

# Australian Brokers Call

## 19 July 2021

### Summary Of Brokers Calls

Company	CMP	Call	Target AUD	By
ABP	\$3.15	Downgrade to Neutral from Outperform	\$3.35	Macquarie
AFG	\$2.64	Add	\$3.30	Morgans
APT	\$103.21	Hold	\$114.00	Morgans
ARF	\$3.60	Downgrade to Neutral from Outperform	\$3.73	Macquarie
AWC	\$1.61	Buy	\$1.90	Citi
CPU	\$16.14	Downgrade to Hold from Add	\$17.42	Morgans
CSL	\$277.72	Neutral	\$312.00	Macquarie
EVN	\$4.69	Upgarde to Neutral from Sell	\$4.70	Citi
FCL	\$3.98	Outperform	\$4.63	Macquarie
HDN	\$1.49	Resume Coverage with Outperform	\$1.60	Macquarie
IAG	\$4.93	Add	\$5.46	Morgans

### 1. Macquarie rates ABP as Downgrade to Neutral from Outperform

Abacus Property remains exposed to self-storage/office although it is adding value opportunities, Macquarie observes. As a result of recent transactions, the broker estimates the business now has a 45% exposure to self-storage and 11% exposure to retail.

While there is potential upside the broker also notes increased risk, and with limited valuation support downgrades to Neutral from Outperform.

# Australian Brokers Call

## 19 July 2021

### 2. Morgans rates AFG as Add

Data suggests to Morgans a stronger growth outlook than expected for Australian Finance Group Home Loans (AFGHL), driven by Australian Finance Group Securities (AFGS). The broker increases its forecast for AFGS settlements growth in FY22 to 84% from 41%.

Morgans also increases its net interest margin (NIM) forecast for the second half and for FY22, by 2bps and 5bps. This is estimated as a result of the contraction seen in residential mortgage backed securities (RMBS) spreads over the last three months.

### 3. Morgans rates APT as Hold

Morgans updates its Insurance/Diversified Financials sector earnings forecasts on a mark-to-market basis, and after a broad review of earnings assumptions.

For BNPL generally, Morgans expects growth will be strong. For Afterpay, the market estimates it will become profit-positive into FY22, notes the analyst, and a key focus will be monitoring the earnings trajectory to attain this.

After making nominal changes to earnings forecasts, the broker lowers its price target to \$114 from \$121, on reduced long-term valuation growth assumptions.

### 4. Macquarie rates ARF as Downgrade to Neutral from Outperform

Macquarie reviews its investment thesis following the strong share price performance and downgrades to Neutral from Outperform on valuation grounds.

The broker calculates the stock is trading at a 48.8% premium to its December 2020 pro forma net tangible assets per share and this factors in too much additional valuation upside.

The broker notes capacity on the balance sheet continues, assessing around \$160m of deployment capacity before reaching the bottom of the target gearing range of 35-40%.

# Australian Brokers Call

## 19 July 2021

### 5.Citi rates AWC as Buy

Alcoa's result showed a lower than expected profit in the June quarter which flows through to lower dividends for JV partner Alumina.

While production and costs were in line, lower alumina prices achieved in the first half and lowered expectations for full-year pricing see the broker cut its dividend forecast by -23%. But a forecast of higher 2022-23 alumina prices suggests double digit yields ahead.

And in lower restructuring charges, and the broker retains Buy and a \$1.90 target.

### 6.Morgans rates CPU as Downgrade to Hold from Add

Morgans updates its Insurance/Diversified Financials sector earnings forecasts on a mark-to-market basis, and after a broad review of earnings assumptions.

The broker lowers its rating for Computershare to Hold from Add after a share price rally of over 20% since March.

EPS forecasts are downgraded for FY22 and FY23 by -2% and -4%, on more conservative earnings (EBITDA) margin assumptions. The broker's price target rises to \$17.42 from \$17.10 on a valuation roll-forward.

### 7.Macquarie rates CSL as Neutral

Macquarie expects recent trends will impact on finished product volumes in the second half of FY22 and FY23. Foot traffic for around 100 of the company's US-based plasma collection centres has stayed subdued in recent weeks.

Macquarie assumes a recovery over the balance of 2021 but a continuation of current trends would present downside risk. Neutral rating and \$312 target maintained.

### 8.Citi rates EVN as Upgarde to Neutral from Sell

Evolution Mining's June quarter production missed previously tightened guidance due to underperformance at Mungari and lower grades at Red Lake, with hopes of increased Lake Cowal production stymied by an unplanned mill outage.

On the back of fresh three-year production guidance, Citi has lowered FY21-22 earnings forecasts but increased FY23-24. Target falls to \$4.70 from \$4.80 but the broker upgrades to Neutral from Sell.

# Australian Brokers Call

## 19 July 2021

### 9. Macquarie rates FCL as Outperform

Macquarie assesses the valuation discount has widened for Fineos compared with Guidewire and Duck Creek. Yet the current offerings supported by ongoing R&D allows the company to continue to win new clients and upgrade existing clients to the cloud.

Hence, Macquarie assesses the medium-term opportunity is attractive and the main risk lies with the timing of contract gains in the short term. Outperform and a \$4.63 target maintained.

### 10. Macquarie rates HDN as Resume Coverage with Outperform

Macquarie resumes coverage with an Outperform rating and \$1.60 target. The company has raised \$70m to partially fund the acquisition of Town Centre Victoria Point.

In isolation, the broker calculates the transaction is around 1% accretive to annualised free funds from operations per share. Following the transaction pro forma gearing is estimated at 35.4%, within the internal target range.

### 11. Morgans rates IAG as Add

Morgans updates its Insurance/Diversified Financials sector earnings forecasts on a mark-to-market basis, and after a broad review of earnings assumptions.

The broker expects a weather affected second half for Insurance Australia Group though makes only minor adjustments to forecast earnings on a mark-to-market of investment assumptions.

Morgans price target rises to \$5.46 from \$5.22 and its Add rating is unchanged.

# Australian Brokers Call

## 19 July 2021

### **Disclaimer and General Advice Instructions:**

**This report contains brief but selective reviews of recent Stockbrokers analysis, which should be regarded as information about future market behavior rather than advice on the securities mentioned. Do not take any action based on the contents of this report.**

This document is provided by Laverne Securities Pty Ltd T/as La Verne Investing the Corporate Authorized Representative No. CAR No. 001269781 of La Verne Capital Pty Ltd AFSL 482937. The Research Analyst who prepared this report hereby certifies that the views expressed in this document accurately reflect the analyst's personal views about the Company and its financial products.

The information provided in the Report is provided by Morningstar, FactSet, and other subscribed sites. La Verne Investing is not a fund manager, however, the portfolio and the document are for general advice only, prepared by the Analysts and Research team for our clients. This report has Different Assumptions, Views, Analytical Method of the analyst with no guarantee of reliability and accuracy of the content.

The Research Analyst has not been, is not, and will not be receiving direct or indirect compensation for expressing the specific recommendations or views in this report. La Verne Securities has its own Research methodology, with regards to the rating and is confirmed by the team for long-term Strategic rating of the concerned security as an Investment for Portfolios with a High Growth High-Risk Profile. Individual Stock is Speculative and of High Risk in nature and strongly don't recommend to buy and usually with High-Risk Profile and loss of capital always remains as Risky Assets.

All the Analysis and Data are Estimates or Information only. This Document is provided for the Advisors, their Clients, and Financial Professionals for information only and should not be considered an offer or solicitation of an offer to buy or sell a particular security or financial product or instrument. The information or services provided in this report may not be suitable for you and we strongly recommend taking the advice of your Financial Planner or Investment advisors. Laverne Investing will not treat the recipients as its customer by virtue of their receiving the report and should seek the advice of their consultant, prior to making any investment decision considering this report or relying on this report.