

Australian Brokers Call - 29 May 2023

Summary Of Brokers Calls

Company	CMP	Call	Target AUD	By
ACF	\$0.79	Add	\$1.10	Morgans
APM	\$2.04	Overweight	\$3.00	Morgan Stanley
CNB	\$1.13	Outperform	\$1.70	Macquarie
LFS	\$1.25	Underperform	\$0.90	Macquarie
HCW	\$1.39	Equal-weight	\$1.70	Morgan Stanley
IAG	\$5.20	Equal-weight	\$4.75	Morgan Stanley
LFS	\$1.25	Underperform	\$0.90	Macquarie
NIC	\$0.85	Buy	\$1.73	Bell Potter

ACF ACROW FORMWORK AND CONSTRUCTION SERVICES Overnight Price: \$ 0.79

Morgans rates ACF as Add

Following the acquisition of screen assets from Heinrich last month for -\$11.5m, Acrow Formwork and Construction Services has acquired formwork assets for -\$12m from the same company.

Combined, management expects the two assets will contribute around \$9.5m to earnings (EBITDA) in FY24. This significant contribution in FY24 will follow an immaterial impact in FY23, notes Morgans. Separately, the company noted strong general trading and increased its FY23 earnings guidance by 3% to between \$52-53m. The broker points out this makes the fourth upgrade this financial year, which now matches the four upgrades in FY22.

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APM APM HUMAN SERVICES INTERNATIONAL LIMITED

Overnight Price: \$ 2.04

Morgan Stanley rates APM as Overweight

Morgan Stanley believes FY23 guidance eases near term concerns on cash, with visibility into FY24 de-leveraging, while news of a UK contract win reinforces medium term earnings forecasts.

Following 1H weakness, 2H cash conversion has bounced back to more than 80% for APM Human Services International. While FY23 profit (NPATA) guidance was around -4% below February guidance, the broker is expecting normalisation of the main headwind, which is a bottleneck in Workforce Australia's online client flows to providers.

CNB CARNABY RESOURCES LIMITED

Overnight Price: \$ 1.13

Macquarie rates CNB as Outperform

Carnaby Resources posted strong results from the Greater Duchess copper/gold project. A recent capital raising has allowed the company to accelerate its drilling program.

Macquarie is encouraged by the update, noting the Chalcus lode is open in all directions. A Greater Duchess maiden resource is the main catalyst the broker anticipates as it could exceed 3,000t of copper.

LFS LATITUDE GROUP HOLDINGS LIMITED

Overnight Price: \$ 1.25

Macquarie rates LFS as Underperform

Latitude Group has updated on the impact of the recent cyber incident and issued new guidance. The new guidance implies a -40-50% reduction to FY24-25 estimates, Macquarie assesses.

There is scope for cyber regulatory fines and litigation, and with macro uncertainties the broker envisages better value elsewhere, maintaining an Underperform rating.

Macquarie lowers estimates for earnings per share by -39-82% for FY23-25, incorporating lower volumes, lower margins and higher impairments. Target is reduced to \$0.90 from \$1.20.

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HCW HEALTHCO HEALTHCARE & WELLNESS REIT **Overnight Price: \$ 1.39**

Morgan Stanley rates HCW as Equal-weight

Media reports suggest one of HealthCo Healthcare & Wellness REIT's largest tenants (8% of the rental base), GenesisCare, is preparing to file Chapter 11 bankruptcy protection in the US.

As the Australian business is reportedly profitable, Morgan Stanley suggests GenesisCare may be able to continue its local leases. Should it default, the broker's FY24 funds from operations (FFO) forecast would reduce by -6-7%. Morgan Stanley leaves its \$1.70 target and Equal-weight rating unchanged. Industry view: In-Line.

IAG INSURANCE AUSTRALIA GROUP LIMITED **Overnight Price: \$ 5.20**

Morgan Stanley rates IAG as Equal-weight

Morgan Stanley assesses near-term risks and catalysts for Overweight-rated Suncorp Group and Insurance Australia Group (Equal-weight).

The broker feels Suncorp Group is better placed across pricing and claims inflation while Insurance Australia Group has more reserving, CATs and quota share margin risks.

Negatives for Suncorp Group include the overhanging Bank sale and reinsurance renewal risk. More positively for Insurance Australia is a greater level of capital support.

LFS LATITUDE GROUP HOLDINGS LIMITED **Overnight Price: \$ 1.25**

Macquarie rates LFS as Underperform

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There is scope for cyber regulatory fines and litigation, and with macro uncertainties the broker envisages better value elsewhere, maintaining an Underperform rating.

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NIC NICKEL INDUSTRIES LIMITED

Overnight Price: \$ 0.85

Bell Potter rates NIC as Buy

Nickel Industries is unique in that among ASX-listed producers its business is dominated by the value of the downstream processing facilities, with multiple nickel product exposures and a strong growth outlook.

It continues to offer exposure to low-cost nickel mining and production in Indonesia and the recent listing of two companies on the Indonesian stock exchange, in Bell Potter's view, now provides a comparable valuation and highlights the compelling proposition of Nickel Industries. The broker retains a Buy rating, reducing the target to \$1.73 from \$1.87 as it makes allowances for sustained higher input costs and reduced price realisations.

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