



EDISON



Australasia Monthly Book

March 2019

Published by Edison Investment Research

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Prices at 22 March 2019

Published 01 April 2019

Welcome to the March edition of Edison's Australasia Monthly Book. The Asia Pacific region has continued to attract investment attention, with international funds looking for quality companies in safe jurisdictions with strong cash flow and yield.

Access to information on the Asia Pacific region continues to be affected by the recently implemented European GDPR and MiFID II reforms, which have significantly changed the way that the buy-side can receive its research information. Our approach continues to improve the visibility of our client companies to potential investors, enhances liquidity and provides the opportunity to attract the widest range of potential investors and stakeholders.

Readers wishing for more detail should visit our website, where reports are freely available for download (www.edisongroup.com). All profit and earnings figures shown are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

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We welcome any [comments/suggestions](#) our readers may have.

Dean Richardson

Director, Australasia

Australia and New Zealand Round-Up

- Continued strong performances in technology, financials and utilities have helped the ASX recover to test the 12-month high. However, as a sign of the lack of enthusiasm from global investors for shares, the allocation to global equities has fallen to net 3% overweight, the lowest level since September 2016. That represents a massive drop from 31% overweight as recently as November, as investors turn skittish on equities despite global stocks advancing 12% so far this year, according to Bank of America Merrill Lynch (BAML).
- Superannuation funds are poised to own more than half of the Australian share market by 2030, raising concerns that they could soon wield too much influence. That includes all ASX-listed shares held by both self-managed funds and larger regulated funds, both industry and retail. As a proportion of the total value of the share market, superannuation (super) fund ownership rose from 29% to 37% over the decade, according to Rainmaker. The total value of Australian shares owned by Australian superannuation funds rose from A\$279bn in 2008 to A\$650bn at the end of 2018, the analysis shows.
- As reported in the Australian Financial Review, the once-in-a-generation change in the technology platform for processing Australian share trades is either proceeding smoothly towards its 2021 starting date or facing a monumental backlash from various market players. The anger towards the ASX and frustration about its unwillingness to take on board criticisms about the blockchain project have bubbled over into the publication of an independent report by Deloitte containing scathing criticisms of the ASX's approach. However, ASX deputy chief executive Peter Hiom came out swinging when he heard that the report by Deloitte was partly funded by the country's two biggest share registries, Computershare and Link Administration Holdings.
- In a landmark speech, RBA deputy governor Guy Debelle named climate change as a 'systemic risk' to the Australian economy. He cited Professor McKibbin as one of the few economists who had carried out work on the macroeconomic effects of climate change. He believes that the supply shocks associated with climate change, which is a trend rather than a cyclical phenomenon, would not be temporary and would require a different approach: 'A negative supply shock reduces output but increases prices. That is a more complicated monetary policy challenge because the two parts of the RBA's dual mandate, output and inflation, are moving in opposite directions.' That meant according to its current approach, the 'close to permanent' supply shocks associated with climate change would leave the RBA board with an inadequate approach to setting interest rates.
- Labor's pledge to make franking credits non-refundable has become one of the most hotly contested issues in Australia. Accountants who have crunched the numbers find that retirees would need somewhere between A\$900,000 and A\$1.2m of stocks generating average dividend yields in a self-managed super fund's (SMSF) share portfolio to generate a A\$20,000 refund. A report by the Committee for Economic Development (CEDA) released on 22 March confirmed that more than 50% of franking credit refund cheques go to SMSFs with over A\$2m in assets. 'The dividend imputation tax credit when introduced in 2000 was set to cost the federal budget A\$550m, it now costs A\$5bn', CEDA chief executive Melinda Cilento said. Depending on which political party you speak to, the proposal is either a massive tax grab (the Coalition) or the end of a loophole that benefits multimillionaires (Labor).
- In New Zealand, Edison client Marlborough Wine Estates (NZX: MWE) has completed migration to the New Zealand Exchange Main Board.

Market statistics

Australia

Statistics as at February 2019

- Number of companies
2,140
- Total market capitalisation
\$1,948bn
- Average market capitalisation
\$975m
- Number of international companies
143
- Primary fund raisings
\$112m
- Secondary fund raisings
\$1,144m

Global perspectives: Holding pattern

Analyst

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- **Investors are taking a glass half-empty view of the recent dovish moves in US and eurozone monetary policy, which has necessarily been accompanied by meaningful downgrades to 2019 GDP forecasts.** Equity investors should prefer downbeat central banks running overly loose monetary policy, rather than hawkish institutions in denial about a slowdown in growth. However, easier financial conditions only act on the real economy with a lag. It is still too early to expect meaningful improvements in the incoming data.
- **Globally, risk assets have rebounded strongly since December and largely anticipated the moves from central banks.** This has therefore been a buy-the-rumour, sell-the-news environment where despite encouraging noises from US Fed Chair Powell and ECB President Draghi, markets have shrugged.
- **An inversion or flattening of the yield curve does not necessarily suggest an increased probability of a US recession.** While there is a correlation between the slope of the yield curve and US recessions in prior cycles, this time it is genuinely different as there is no growth/inflation trade-off constraining US monetary policy. Investors' quite realistic expectations of a continued front-line role for monetary policy in warding off any future downturn may be a confounding factor in interpreting any flattening of the yield curve.
- **Global earnings forecasts have declined over the past month, but only modestly.** It appears that the peak in downgrade activity was reached in January and recent downward revisions in 2019 GDP growth may already have been accounted for in corporate guidance. We also note that the recent Ifo Institute survey in Germany was ahead of market expectations, highlighting the mixed picture for incoming data.
- **The Brexit process remains difficult to predict.** We continue to believe that the UK will either leave the EU on the terms contained in the withdrawal agreement or there will be a substantive delay to any Brexit. While PM May has recently gained the support of a limited number of prominent Eurosceptics, it may be too late in the day to salvage her deal and in our view the risk of a long delay to Brexit has increased.
- **At this point we continue to believe equity markets are in a holding pattern, following the strong gains since December.** This holding pattern is likely to persist until investors gain more evidence for a stabilisation in economic growth, and we expect such evidence no earlier than mid-year. In the meantime, the corporate sector is likely to be encouraged by the relative stability in credit markets and lower financing costs now on offer, thus incentivising merger and acquisition activity.

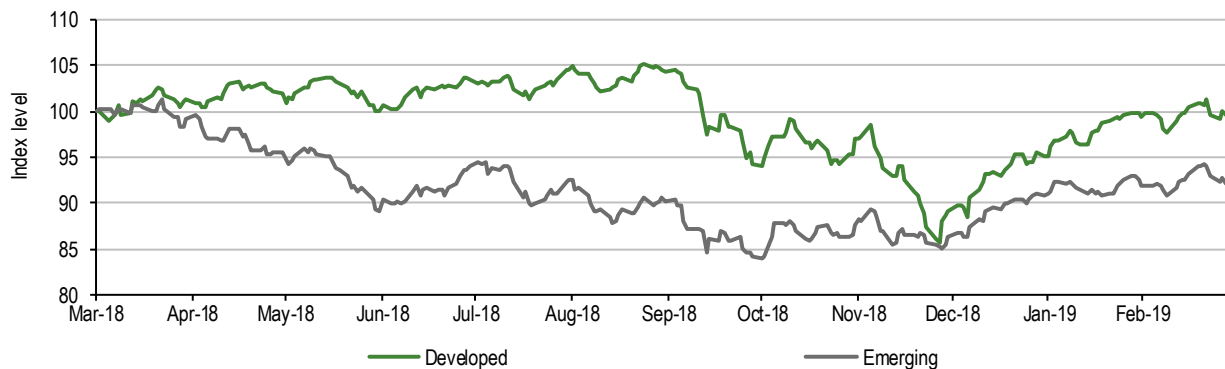
Holding pattern

Central banks deliver on prior market expectations

Global equity markets have remained near their year-to-date highs, but the rapid pace of progress evident earlier in the year has now given way to a glass half-empty view of the recent dovish moves by the [US Federal Reserve](#) and [ECB](#). Easier monetary policy was in any case fully anticipated by investors. Such an active degree of monetary policymaking also validates our earlier views that the Fed and ECB would respond to the deteriorating growth outlook.

However, central banks have offered relatively little that is new for markets. In addition, the relatively large cuts to growth forecasts by central banks appears to have spooked markets in recent weeks. We believe investors will ultimately 'look through' downbeat forecasts, which were a prerequisite to looser monetary policy. However, for markets to move higher we believe investors will require evidence of the positive impact of easier financial conditions on the real economy. Given the lags involved, we believe this evidence is unlikely to appear in the data at least until mid-2019.

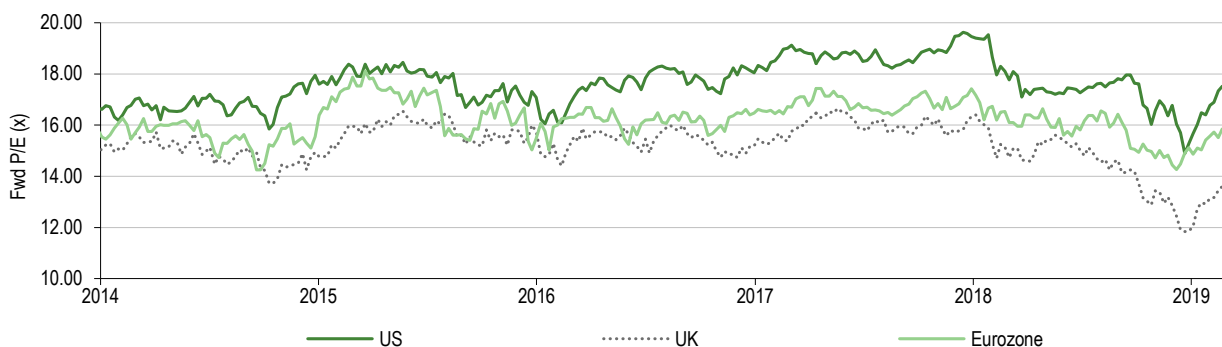
Exhibit 1: Global equity rally stalls during March 2019



Source: Refinitiv, Index in USD

Forward P/E valuation multiples in developed markets had approached the lows for this cycle at the end of 2018 Exhibit 2, but have now rebounded sharply in Q119 as markets recovered on the expectation of the monetary policy response. Similarly, credit market spreads have also contracted notably during Q119, including in the leveraged loan market, despite being highlighted as a potential risk factor by policymakers. Given higher valuations, the risk/reward balance for equities has therefore shifted towards wait-and-see. We maintain a neutral position on global equities and continue to expect markets to make at best limited gains pending evidence of an improvement in the growth outlook.

Exhibit 2: One-year forward P/E multiples have rebounded during Q119



Source: Refinitiv, Edison calculations, unweighted average

Declining government bond yields spook equity investors

Recent declines in US government bond yields and the resulting flattening of the US yield curve, Exhibit 3, have led to a flood of articles discussing the likelihood of a US recession over the next 12-18 months. This is understandable, first given the relatively strong correlation between yield curve inversions and US recessions in the past and second, the extraordinary length of the current US economic expansion. However, we believe recent correlation-focused commentary misses a key point in terms of causation. There are in our view good reasons to believe that the signal from the yield curve at present is a false positive.

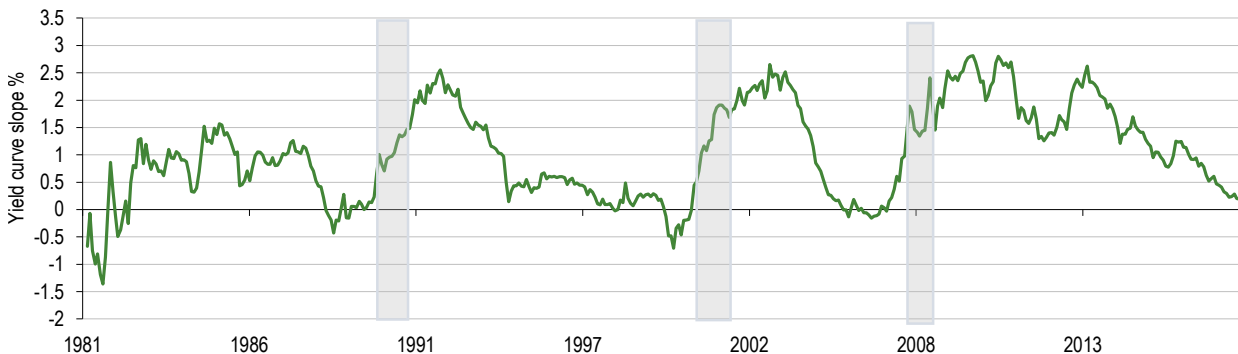
Exhibit 3: US yield curve has flattened even as two-year rates peaked in October 2018



Source: Refinitiv.

A yield curve inversion is where short-term interest rates are higher than longer-term rates. This situation can occur for a number of real-world reasons, even if it may appear illogical in simplified economic models which “assume away” the economic cycle. In prior US economic cycles, the yield curve inverted as the US Fed increased short-term interest rates with the intention of slowing the economy in order to ease inflationary pressure, Exhibit 4.

Exhibit 4: US yield curve slope and US recessionary periods



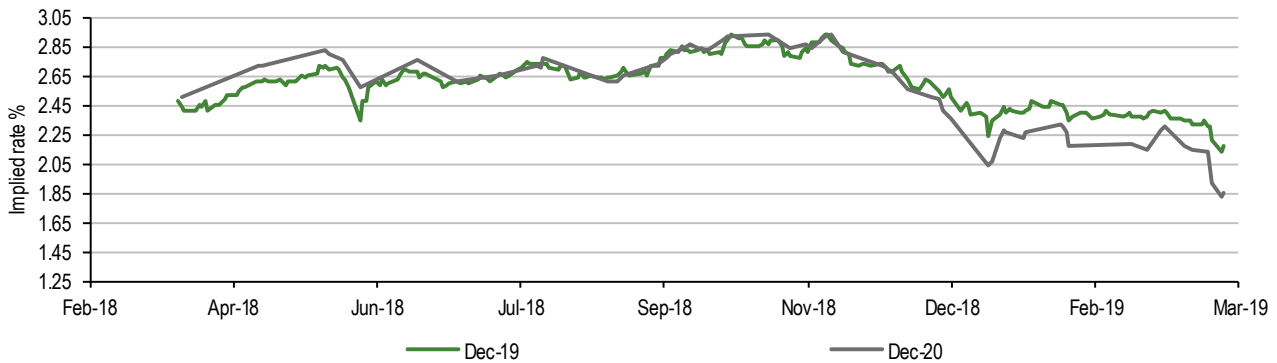
Source: Refinitiv, US National Bureau of Economic Research

It should not be a surprise therefore, assuming monetary policy has any effectiveness, that following a period of tighter monetary policy the data show the US economy slowed. This is the growth/inflation trade-off which was the monetary policy constraint of previous expansions and is in our view largely responsible for the observed correlation between yield curve slope and future economic activity. However, this historical growth/inflation trade-off is qualitatively different from the challenges facing monetary policymakers today.

In fact, central banks on both sides of the Atlantic have eased policy considerably during Q119, both in terms of actual steps taken and forward guidance, in order to promote growth and to avoid a shortfall in inflation. The flatness of the yield curve is, in our view, therefore more a result of perceptions of downside risks to inflation, the expectation of the continued primacy of monetary

policy in countering any further weakness in growth and the impact of the effective lower bound in interest rates. While a US recession can never be ruled out, we believe only a slowing of growth in 2019 should be the base case for equity investors. As a signal for a US recession, the flatness of the yield curve is currently being over-emphasised, in our view.

Exhibit 5: US Fed pushes market interest rate expectations to new lows in March 2019



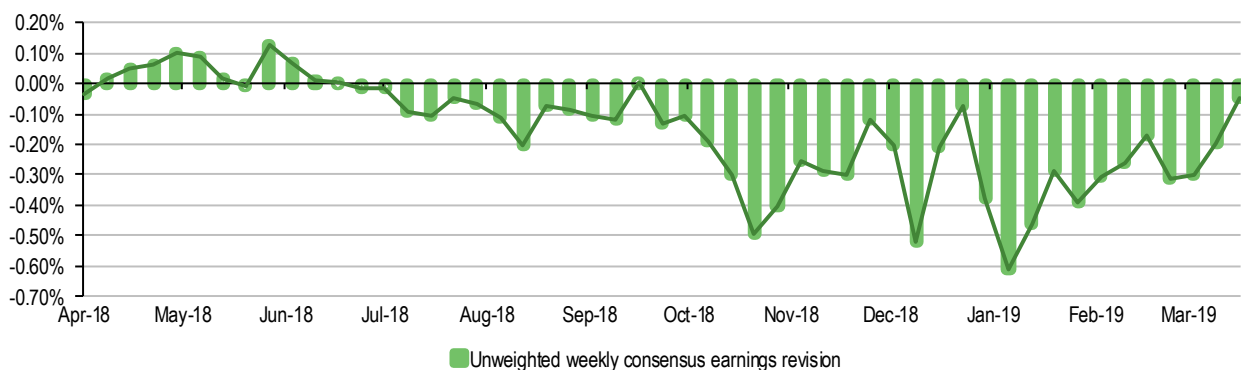
Source: Refinitiv

Recent cuts to central banks' GDP growth forecasts have necessarily been dramatic – but this is a necessary step in facilitating the easing in policy. Given the choice, equity investors should prefer downbeat central banks running overly loose monetary policy, rather than hawkish institutions in denial about a slowdown in growth.

Furthermore, rather than interpreting the muted equity market reaction to the recent changes in monetary policy as a sign that investors are spooked by these downbeat GDP forecasts, we believe that during Q1 investors had already re-appraised the outlook for monetary policy in 2019 and beyond. Interest rate expectations have been falling even as equity markets rose significantly from the December trough. In fact, central banks have largely just confirmed markets' prior expectations – a case perhaps of buy the rumour, sell the news.

Furthermore, in terms of global earnings revisions, downgrades have moderated significantly since Q4 18, suggesting the corporate sector as a whole has accounted for the slower growth expected during 2019, Exhibit 6. Finally, we also note that commodity and industrial metals prices are relatively stable at present and are not flagging any near-term shortfall in demand.

Exhibit 6: Pace of downgrades to 2019 consensus profits forecasts has diminished



Source: Refinitiv, Edison calculations, global average including emerging markets

We have also highlighted the prospect of a moderating of the strong gains shown in global equity markets this year due to the lags between easier monetary policy and the ultimate improvement in the economic data. Last week, poor purchasing manager's survey readings in Germany and the US combined with the Fed's GDP forecast cuts to create something of a buying panic in 10-year government bonds. Yet for Germany at least, the Ifo Institute index released this week came in

above expectations. We expect this trend of mixed incoming data to continue until at least the end of Q219.

We would certainly concur with investors' and central banks' conclusions that earlier developed market GDP growth forecasts for 2019 were somewhat optimistic, based on a fading US fiscal stimulus and the lagged effects of tighter US monetary policy, combined with global trade uncertainties which affected exporters such as Germany.

The outlook is not however binary and a period of slower growth does not necessarily presage a recession. We would not over-emphasise the slope of the yield curve as a predictor of recession at present, as the flattening is a result of policymakers easing policy to support growth, rather than tightening policy to cool the economy.

Brexit: Still limited probability of no-deal but delay risk now material

Political developments in the UK have been challenging to follow in recent weeks. The biggest surprise perhaps has been the resilience of the UK PM May, who until the very last moment clung onto power despite a massive erosion of her political authority, following the loss of a number of key Parliamentary votes. However, aside from the political noise the key point remains that an accidental no-deal outcome, which investors would have good reason to fear, remains very unlikely.

The most market-friendly outcome is perhaps ratification of Prime Minister May's Withdrawal Agreement, which would provide a smooth path to exiting the EU and provide immediate certainty to markets. This also represents perhaps the "hardest" Brexit possible under the current composition of Parliament. A failure to agree on this deal would involve a much longer delay to Brexit, in effect resetting the clock and opening up scenarios such as a second referendum or general election.

We can see some signs that Eurosceptic Conservative MPs are softening their opposition to PM May's deal following her indications that she will resign if it is passed in Parliament but it is now rather late in the day to marshal support from the DUP and other rebels. At the time of writing, the DUP has now announced that it will not support the deal which makes a delay to Brexit much more likely. While reports indicate that the UK government is planning a third meaningful vote this week despite the Speaker's procedural objections, it far from clear that a Parliamentary majority can be obtained to ratify the deal.

The indicative votes held in Parliament this week merely highlighted that the chamber is split on every possible way forward with no Parliamentary majority in favour of any single option. In the event of a delay to Brexit, we would expect the Brexit risk premium for UK equities and sterling to remain in place until there is a clearer political path forward. Separately from the immediate issue of Brexit, in this scenario a general election would also risk raising fears amongst investors of a left-leaning Labour government.

Conclusion

The waning of momentum in global equity markets during the past month, even as central banks signal significantly easier monetary policy ahead, is a demonstration of an efficient market discounting mechanism. The good news on monetary policy was already in the price. Growth fears are now the primary economic driver of market returns in the short term and we believe likely the incoming data will be at best mixed until the end of Q219.

The flattening of the US yield curve, which has been a reliable but far from perfect predictor of US recessions in the past, should not be over-emphasised at this stage, in our view. In prior cycles, the inversion has been driven by undesirably high inflation which is not the case at present. In time, we believe the recent policy easing on both sides of the Atlantic will become evident in the economic data.



In terms of political developments, the timing of a US/China trade deal appears to have been pushed back while the UK's Brexit process now appears to be heading for a long delay. For Brexit, we still believe the risk of a no-deal Brexit is low and all of the other Brexit possibilities are relatively favourable to markets, except perhaps a general election which results in a left-leaning Labour government. Until the uncertainty is resolved, we expect a Brexit risk premium to remain in place for UK assets.

Sector: Pharma & healthcare

Price: A\$0.06
Market cap: A\$63m
Market: ASX

Share price graph (A\$)

Company description

Actinogen Medical is an ASX-listed Australian biotech developing lead asset Xanamem, a specific 11beta-HSD1 inhibitor designed to treat cognitive impairment that occurs in chronic neurodegenerative and metabolic diseases. The primary indication is mild AD, and results from the ongoing Phase II XanADu trial are expected Q219.

Price performance

%	1m	3m	12m
Actual	3.7	21.7	12.0
Relative*	3.1	7.2	7.8

* % Relative to local index

Analyst

Dr Jonas Peculis

Actinogen Medical (ACW)

INVESTMENT SUMMARY

Actinogen Medical is an ASX-listed Australian biotech developing its lead asset Xanamem to treat cognitive impairment that occurs in chronic neurodegenerative diseases. Xanamem® is a selective 11beta-HSD1 inhibitor that is able to cross the blood-brain barrier and target excess brain cortisol, which has been associated with cognitive impairment in Alzheimer's disease (AD). The ongoing Phase II XanADu trial is fully enrolled with mild AD patients, who receive Xanamem in conjunction with standard of care. The results are due by end-Q219 and will shape further development of Xanamem. Actinogen had cash of A\$15.5m at the end of fiscal H119 (end of calendar 2018) which is sufficient to finish the XanADu study, additional studies and prepare for Phase III trials.

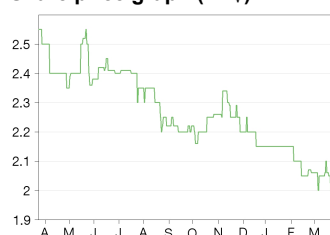
INDUSTRY OUTLOOK

The unmet need in AD is vast and the size of the market has attracted interest from almost every player in CNS drug R&D over the past 30 years with very limited success so far. With so many late-stage failures, we believe, that 'non-mainstream' technologies, like Xanamem, may attract renewed interest from potential partners.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2017	1.3	(3.0)	(2.8)	(0.5)	N/A	N/A
2018	3.3	(6.0)	(5.9)	(0.8)	N/A	N/A
2019e	4.0	(10.2)	(10.1)	(1.0)	N/A	N/A
2020e	3.0	(7.5)	(7.5)	(0.7)	N/A	N/A

Sector: Pharma & healthcare

Price: NZ\$2.00
Market cap: NZ\$195m
Market: NZSX

Share price graph (NZ\$)

Company description

AFT Pharmaceuticals is a specialty pharmaceutical company that operates primarily in Australasia but has product distribution agreements across the globe. The company's product portfolio includes prescription and over-the-counter drugs to treat a range of conditions and a proprietary nebuliser.

Price performance

%	1m	3m	12m
Actual	(3.4)	(7.0)	(21.6)
Relative*	(4.9)	(14.6)	(26.9)

* % Relative to local index

Analyst

Maxim Jacobs

AFT Pharmaceuticals (AFT)

INVESTMENT SUMMARY

AFT Pharmaceuticals is a New Zealand-based specialty pharmaceutical company that currently sells 130 prescription specialty generics and OTC products through its own sales force in New Zealand, Australia and South-East Asia and has been expanding its geographic footprint. Maxigesic, its combination acetaminophen/ibuprofen product addressing a \$10.4b market, is currently sold and launched in 15 countries with distribution agreements in place in a total of 128. Additionally, AFT is expecting its first approval for Maxigesic IV in mid-2019, is preparing to file in multiple countries, with a filing in the US expected by the end of calendar 2019. AFT is also developing a handheld device called SURF Nebuliser, which is able to deliver therapies intranasally, with a main focus on the \$3 billion conscious sedation market.

INDUSTRY OUTLOOK

AFT is a multi product company targeting pharmacy prescription, OTC and hospital markets. Data for Maxigesic offers them a competitive advantage in a fragmented industry.

Y/E Mar	Revenue (NZ\$m)	EBITDA (NZ\$m)	PBT (NZ\$m)	EPS (c)	P/E (x)	P/CF (x)
2017	69.2	(15.1)	(18.5)	(19.12)	N/A	N/A
2018	80.1	(10.5)	(12.9)	(13.30)	N/A	N/A
2019e	91.2	1.6	(2.2)	(2.20)	N/A	255.7
2020e	109.5	11.9	10.0	10.31	19.4	21.2

Sector: Oil & gas

Price: A\$0.10
Market cap: A\$75m
Market: ASX

Share price graph (A\$)

Company description

AJ Lucas has investments in the exploration and commercialisation of shale gas in the UK through licence equity interests and a stake in Cuadrilla. AJL also has two Australia-based operating business units: Drilling Services (LDS) and Engineering & Construction (LEC).

Price performance

%	1m	3m	12m
Actual	(37.5)	(54.5)	(71.4)
Relative*	(37.9)	(60.0)	(72.5)

* % Relative to local index

Analyst

Sanjeev Bahl

AJ Lucas Group (AJL)

INVESTMENT SUMMARY

AJ Lucas offers investors exposure to the most advanced UK shale appraisal programme. Current activity is focused at Preston New Road where AJL became the first operator to have flowed gas from a horizontal shale gas well in the UK. Recovered gas had a 96% CH₄ content, no H₂S and minimal CO₂. Gas flowed at a peak rate of 0.2mmcf with only two of the 41 stages fully fractured. AJL estimates that a 2.5km horizontal well, with all stages fractured, would have a potential initial production rate of 3–8mmcf. Our last valuation stands at A\$0.93/share. Given current uncertainty around Bowland shale type curves, well costs, rig availability and gas prices, we use a probabilistic approach to valuation.

INDUSTRY OUTLOOK

AJ Lucas has investments in the exploration and commercialisation of shale gas in the UK through licence equity interests and a stake in Cuadrilla. Central government supports the exploitation of shale gas resource in order to increase domestic energy security and to support intermittent renewable energy sources.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2017	122.6	(3.8)	(36.3)	(6.67)	N/A	N/A
2018	127.1	15.4	(16.7)	(1.14)	N/A	N/A
2019e	127.2	13.5	(8.9)	(1.47)	N/A	3.4
2020e	129.7	13.9	(4.0)	6.89	1.5	6.2

Sector: Mining

Price: A\$0.23
Market cap: A\$114m
Market: ASX

Share price graph (A\$)

Company description

Alkane Resources is an Australian production and development company. It previously produced 70,000oz Au pa from its open pit operations at Tomingley but is transitioning to underground operations and expects to produce c 32,000oz Au pa.

Price performance

%	1m	3m	12m
Actual	12.5	18.4	(26.2)
Relative*	11.8	4.3	(29.0)

* % Relative to local index

Analyst

Dr. Ryan D. Long

Alkane Resources (ALK)

INVESTMENT SUMMARY

Alkane Resources is a well-funded gold production company with A\$73.7m in cash and no debt. It is seeking to leverage its cash balance and extensive expertise in gold mining and exploration through a strategy of investing in junior gold companies and projects that meet its investment criteria. Alongside this, the company is transitioning from open pit mining to underground mining at its Tomingley gold project and is pursuing the finance required to develop its Dubbo polymetallic project.

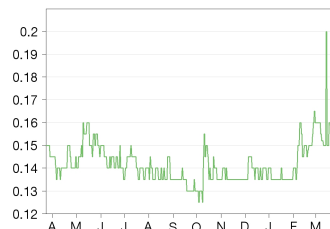
INDUSTRY OUTLOOK

At Tomingley, operations are transitioning from open pit to underground. Over the next four years we forecast the mine to produce an average of 32,000oz Au pa and generate an average EBITDA of A\$34m pa. The cash flow from Tomingley will fund ongoing exploration to potentially extend the life of the mine, corporate overheads and could contribute to the development of the Dubbo project.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2017	117.8	49.3	6.6	2.23	10.3	N/A
2018	130.0	68.6	31.5	4.87	4.7	N/A
2019e	73.9	20.7	14.3	2.15	10.7	N/A
2020e	47.9	11.5	1.7	(1.30)	N/A	N/A

Sector: Mining

Price: A\$0.16
Market cap: A\$64m
Market: ASX

Share price graph (A\$)

Company description

BCI Minerals has two major assets in Western Australia, including a 100% interest in the Mardie salt and potash project and a royalty-type interest in the Iron Valley iron ore mine operated by Mineral Resources. It also has exploration tenements in iron ore and other minerals.

Price performance

%	1m	3m	12m
Actual	6.7	18.5	3.2
Relative*	6.0	4.4	(0.7)

* % Relative to local index

Analyst

Charles Gibson

BCI Minerals (BCI)

INVESTMENT SUMMARY

BCI's strategy is to deploy positive cash flow from Iron Valley, in conjunction with A\$36.6m in cash (as at December 2018), to develop its flagship Mardie salt and potash project. A PFS on Mardie demonstrated a project IRR of 20% and a pre-tax NPV of A\$335m (at a 10% discount rate) - equivalent to A\$0.84/share currently. This reduces to 5.84–11.15c/share to reflect its PFS stage of development. However, it increases back to c 18.22c in the event that a DFS comes to the same conclusions as the PFS. Optimisation of expanded PFS parameters could also add 9.32c/share.

INDUSTRY OUTLOOK

Considering Iron Valley, Mardie and Buckland as they stand (along with cash and corporate items), we value BCI at A\$0.3309/share at the current time. However, this valuation naturally increases with time to as high as 68.46c per share in FY28. It also increases to c 60c/share in the shorter-term in the event of either reduced assumed equity funding of the project and/or an increased price at which that funding is assumed to occur.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2017	64.3	9.1	6.0	1.9	8.4	4.3
2018	33.0	(14.4)	(16.9)	(4.3)	N/A	N/A
2019e	52.5	(2.9)	(5.6)	(1.4)	N/A	N/A
2020e	57.6	(1.1)	(3.6)	(0.5)	N/A	N/A

Sector: General industrials

Price: HK\$8.24
Market cap: HK\$13257m
Market: HKSE

Share price graph (HK\$)

Company description

China Water Affairs (CWA) is a pioneer in the privatisation of water supply assets in China. It seeks to create growth via volume/price increases and acquisitions. CWA is a constituent of the FTSE Environmental Opportunities Asia Pacific Index.

Price performance

%	1m	3m	12m
Actual	(4.4)	(1.4)	0.6
Relative*	(5.4)	(12.8)	7.4

* % Relative to local index

Analyst

Graeme Moyse

China Water Affairs Group (855)

INVESTMENT SUMMARY

CWA achieved H1 growth in revenue, net profit, EPS and DPS of 17.9%, 20.3%, 14.9% and 50%, respectively. The core business of water supply and environmental protection saw operating profits increase by 19.3%. Increases in water volume sold, tariff hikes, new connections and new projects all contributed to increased profits. We believe the macro operating environment remains favourable for CWA and the company continues to expand the scope of its business with the acquisitions of water projects and water companies and via the formation of a JV with Toray, Orix China and Silver Dragon, to target opportunities in water purification and the provision of direct drinking water. CWA currently trades on sub peer group averages for P/E and EV/EBITDA multiples and an undemanding PEG ratio of 0.7x.

INDUSTRY OUTLOOK

Water supply in China remains fragmented. The central government encourages local governments to deleverage their own balance sheets with private-public partnerships. This trend remains positive for CWA.

Y/E Mar	Revenue (HK\$m)	EBITDA (HK\$m)	PBT (HK\$m)	EPS (c)	P/E (x)	P/CF (x)
2017	5708.0	2646.0	1963.0	55.4	14.9	N/A
2018	7580.0	3097.0	2462.0	71.8	11.5	N/A
2019e	8593.0	3644.0	2873.0	83.2	9.9	N/A
2020e	10002.0	4246.0	3415.0	98.4	8.4	N/A

Sector: Oil & gas

Price: A\$0.01
Market cap: A\$23m
Market: ASX

Share price graph (A\$)

Company description

Elk Petroleum has three key assets: Grieve, Aneth and Madden. The Grieve CO2 EOR project was commissioned in April 2018; Madden is a gas producer that provides strategic ownership of CO2 and Aneth is one of the largest CO2 EOR projects in the Rockies.

Price performance

%	1m	3m	12m
Actual	(6.7)	(72.0)	(84.6)
Relative*	(7.2)	(75.3)	(85.2)

* % Relative to local index

Analyst

Sanjeev Bahl

Elk Petroleum (ELK)

INVESTMENT SUMMARY

Elk Petroleum's (ELK) acquisition of a 63.7% operated interest in the Aneth Rocky Mountain CO2 EOR project from Resolute Energy has transformed it into one of the largest producers on the ASX. Our forecasts and valuation are under review following ELK's recent fundraising and a fire at Train 3 of the Lost Cabin gas plant in which the company has a non-operated interest.

INDUSTRY OUTLOOK

Alongside field operators Denbury and ConocoPhillips, ELK management has identified numerous field optimisation opportunities at Grieve and Madden with high risk-adjusted returns (many in the 50–100% IRR range). ELK's current focus is on streamlining the company's capital structure and reducing its cost of debt.

Y/E Jun	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2017	5.0	(5.2)	(8.1)	(0.9)	N/A	N/A
2018	95.1	(87.4)	(109.0)	(8.9)	N/A	N/A
2019e	170.5	90.8	48.7	1.2	0.6	N/A
2020e	202.5	123.4	80.8	2.5	0.3	N/A

Sector: General industrials

Price: A\$1.94
Market cap: A\$492m
Market: ASX

Share price graph (A\$)

Company description

ERM Power is an Australian commercial and industrial energy retailer and trader. It operates an electricity supply business and two gas-fired generation plants. A key area of growth is energy solutions and it recently disposed of the US business.

Price performance

%	1m	3m	12m
Actual	19.4	27.7	5.2
Relative*	18.7	12.5	1.2

* % Relative to local index

Analyst

Dario Carradori

ERM Power (EPWX)

INVESTMENT SUMMARY

At H1 results, ERM Power announced a c 30% FY19 dividend hike, an additional A\$3c/share special dividend for FY19 and that A\$60m is reserved for growth investments. We believe this shows that the balance sheet and cash flow generation are strong and the company is confident in its outlook. We estimate total A\$190m free cash flow for FY19–22 (before growth capex), equivalent to 44% of the market cap. We expect cash flow to be used for shareholder remuneration and growth initiatives. We estimate total dividends and a share buyback of A\$99m, equivalent to 23% of the current market cap.

INDUSTRY OUTLOOK

While electricity supply activities in Australia remain very competitive with limited growth opportunities, ERM Power has experienced significant positive momentum which led to several upgrades to Australian medium-term profit guidance over the last two years. The energy market in Australia (and globally) is undergoing significant transformation as a result of the energy transition, the emergence of new technology and customer demand for higher energy efficiency and sustainable solutions. We expect the growing Energy Solutions business to take advantage of these changes.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2017	3127.0	78.4	14.7	(10.5)	N/A	3.1
2018	2047.0	97.5	43.1	12.0	16.2	N/A
2019e	1966.0	90.6	35.4	10.1	19.2	4.3
2020e	2047.0	105.6	50.3	14.5	13.4	4.9

Sector: General industrials

Price: A\$0.46
Market cap: A\$245m
Market: ASX

Share price graph (A\$)

Company description

Fluence is a global supplier of water and wastewater treatment solutions. Its decentralised products provide municipal customers with 'plug and play' solutions that are both quicker to deploy and substantially cheaper than traditional alternatives.

Price performance

%	1m	3m	12m
Actual	46.8	37.9	5.8
Relative*	45.9	21.5	1.8

* % Relative to local index

Analyst

Dan Gardiner

Fluence Corporation (FLC)

INVESTMENT SUMMARY

Following an excellent FY18, the recent award of a US\$188m contract to provide water treatment to Abidjan, the largest city in Ivory Coast, is transformative in our view. This turnkey project will supply 150,000m³/day of water to 4.7m people and includes a range of treatment solutions. Alongside its high margin 'smart' products this win establishes Fluence as a supplier of large, innovative solutions. It also leads us to double our FY20 adjusted EPS forecast to US\$c3.8. Despite growing evidence of execution, in our view the company's exceptional long-term growth prospects are not factored into the current valuation.

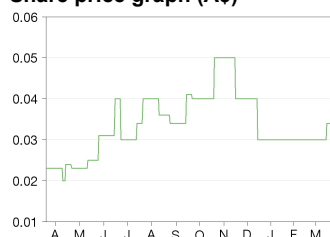
INDUSTRY OUTLOOK

Fluence's 'plug and play' solutions can cost-effectively boost the performance of existing centralised treatment plants and address unserved, greenfield rural populations. Aspiral and SUBRE are based on a proprietary technology (MABR) that offers both superior treatment and lower energy costs. We see rising government spending on rural wastewater treatment in China as a particularly large opportunity.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2017	33.2	(23.6)	(21.7)	(7.00)	N/A	N/A
2018	101.1	(8.5)	(10.5)	(2.49)	N/A	N/A
2019e	169.1	1.5	(0.8)	(0.15)	N/A	N/A
2020e	266.5	23.0	20.7	3.84	8.5	N/A

Sector: Pharma & healthcare

Price: A\$0.04
Market cap: A\$118m
Market: ASX

Share price graph (A\$)

Company description

Immutep has a pipeline of four LAG-3 related product candidates: eftilagimod alpha (IMP321) for cancer chemo-immunotherapy and immunotherapy-immunotherapy combinations, two partnered products IMP731 (GSK) and IMP701 (Novartis), as well as IMP761 for autoimmune diseases.

Price performance

%	1m	3m	12m
Actual	16.7	25.0	45.8
Relative*	15.9	10.1	40.3

* % Relative to local index

Analyst

Dr Dennis Hulme

Immutep (IMM)

INVESTMENT SUMMARY

Immutep has three promising candidates in clinical trials and one preclinical asset, all based on Lymphocyte activation gene-3, LAG-3 (one partnered with GSK and a second partnered with Novartis). Lead in-house LAG-3 product, eftilagimod alpha (efti), is being developed in metastatic breast cancer combined with chemo (193 of 226 patients recruited in randomised Phase IIb, topline PFS data expected Q419) and in melanoma in combination with Keytruda (61% exploratory response rate from start of Keytruda monotherapy screening in three dose-finding cohorts, 3/6 (50%) responders in an additional cohort). Novartis and GSK are progressing clinical trials of partnered LAG-3 programmes: GSK has announced ulcerative colitis as lead indication; Novartis has commenced three Phase II studies with LAG525. Immutep is collaborating with Merck & Co (MSD) in a study of efti plus Keytruda in lung and head and neck cancers (first data H219). A trial of efti plus Bavencio in collaboration with Merck KGaA/Pfizer is planned for H119.

INDUSTRY OUTLOOK

Immunotherapies are among the most promising class of products for cancer and autoimmune diseases. The LAG-3 products are potentially first-in-class, each with distinct mechanisms and applications.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2017	4.1	(7.8)	(8.4)	(0.4)	N/A	N/A
2018	6.9	(11.4)	(10.9)	(0.5)	N/A	N/A
2019e	10.9	(7.6)	(6.9)	(0.2)	N/A	N/A
2020e	2.8	(15.3)	(14.9)	(0.5)	N/A	N/A

Sector: Pharma & healthcare

Price: A\$0.48
Market cap: A\$30m
Market: ASX

Share price graph (A\$)

Company description

Kazia Therapeutics has two clinical stage anti-cancer drugs: GDC-0084 (targeting glioblastoma) and Cantrixil (targeting ovarian cancer). GDC-0084 was licensed from Genentech, and Kazia is seeking other in-licence opportunities.

Price performance

%	1m	3m	12m
Actual	0.0	41.2	(30.4)
Relative*	(0.6)	24.4	(33.1)

* % Relative to local index

Analyst

Dr Dennis Hulme

Kazia Therapeutics (KZA)

INVESTMENT SUMMARY

Kazia Therapeutics is developing two groups of anti-cancer compounds, including GDC-0084, a PI3K inhibitor licensed from Genentech that has been granted orphan designation in the US for glioblastoma. It began recruitment in a US-based Phase II programme for GDC-0084 in Q118; an initial Phase IIa dose-optimisation study (preliminary data expected Q219) will be followed by a randomised Phase IIb trial in 224 first-line glioblastoma patients. It will also investigate GDC-0084 in breast cancer brain metastases (in collaboration with Dana Farber) and in the childhood brain cancer DIPG (with St Jude Hospital). The Phase I trial of its third-generation benzopyran drug Cantrixil in ovarian cancer has identified the MTD and is recruiting a 12-patient expansion cohort to further explore safety and potential efficacy. While the primary aim of the dose escalation phase was to assess safety and tolerability, we note that 3/5 patients achieved stable disease after two cycles, one of whom went on to achieve a partial response when treated with Cantrixil in combination with chemo.

INDUSTRY OUTLOOK

Kazia Therapeutics is a biotechnology company listed on the ASX and NASDAQ. Its two main drug technology platforms are third-generation benzopyrans and a PI3K inhibitor.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2017	8.6	(10.2)	(10.9)	(22.81)	N/A	N/A
2018	13.0	(4.9)	(6.3)	(12.48)	N/A	N/A
2019e	3.1	(10.5)	(11.9)	(21.92)	N/A	N/A
2020e	12.3	(1.9)	(3.2)	(5.32)	N/A	N/A

Sector: Mining

Price: A\$0.03
Market cap: A\$94m
Market: ASX

Share price graph (A\$)

Company description

Lepidico provides exposure to a portfolio of lithium assets via its proprietary IP and upstream interests in Australia, Canada and Europe. Uniquely, it has produced lithium carbonate from non-traditional hard rock lithium bearing minerals using its registered L-Max process technology.

Price performance

%	1m	3m	12m
Actual	(12.5)	86.7	(40.4)
Relative*	(13.0)	64.4	(42.7)

* % Relative to local index

Analyst

Charles Gibson

Lepidico (LPD)

INVESTMENT SUMMARY

Lepidico's L-Max® technology recovers lithium from less contested minerals including lepidolite (a form of mica) and amblygonite. The process has been shown to work in stable and continuous operation in large-scale lab tests and a 2017 PFS estimated C1 cash costs of lithium carbonate production near zero net of by-products for a 3,000tpa operation. Engineered design for a larger 7tph (or 5,000tpa LCE) plant is underway as part of a feasibility study at the same time that a pilot plant is being constructed (on time and on budget) to reduce scale-up risk.

INDUSTRY OUTLOOK

On 18 February, LPD announced that it had acquired the rights to LOH-Max technology in order to allow it to produce lithium hydroxide (preferred by Li-ion battery manufacturers) for a reduced capital cost. Updating our model for this development, we value Lepidico at A\$0.0684/share in FY19, based on the execution of a 7t/hour Phase 1 plant (note that this excludes any potential value for a Phase 2 plant or other development options).

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2017	0.1	(0.8)	(5.4)	0.0	N/A	N/A
2018	0.2	(5.1)	(7.2)	0.0	N/A	N/A
2019e	0.0	(5.9)	(5.9)	0.0	N/A	N/A
2020e	19.9	5.6	2.5	0.0	N/A	44.2

Sector: Oil & gas

Price: A\$0.47
Market cap: A\$266m
Market: ASX, OTC Pink

Share price graph (A\$)

Company description

Liquefied Natural Gas Ltd is an ASX-listed company devoted to the development of LNG export terminals in the US, Canada and other potential locations. It has traded ADRs.

Price performance

%	1m	3m	12m
Actual	(6.1)	(3.1)	1.1
Relative*	(6.6)	(14.7)	(2.7)

* % Relative to local index

Analyst

Sanjeev Bahl

Liquefied Natural Gas Limited (LNGL)

INVESTMENT SUMMARY

Liquefied Natural Gas Limited's (LNGL) Magnolia LNG development project is looking to take advantage of the expected rebalancing of the LNG market in 2022–23. With low capex/opex/gas prices, the project has the potential to be very lucrative for partners selling to Europe/Asia. We expect LNGL to sign offtake agreements and move towards FID in 2019, with first gas in 2023/24. In June 2018, LNGL completed a fund-raise of A\$28.2m and our valuation now stands at A\$1.01/share (US\$3.18/ADR). On a longer-term basis, this valuation should increase as the project is de-risked by offtake agreements, financial close, construction and moves towards first LNG production.

INDUSTRY OUTLOOK

A significant opportunity exists to take advantage of the arbitrage between North American gas prices (Henry Hub and AECO), Asian spot LNG prices and European gas prices (TTF).

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2017	0.6	(26.8)	(26.7)	(0.1)	N/A	N/A
2018	1.9	(21.7)	(21.5)	0.0	N/A	N/A
2019e	0.0	(24.8)	(25.0)	0.0	N/A	N/A
2020e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & healthcare

Price: A\$1.39
Market cap: A\$691m
Market: ASX

Share price graph (A\$)

Company description

Mesoblast is developing adult stem cell therapies based on its proprietary MPC and culture-expanded MSC platforms. It has six late-stage clinical trials across four areas.

Price performance

%	1m	3m	12m
Actual	17.9	33.8	(13.4)
Relative*	17.1	17.9	(16.7)

* % Relative to local index

Analyst

Maxim Jacobs

Mesoblast (MSB)

INVESTMENT SUMMARY

The potentially pivotal 55 paediatric patient acute graft vs host disease (GvHD) study met its primary endpoint, with a 69% overall response rate vs 45% for historical controls (p=0.0003). Survival at day 180 was 69% compared to historical rates of 10–30% in Grade C/D disease patients. Based on these results, the company expects to file a BLA in this indication in Q219. Importantly, in February 2019, the company announced that their DREAM HF-1 trial of MPC-150-IM in 566 NYHA Class II-III heart failure patients dosed the last patient with results expected in approximately 12 months. The company expects to meet with the FDA in H119 to discuss a regulatory filing in LVAD patients.

INDUSTRY OUTLOOK

Mesoblast is a leading mesenchymal stem cell company. It has a manufacturing alliance with Lonza. JCR Pharmaceuticals markets Mesoblast's GvHD therapy in Japan; FY18 royalties were US\$3.6m plus a US\$1.5m milestone.

Y/E Jun	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2017	1.9	(82.2)	(83.3)	(17.69)	N/A	N/A
2018	17.0	(66.2)	(68.6)	(8.35)	N/A	N/A
2019e	N/A	N/A	N/A	N/A	N/A	N/A
2020e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & healthcare

Price: A\$0.04
Market cap: A\$44m
Market: ASX

Share price graph (A\$)

Company description

MGC Pharmaceuticals (ASX: MXC) is an Australia-headquartered specialist medical cannabis biopharma company, which has most of its operations based in Europe. Management has many years of technical, clinical and commercial experience in the medical cannabis industry.

Price performance

%	1m	3m	12m
Actual	(10.0)	9.1	(59.6)
Relative*	(10.6)	(3.9)	(61.1)

* % Relative to local index

Analyst

Dr Dennis Hulme

MGC Pharmaceuticals (MXC)

INVESTMENT SUMMARY

MGC Pharmaceuticals is developing cannabis-based pharmaceutical products, initially in Australia and Europe. It is already growing medicinal cannabis crops in the Czech Republic and has established in Slovenia one of the few fully GMP-certified resin extraction and separation plants in Europe. It plans to establish larger-scale operations in Malta under a contract awarded by the Maltese government in April 2018. In December it imported the first shipment of GMP-certified CannEpil into Australia, where it can be prescribed as an investigational medicinal product under an authorisation received from the Therapeutic Goods Administration. The company intends to develop CannEpil and CogniCann as registered pharmaceutical treatments for refractory epilepsy, and to improve quality of life in dementia patients, respectively. In January MGC completed the sale of its MGC Derma cannabis-based cosmetics business to Cannaglobal in exchange for a 10% equity interest in CannaGlobal and a five-year exclusive supply agreement.

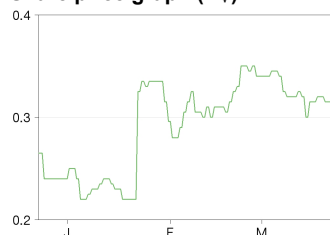
INDUSTRY OUTLOOK

Increasing acceptance and regulatory approvals in many countries have made medicinal cannabis a fast-growing industry. Cannabinoids have generated promising data in many indications and are attracting considerable interest.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2017	0.1	(8.5)	(8.5)	(0.88)	N/A	N/A
2018	0.3	(8.9)	(9.0)	(0.80)	N/A	N/A
2019e	2.3	(5.7)	(5.7)	(0.47)	N/A	N/A
2020e	8.9	(6.4)	(6.6)	(0.55)	N/A	N/A

Sector: Mining

Price: A\$0.32
Market cap: A\$96m
Market: ASX

Share price graph (A\$)

Company description

MOD Resources is an ASX-listed exploration and development company focused on the Kalahari Copper Belt of Botswana. The flagship T3 deposit has a JORC 2012 compliant mineral resource estimate of 60Mt at a grade of 0.98% copper.

Price performance

%	1m	3m	12m
Actual	(10.0)	36.0	(29.0)
Relative*	(10.6)	19.8	(31.7)

* % Relative to local index

Analyst

Dr. Ryan D. Long

MOD Resources (MOD)

INVESTMENT SUMMARY

MOD Resources is a copper-silver exploration and development company with a substantial ground holding in the Kalahari Copper Belt, Botswana. The company has been very successful with its regional exploration concept, which has led to the discovery and drill-out of 60Mt at a grade of 0.98% Cu and 13.9g/t Ag T3 copper-silver deposit and 2.5Mt at a grade of 1.80% Cu and 45g/t Ag T1 copper-silver deposit. MOD has already completed a pre-feasibility study (PFS) at T3 (announced on 31 January 2018) and is in the process of completing a feasibility study, targeted for H119.

INDUSTRY OUTLOOK

The results of the feasibility study for the T3 Copper Deposit in Botswana are expected imminently. The data will give investors a clearer picture of the potential economics from the project.

Y/E Dec	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2016	0.0	(1.1)	(1.2)	(0.01)	N/A	N/A
2017	0.0	(2.5)	(2.3)	(0.01)	N/A	N/A
2018e	0.0	(5.0)	(5.0)	(0.02)	N/A	N/A
2019e	0.0	(3.2)	(4.2)	(0.01)	N/A	N/A

Sector: Pharma & healthcare

Price: NZ\$0.30
Market cap: NZ\$153m
Market: NZSX

Share price graph (NZ\$)

Company description

Pacific Edge develops and sells a portfolio of molecular diagnostic tests based on biomarkers for the early detection and management of cancer. Tests utilising its Cxbladder technology for detecting and monitoring bladder cancer are sold in the US, New Zealand and Australia.

Price performance

%	1m	3m	12m
Actual	(3.2)	(13.0)	(22.1)
Relative*	(4.7)	(20.1)	(27.4)

* % Relative to local index

Analyst

Maxim Jacobs

Pacific Edge (PEB)

INVESTMENT SUMMARY

Pacific Edge develops and sells a portfolio of molecular diagnostic tests based on biomarkers for the early detection and management of cancer. Tests using its Cxbladder technology for detecting and monitoring bladder cancer are sold in the US, New Zealand and Australia. The company recently announced results for H119, including 42.7% growth in Cxbladder sales compared to H118. Importantly, in October, the company received notification of the Cxbladder test national reimbursement rate (US\$760) from CMS. Once the company receives Local Coverage Determination (LCD), Pacific Edge will be able to get reimbursement for Medicare claims and will enable reimbursement and negotiation for payment on 14,000 tests previously performed on CMS patients. The LCD process is ongoing and once completed will be a major driver of future growth.

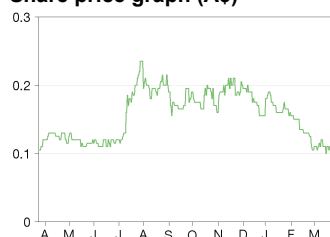
INDUSTRY OUTLOOK

Molecular diagnostics is a growing, but increasingly competitive field. Lead time from the initiation of user programmes to payment can be long.

Y/E Mar	Revenue (NZ\$m)	EBITDA (NZ\$m)	PBT (NZ\$m)	EPS (c)	P/E (x)	P/CF (x)
2017	4.4	(22.3)	(22.4)	(5.9)	N/A	N/A
2018	4.6	(19.5)	(19.6)	(4.5)	N/A	N/A
2019e	5.0	(17.6)	(17.5)	(3.5)	N/A	N/A
2020e	10.2	(13.2)	(13.2)	(2.6)	N/A	N/A

Sector: Pharma & healthcare

Price: A\$0.10
Market cap: A\$22m
Market: ASX

Share price graph (A\$)

Company description

Regeneus is a clinical-stage regenerative medicine company developing innovative cell-based therapies for the human & animal health markets.

Price performance

%	1m	3m	12m
Actual	(16.0)	(34.4)	0.0
Relative*	(16.5)	(42.2)	(3.8)

* % Relative to local index

Analyst

Dr Dennis Hulme

Regeneus (RGS)

INVESTMENT SUMMARY

Regeneus is developing its mesenchymal stem cell technology for musculoskeletal conditions in humans (Progenza) and animals (CryoShot). It has entered a collaboration with AGC for exclusive manufacture of Progenza cells for Japan. Regeneus and AGC have formed a 50:50 JV, which is seeking to sub-license partners to develop and commercialise Progenza in Japan in several indications. In Phase I, Progenza-treated patients experienced clinically meaningful reduction in knee pain and a significant improvement in lateral tibial knee cartilage. Regeneus was granted a US patent in July covering the composition and use of Progenza and it will soon be granted in Europe. Its autologous cancer vaccine RGS4K was safe and showed encouraging signs of immune stimulation and antitumour activity in a Phase I study. Its Sygenus topical secretions technology improved the appearance of acne in adults in a clinical study and produced better pain relief than morphine in preclinical studies.

INDUSTRY OUTLOOK

Regeneus focuses on early-stage product development, then partners. In addition to the AGC deal for Progenza in Japan, it has partnered with a global animal health company for CryoShot Canine. It will seek to identify wider applications of Progenza, beyond arthritis.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2017	10.0	4.9	3.3	1.57	6.4	5.8
2018	0.6	(4.8)	(5.2)	(2.48)	N/A	N/A
2019e	7.8	2.3	2.2	1.04	9.6	9.1
2020e	1.6	(4.0)	(4.2)	(2.00)	N/A	N/A

Sector: General industrials

Price: NZ\$0.20
Market cap: NZ\$98m
Market: NZSX

Share price graph (NZ\$)

Company description

Rubicon is an NZX-listed investment company whose ArborGen subsidiary is the world's largest integrated developer, commercial manufacturer and supplier of advanced forestry seedlings with operations in the US, Brazil and Australasia.

Price performance

%	1m	3m	12m
Actual	(9.1)	(9.1)	(23.1)
Relative*	(10.5)	(16.5)	(28.3)

* % Relative to local index

Analyst

Toby Thorington

Rubicon (RBC)

INVESTMENT SUMMARY

Rubicon (RBC) is now a pure-play, advanced forestry genetics business with leading positions in large international markets for its seedlings. Its maiden H1 report (to September) with this corporate structure contained good updates on operational and commercial initiatives in the seasonally quieter section of the year. For the record, RBC generated revenue of US\$10m and a US GAAP EBITDA loss of US\$5m (before restructuring costs of US\$2m) in the period. Rubicon should be able to clearly demonstrate its business model characteristics in H2 through notably stronger revenue, EBITDA and positive cash flows, although it did acknowledge (on 24 January) that US weather events around the end of H1 has resulted in a revised FY19 target EBITDA of c US\$6m (previously approaching US\$7m).

INDUSTRY OUTLOOK

The economic growth outlook in each of its core countries being the US, Brazil, New Zealand and Australia is either good or improving, according to OECD data. Consequently, the primary end-markets served by its plantation forestry customer base (construction and the pulp and paper industries) are in a positive cyclical phase.

Y/E Mar	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2017	6.0	(6.0)	(1.0)	(0.2)	N/A	N/A
2018	35.0	6.0	4.0	1.2	11.4	16.7
2019e	50.0	5.0	5.0	1.1	12.4	11.1
2020e	59.0	9.0	10.0	2.0	6.8	7.4

Sector: Pharma & healthcare

Price: ¥208.00
Market cap: ¥17139m
Market: Tokyo

Share price graph (¥)

Company description

SymBio is a Japanese specialty pharma company with a focus on oncology and haematology. Treakisym is SymBio's branded formulation of bendamustine HCl. Rigosertib was in-licensed from Onconova.

Price performance

%	1m	3m	12m
Actual	(23.5)	16.9	(4.6)
Relative*	(23.9)	7.5	1.9

* % Relative to local index

Analyst

Dr Dennis Hulme

SymBio Pharmaceuticals (4582)

INVESTMENT SUMMARY

SymBio is a specialty pharma focused on Asia-Pacific markets, and has in-licensed two orphan blood cancer products. Treakisym i.v. was approved for r/r low grade NHL/MCL in 2010 and in 2016 received approvals in CLL and first-line low grade NHL/MCL; these new approvals saw in-market Treakisym sales increase by 12% in 2018, following 61% growth in 2017 (NHI price basis). SymBio has in-licensed liquid formulations for injection that will provide Treakisym with patent protection to 2031; a clinical trial is underway of the rapid-infusion liquid formulation which would reduce Treakisym infusion time from 60 minutes to 10 minutes. A Phase III trial of Treakisym in r/r diffuse large B-cell lymphoma is underway. Rigosertib i.v. is in development for r/r higher-risk myelodysplastic syndromes (HR-MDS) and is in a pivotal Phase III global study in 360 patients; SymBio is enrolling patients in Japan and is aiming for potential filing in 2021. SymBio intends to participate in a planned global trial of high-dose oral rigosertib in untreated HR-MDS.

INDUSTRY OUTLOOK

SymBio is focused on in-licensing niche opportunities in hard-to-treat indications often overlooked by big pharma. An in-house screening process to select additional pipeline candidates for development and commercialisation will be key to driving operating leverage.

Y/E Dec	Revenue (¥m)	EBITDA (¥m)	PBT (¥m)	EPS (fd) (¥)	P/E (x)	P/CF (x)
2017	3444.0	(3917.0)	(3977.0)	(79.84)	N/A	N/A
2018	3836.0	(2621.0)	(2749.0)	(41.38)	N/A	N/A
2019e	N/A	N/A	N/A	N/A	N/A	N/A
2020e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Pharma & healthcare

Price: A\$0.66
Market cap: A\$99m
Market: ASX

Share price graph (A\$)

Company description

Telix Pharmaceuticals is a Melbourne-headquartered global biopharmaceutical company focused on the development of diagnostic and therapeutic products based on targeted radiopharmaceuticals or molecularly targeted radiation.

Price performance

%	1m	3m	12m
Actual	(10.9)	0.8	11.0
Relative*	(11.4)	(11.2)	6.8

* % Relative to local index

Analyst

Dr Dennis Hulme

Telix Pharmaceuticals (TLX)

INVESTMENT SUMMARY

Telix has assembled a portfolio of molecularly targeted radiation therapeutic and imaging products for kidney, prostate and brain cancers. Each product has been validated by clinical studies or compassionate use, reducing development risk. It has acquired its JV partner ANMI in December, giving it full global rights to the illumet investigational prostate cancer imaging kit. It is already commercialising illumet in the US, including through Cardinal Health, and anticipates filing for US approval in 2019. It expects to fully enrol the ZIRCON confirmatory Phase III for kidney cancer imaging agent TLX250-CDx by end 2019. Preliminary data from the IPAX-1 Phase I/II study of TLX101 therapy in GBM (brain cancer) is expected in Q319. Telix plans to progress TLX591 therapy into Phase III in chemo-naïve prostate cancer in H219/H120.

INDUSTRY OUTLOOK

Big pharma has shown keen interest in MTR products. In 2017 Novartis acquired Advanced Accelerator Applications, the developer of the MTR therapeutic Lutathera, for US\$3.9bn. In 2014 Bayer acquired Algeta for ~US\$2.6bn; Algeta had developed Xofigo, a therapeutic radiopharmaceutical for prostate cancer. In December Novartis acquired prostate cancer radiopharmaceutical developer Endocyte for US\$2.1bn.

Y/E Dec	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2016	N/A	N/A	N/A	N/A	N/A	N/A
2017	0.4	(6.4)	(6.4)	(4.98)	N/A	N/A
2018e	5.0	(13.0)	(12.7)	(6.21)	N/A	N/A
2019e	8.4	(17.8)	(17.7)	(8.33)	N/A	N/A

Other Edison clients

CSL

CSL is a global specialty biopharmaceuticals company headquartered in Australia that delivers innovative biotherapies, with a focus on plasma products and vaccines. It is the largest global supplier of plasma-derived therapies and number two in influenza vaccines worldwide.

Information from <http://www.edisoninvestmentresearch.com/research/report/csl/full/>

Pharma & biotech

Market cap* **A\$88bn**

*As at 29 March 2019

Share details

Code CSL

Exchange ASX

Genesis Energy

Genesis Energy (GNE) is a New Zealand diversified energy company. GNE generates and sells electricity, natural gas and LPG to residential, commercial and industrial customers. GNE has three key areas of operation: customer experience, Kupe Oil and Gas and energy management, which comprises energy management (generation) and energy management (trading).

Information www.genesisenergy.co.nz

Industrials

Market cap* **NZ\$3,272m**

*As at 29 March 2019

Share details

Code GNE

Exchange

ASX/NZX

Imugene

Imugene (IMU) is an Australian immunoncology-focused biopharmaceutical company developing HER2 + ve gastric and breast cancer vaccines. The group's lead product is HER-Vaxx, a proprietary HER2 +ve cancer vaccine that stimulates a polyclonal antibody response to HER2/neu.

Information from <http://www.imugene.com/>

Pharma

Market cap* **A\$69m**

*As at 29 March 2019

Share details

Code IMU

Exchange ASX

QBiotics

QBiotics is an Australian life sciences company founded in 2004, that is inspired by nature to improve human and animal health. Our oncology product, tigilanol tiglate (EBC-46), is a new approach to the treatment of solid tumour cancers. Results from human and veterinary clinical trials are supporting the drugs significant potential as an anticancer treatment. Development of tigilanol tiglate is making sound progress and plans are already underway for marketing the veterinary drug in the USA, UK and Europe.

Information from www.qbiotics.com

Healthcare

Market cap* **N/A**

*As at 29 March 2019

Share details

Code	Unlisted
Exchange	N/A

Race Oncology

Race Oncology is a development stage specialty pharmaceutical company which seeks to rescue, rediscover or repurpose overlooked drugs. Its main asset, bisantrene, is being developed for AML. In the US, the company is in the process of designing the pivotal trial. In Europe, it is on the verge of being used as part of an early access program aimed at relapsed/refractory AML.

Information from <http://www.edisoninvestmentresearch.com/research/report/race-oncology/full/>

Pharma & biotech

Market cap* **A\$7m**

*As at 29 March 2019

Share details

Code	RAC
Exchange	ASX

Redbubble

Redbubble is an online marketplace that facilitates the sale and purchase of art and design on a range of products between independent creatives and consumers. The creative works can be printed on a large range of 64 physical products such as t-shirts, mugs, stickers and phone cases. The products are produced and shipped by third-party service providers (i.e. product manufacturers, printers and shipping companies) known as fulfillers.

Information from <http://www.edisoninvestmentresearch.com/research/report/redbubble/full/>

Consumer

Market cap* **A\$277m**

*As at 29 March 2019

Share details

Code	RBL
Exchange	ASX

Senex Energy

Senex Energy is a growth-focused oil and gas exploration company with onshore assets in Australia's Cooper and Surat Basins. The company's Cooper Basin oil asset is currently in production, while Cooper and Surat Basin gas projects are under development.

Oil & gas

Market cap*

A\$538m

*As at 29 March 2019

Share details

Code	SXY
Exchange	ASX

Information from <http://www.edisoninvestmentresearch.com/research/report/Senex-Energy-08022018/full/>

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United Kingdom

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