DOW JONES NEWSWIRES

DJ Australian Equities Roundup -- Market Talk

1,900 words
7 May 2018
15:00
Dow Jones Institutional News
DJDN
English

0345 GMT -- Below-average rainfall along Australia's east coast is clouding GrainCorp's earnings outlook. Morgans cuts its FY19 Ebitda and net profit forecasts by 6.4% and 15%, respectively, and moves to a hold call on the stock because low sub-soil moisture levels currently point to another disappointing winter grain crop. "Our industry feedback also confirms that planting conditions are worse than this time last year," Morgans says. (david.winning@wsj.com; @dwinningWSJ)

0336 GMT -- Morgan Stanley is more bullish on IDP Education than peers as it anticipates stronger sales growth and lower margins driven by aggressive reinvestment from the Aussie firm. It's opening 9 offices in 1H, doubling its Hotcourses headcount to more than 200 and moving to improve the quality of its student channel in China. No spending slowdown is expected in 2H, including the rollout of computer-based testing, so Morgan Stanley says investors "should be willing to look past" this FY's 40 P/E. Morgan Stanley's stock target jumps 38% to A$9.65. Shares hit fresh record highs today and are up 1.2% At A$8.145, putting the year's pop at 32%. (david.winning@wsj.com; @dwinningWSJ)

0321 GMT -- Hartleys expects Aurelia Metals to be net cash by the end of June following an unexpectedly strong contribution from its new Peak Mines asset. Aurelia Mines said cash from Peak Mines totalled A$36 million in the 3 months through March, confounding Hartleys which had expected a minimal boost in the quarter. The bull thinks Aurelia Metals currently has net debt of A$8 million after factoring in remaining costs tied to the Peak Mines acquisition, having previously anticipated net debt of A$30 million outcome. (david.winning@wsj.com; @dwinningWSJ)

0318 GMT -- There's likely no quick fix to problems at Ainsworth Game Technology, says bear UBS in the wake of the slot-machine maker halving F2H pretax-profit guidance. While the full-year results will ultimately be helped by a large sale of machines to Churchill Downs and ongoing sales to Novomatic, UBS says the underlying picture points to lower customer demand. So it slashes FY EPS views through 2020 by 38-46%. Shares are down a further 3.9% today to A$1.1625 after Friday's 38% plunge, hitting 6-year lows. UBS, whose target falls 38% to A$1.09, says the next key datapoint for Ainsworth shares will likely be surveys on the US market in July. (david.winning@wsj.com; @dwinningWSJ)

0204 GMT -- Slot machine maker Ainsworth Game Technology's big earnings downgrade leaves more questions than answers, says new bear Canaccord Genuity. Ainsworth now expects 2H pretax profit of A$20 million, sharply down on prior guidance for a touch above A$42.2 million. Canaccord is spooked by the limited disclosure around the downgrade, as well as management's comments that the revised guidance includes completion of an order of 600 units from Churchill Downs. Canaccord infers "this to mean that there could be some risk to this order," which it estimates to be worth up to A$6 million in pretax profit. "While only a timing issue, this would be negative nonetheless in our view," the investment bank says. (david.winning@wsj.com; @dwinningWSJ)

0149 GMT -- Bell Potter thinks the Chinese investor seeking to gatecrash U.S.-based Varian's agreed deal to buy Sirtex Medical should be taken seriously. CDH, which has more than US$20 billion of capital under management, has indicated it's willing to pay A$33.60/share to acquire Sirtex. That's around 20% above Varian's A$28/share bid, and higher than an independent expert's view of what Sirtex's shares are worth. Varian says its offer carries far less risk for Sirtex shareholders, but Bell Potter thinks CDH's bid stands a reasonable chance of success. (david.winning@wsj.com; @dwinningWSJ)

0139 GMT -- Credit Suisse is no longer bullish about comparison website iSelect and believes the size and speed of its F2H earnings downgrade raise "questions on--if not the viability then at least the profitability of--the business model." The investment bank thinks there's no easy fix to iSelect's problems, and its FY Ebit forecast gets slashed by some 2/3. Big concerns include a roughly 20% fall in customer leads and the absence of meaningful scale gains in the energy and telecommunications business. As such, Credit Suisse is only anticipating modest revenue and margin growth for the coming FY. Its stock target has been slashed 70% to A$0.58 following April 23's 56% plunge. Shares are flat today at A$0.535. (david.winning@wsj.com; @dwinningWSJ)

0113 GMT -- Citi says the U.S. FDA's approval of Portola's Andexxa, a competitor to CSL's Kcentra, will have a "limited short- to medium-term impact" on CSL. Kcentra already accounts for 6% of CSL's revenue at the moment and has been growing very rapidly, but Citi says its forecasts for growth in the coming years -- around 20%-30% annually -- already takes into account the launch of Andexxa in 1H FY19. "CSL remains a preferred name due to the attractiveness of the plasma industry," Citi says, which maintains its buy rating on CSL shares. (mike.cherney@wsj.com; @Mike_Cherney)

0100 GMT -- Credit Suisse questions whether Cochlear can grow market share among adults in developed markets, noting that the company needs to convince consumers that its implants are a better option than non-invasive hearing aids. Credit Suisse says the adult segment has the largest potential, but that there's "poor awareness and access to treatment" and that "there needs to be substantial clinical evidence" on the benefits of implants versus other methods. Credit Suisse maintains a neutral rating on Cochlear shares after an investor day, noting that no update to the FY18 outlook was given. (mike.cherney@wsj.com; @Mike_Cherney)

0000 GMT -- For the 4th time in 5 years, Macquarie's initial FY forecast is for earnings "broadly in line" with the past year. And while the Aussie bank's guidance has proven conservative for 6 years straight, UBS is taking Macquarie at its word and predicting flat earnings for this FY while conceding risk is to the upside. At the same time, it remains on the sidelines regarding Macquarie's stock as this FY's P/E is currently at 14, 20% above the post-2009 average and 5% ahead of the past 5 years. Macquarie entered today's trading up 8.4% this year. (robb.stewart@wsj.com; @RobbMStewart)

2349 GMT -- The ongoing royal-commission inquiry into misconduct in Australia's financial industry prompts UBS to scrap a bullish call on IOOF and turn bearish on fellow asset manager AMP. The investment bank anticipates higher costs associated with compliance and monitoring systems--aimed at spotting adviser misconduct--and further erosion of confidence that will lead to reduced fund flows for major wealth managers. And while UBS doesn't expect any law to ban vertically integrated players, the possibility still needs to be reflected in stock prices for now. Its target on AMP gets slashed 30% to A$3.80 while UBS lowers IOOF 13% to A$10. They respectively closed Friday at A$4.14 and A$9.54. Both have rebounded this month, but are still down by double-digit percentages for 2018. (robb.stewart@wsj.com; @RobbMStewart)

2312 GMT -- Although hearing-aid company Cochlear continues to spend 12% of revenue on R&D, Macquarie cautions that the various projects under development will take "a number of years" to complete. In the meantime, the investment bank is concerned that the share price is too lofty. "While COH has an attractive product offering, we see the current share price as factoring in unit sales growth ahead of our forecasts," Macquarie says. The investment bank retains an underperform rating following the company's investor day. (mike.cherney@wsj.com; @Mike_Cherney)

2307 GMT -- Westpac, one of Australia's biggest mortgage lenders, anticipates an "orderly slowdown" in the country's housing market. After an extended period where the banks benefited from tailwinds, CEO Brian Hartzer says funding markets have tightened and banks have to absorb costs associated with heightened regulatory scrutiny. There has been a tightening of lenders' credit policy over last couple years, but Hartzer in a video on the bank's website says there has still been 5-6% growth in home lending. That growth may fall a bit, he adds, but Westpac still expects growth given underlying demand for housing is still there. (robb.stewart@wsj.com; @RobbMStewart)

2300 GMT -- Morgan Stanley sees shares in Australia-based pharmaceutical company CSL falling over the next two weeks, after the company didn't provide an upgrade to FY18 guidance at a site visit. Morgan Stanley thought there could be an upgrade given that the company should now have a good read on the profitability of its flu-vaccine business with the season ending. "While we expect robust FY18 performance, we do not believe an upgrade is nigh until at least close of the FY18 financial year," Morgan Stanley says. The investment bank has a price target of A$155 on CSL shares; it closed Friday at A$170.21. (mike.cherney@wsj.com; @Mike_Cherney)

2258 GMT -- Amid the ongoing judicial probe of misconduct in Australia's financial industry, changes continue to be rolled out at the corporate level. AMP parted ways with its CEO and chairman after admitting to misleading a regulator over fees charged for advice it didn't provide. Now Australia & New Zealand Banking has moved to improve the quality of its financial-planning services, scrapping all sales incentives for bonuses and moving to only hire new planners with a relevant undergraduate degree and industry certification. ANZ also pledged to speed-up compensation on about 9,000 current inappropriate-advice cases by year-end. (robb.stewart@wsj.com; @RobbMStewart)

7 May 2018 01:00 ET DJ Australian Equities Roundup -- Market Talk -2-

2255 GMT -- Morgan Stanley says it expects shares in hearing-aid maker Cochlear to fall over the next two weeks, noting that shares had rallied 7% since April 20 due to expectations that an upgrade to FY18 guidance would be provided. But the company didn't offer one at its investor day last week. With no other near-term catalyst, Morgan Stanley expects shares to fall back to its A$173 price target. Shares closed Friday at A$195.60. (mike.cherney@wsj.com; @Mike_Cherney)

2245 GMT -- Morningstar struggles to find fault in another stronger-than-expected result from Macquarie, conceding it underestimated the broad-based improvement in earnings that helped drive a bigger-than-anticipated dividend. With strong near-term earnings and a more positive medium-term outlook, the investment-research firm lifts its fair-value estimate on the stock 3% to A$121--suggesting further upside, after shares ended last week at A$108.01, up 8.4% year-to-date. (robb.stewart@wsj.com; @RobbMStewart)

(END) Dow Jones Newswires

May 07, 2018 01:00 ET (05:00 GMT)

Document DJDN000020180507ee570005i

