight Price: \$1.60

Macquarie rates CRN as Outperform

Macquarie reviews the Australian resources sector after revising commodity price forecasts: copper, gold and zinc forecasts are tipped to rise while nickel, cobalt, palladium and coal forecasts fall. Coking coal, iron ore and silver forecasts are mixed across the 2023 to 2027 forecast period. Companies are upgraded and downgraded according to their exposures.

The broker upgrades near-term earnings forecasts between 14% to 23% for large caps with iron ore exposures. Macquarie raises EPS forecasts for Coronado Global Resources in 2023 and 2024 but cuts thereafter to reflect the Kami expansion.

DRR DETERRA ROYALTIES LIMITED

Overnight Price: \$ 4.76

Macquarie rates DRR as Neutral

Macquarie reviews the Australian resources sector after revising commodity price forecasts: copper, gold and zinc forecasts are tipped to rise while nickel, cobalt, palladium and coal forecasts fall. Coking coal, iron ore and silver forecasts are mixed across the 2023 to 2027 forecast period. Companies are upgraded and downgraded according to their exposures.

The broker upgrades near-term earnings forecasts between 14% to 23% for large caps with iron ore exposures. EPS forecasts for Deterra Royalties rise near term but fall in FY25-26. Outperform rating and \$5 target price are retained.

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KLS KELSIAN GROUP LIMITED **Overnight Price: \$5.88**

Ord Minnett rates KLS as Buy

Ord Minnett believes the well-telegraphed decision by Kelsian Group to acquire US-based All aboard America! Holdings will be positively appreciated by the market. The transaction is expected to insulate FY24 earnings during a downgrade cycle. All aboard America! Holdings provides a potential platform for growth in the US bus segment, which is hard to achieve without a track record, explains the analyst.

The company provides motorcoach services to corporate, government, education, LNG, and tourism sector customers across six brands in seven states of the US. The broker expresses some concerns including the acquisition multiple paid and the use of diesel (as opposed to electric) across the bus fleet. The target falls to \$6.88 from \$7.19 to reflect the acquisition, associated funding and a higher assumed weighted average cost of capital (WACC). Buy.

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