Australasia Monthly Book

November 2018

Published by Edison Investment Research

Contents

Prices at 23 November 2018

Published 29 November 2018

Welcome to the November 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

- The Continued negativity across technology, energy, resources and the market in general has seen the ASX trade to two-year lows. Ongoing banking issues, the continued fallout from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, as well as continued escalating trade tensions are weighing heavily, both here and internationally.

- The annual general meeting season through October and November always provides an opportunity for companies to update the market on trading in the early months of the financial year. This season, the bad news has surpassed the good, taking the number of recent profit downgrades and soft trading updates well past a dozen in the last week.

- In total, 40 new CEOs are in charge of our top 200 companies – a turnover of 20% from last year compared to 14% in the UK, raising questions about the impact of the banking Royal Commission and short-term business leadership. The former CEOs of Commonwealth Bank, Ian Narev, Macquarie Bank's Nicholas Moore, Myer's Richard Umbers, Westfield's Steven and Peter Lowy, AMP's Craig Meller and AGL's Andy Vesey are among this year’s big CEO departures. The high turnover coincides with decreased CEO tenure, with 63% of ASX 200 compared to 55% of FTSE 100 CEOs in their role for less than five years. CEOs in the financial services sector have seemingly been the hardest hit.

- Australian investors hungry for global stocks will have local trading access to tech giant Apple, and as many as 30 US names by mid-2019, as Chi-X Australia, an alternative domestic exchange to the ASX, pushes the green light on a project that involved three years of planning. Apple trading is now available through Transferable Custody Receipts (TraCRs), a new product that facilitates trading stocks such as Apple in Australian dollars and on the Chi-X local exchange.

- The Australian government will inject A$2bn into the small business loan market in an unprecedented effort to boost lending to cash-starved firms that have complained of a worsening credit squeeze. The creation of a taxpayer-backed securitisation fund to invest in small and medium-sized enterprise credit will also potentially expand an asset class for institutional investors such as superannuation funds to invest in.

- Congratulations to Edison client, CSL, for winning two of the top Investor Relations Awards at the Australian Investor Relations Association’s annual conference. CSL won the award for Overall Best Investor Relations by a Company in the S&P/ASX 200 and the award for Best Investor Relations by a Company in the S&P/ASX 50. Other winners included Sydney Airport, NEXTDC and Wesfarmers.

- We have also had active productive month with our clients Genesis Energy and ERM Power on international, non-deal roadshows.

- Lastly, we co-hosted a UK fund manager on his second Australian trip to meet Australian corporates. Since his first trip, he has increased his Australian holdings from four to 14 companies.

Market statistics

Australia

Statistics as at October 2018

- Number of companies
  2,152
- Total market capitalisation
  $1,860bn
- Average market capitalisation
  $925m
- Number of international companies
  142
- Primary fund raisings
  $4,300m
- Secondary fund raisings
  $4,945m

Global perspectives: At a fork in the road

Analyst

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- **Political factors create a fork in the road for the short term.** Purely economic considerations would not have created a US/China trade confrontation, Brexit or Italian budget stand-off. Therefore, the short term outlook depends on the evolution of a number of very political developments. For Brexit in particular, uncertainty remains elevated. In respect of the US/China trade relationship, the stakes are also high and the longer-term implications potentially significant, even if the market has grown used to the ebb and flow of comments from the US administration.
- **Brexit dynamics still very uncertain.** It is far from clear at this point that UK PM May will win the necessary parliamentary support for her EU Withdrawal Agreement. We expect volatility for UK assets including sterling to remain elevated up to the vote on 11 December.
- **Outside the US, valuation risk is being replaced by growth risk**. Declining consensus profits forecasts for 2019, while still calling for growth of approximately 10% for each region, suggest to us that part of the softness of global equity markets can be attributed to the downward adjustment of over-optimistic profits expectations, in addition to valuations normalising from previously high levels.
- **We retain a cautious position on developed market equities.** On balance, earnings risk keeps our cautious view on global equities in place even if markets are desperately hanging on to any suggestion of an easing of Fed rhetoric. We are mindful of the 2015 experience where the resources and energy sectors continued to decline despite attractive valuations, and at least until earnings forecasts stabilised. We can also see the relative merits of a risk-free 2.8% annual return on US two-year Treasury notes in the circumstances.

At a fork in the road

Rolling global equity declines offer few directional signals

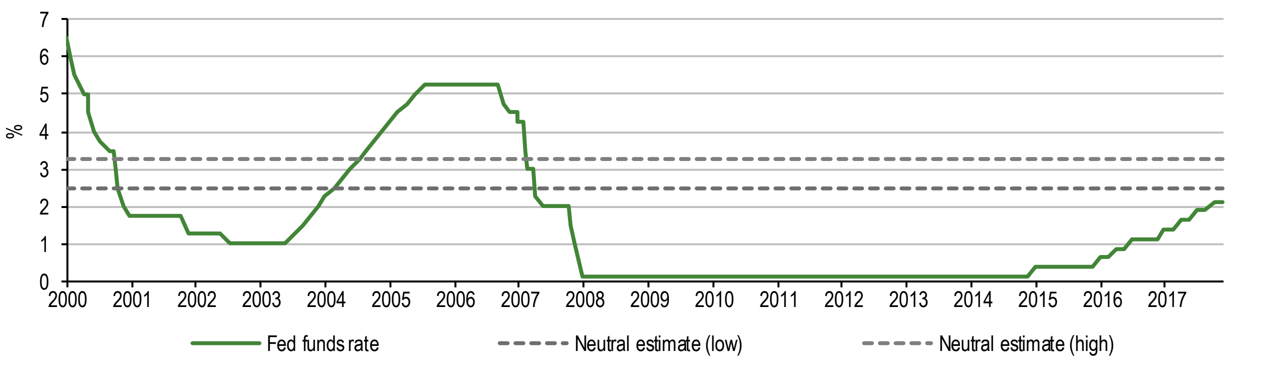
Following a difficult autumn, investors are likely to be weighing whether 2018's risks are almost in the rear-view mirror. In one scenario, Brexit could be settled by January, with minor changes to the Withdrawal Agreement easing the way through a currently hostile UK Parliament. During the past week, the Italian government has indicated some flexibility in its position on the budget deficit which may resolve the stand-off with the EU. In terms of financial conditions, the Fed may raise rates in December but could then guide to a pause, reflecting softening recent economic data outside the US.

In turn, the ECB could acknowledge that the weakening trend in eurozone data warrants a continuation of QE, or at least very dovish forward guidance. Finally, after the mid-term elections, Trump's trade war with China is now without a political cause, at least in the short term. Speculation of a US/China trade "deal" at the upcoming G20 meeting in Argentina is rising, which could perhaps at least represent a cease-fire in hostilities.

We understand that many will regard the possibilities in the previous paragraph as a Christmas fantasy. Certainly for Brexit, we think it is much too soon to assume UK parliamentary support for the current Withdrawal Agreement, even if EU officials cannot resist gloating over the leverage it will offer in future trade negotiations, according to one notably revealing FT report this week.

However, in terms of monetary conditions, the US Fed is a long way through its policy of normalising interest rates, Exhibit 1. The ECB is also clearly mindful of the slowdown in Eurozone economic data, even if it is sticking with its intention to end QE in December for now. Furthermore, the sudden decline in the oil price in the last six weeks will be feeding into monetary policymakers' internal forecasts for headline inflation on both sides of the Atlantic.

Exhibit 1: Fed rate increases and FOMC* neutral range



Source: Thomson Reuters. Note: *Federal open market committee.

There are bearish scenarios which should be given low probability, in our view. One scenario is that central banks would deliberately or negligently continue to tighten policy given clear evidence of a slowdown. We note the upward march of the US 10-year yield has been interrupted and over the coming quarter we would be surprised if long-term rates moved markedly higher, even if in the longer term a higher rate might be justified by the unwinding of US QE and higher US Treasury issuance. The recent flight to safety into the US 10-year Treasury is likely to remain in place until there is less uncertainty in respect of the direction of the global economy.

In contrast to the monetary policy function, which in terms of interest rate policy has remained largely outside the political domain (Trump's recent public comments and reported behind-thescenes pressure on Fed policy notwithstanding), the political issues directly ahead of investors are much more uncertain by comparison. It is by no means clear that at the upcoming G20 meeting any progress will be made in respect of resolving the differences in trade policy between the US and China. On balance, a breakthrough at this point appears less likely following recent comments from the US President Trump. There have also been rumours that tariffs on imports on autos from the EU are in the pipeline.

From an economic viewpoint, which is where many professional investors have their original training, current US trade policy would appear to make little sense. As a result, the risk is a bias to assume that a continuation of the trade war is a low probability event. We believe Trump firmly believes in his political agenda of America First, subject to the constraint of adverse market volatility and job losses sufficiently material to impinge on his political popularity. In 2019, the theme of a protectionist-induced slowdown in global trade still bears close attention.

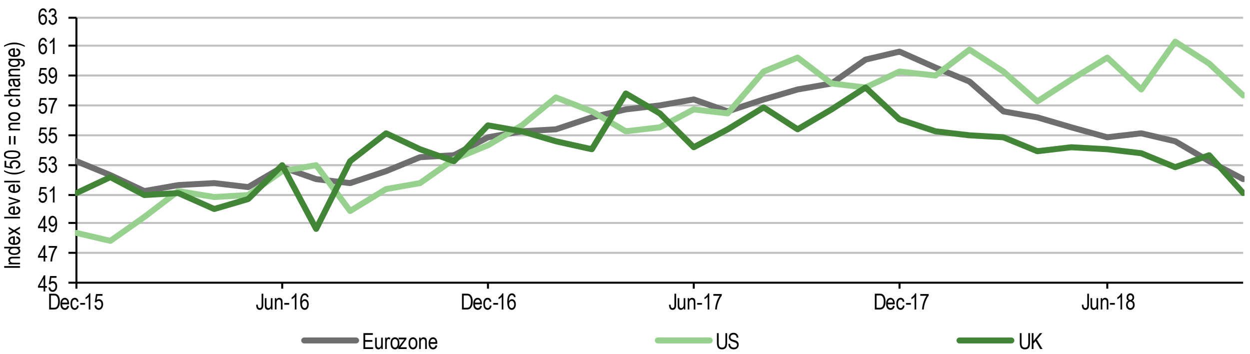
In respect of equity market valuations, these are not in our view now the primary risk for investors as outside the US price/book valuations are close to long-term averages and consistent with the double-digit return on equity still forecast for the non-financial corporate sector. The primary risk to equities has shifted from high valuations to a slowing outlook for economic and earnings growth.

Economic survey data on a weakening trend outside the US

The fly in the ointment for investors trying to look through political developments

In the context of current consensus earnings growth forecasts for 2019 of approximately 10% globally the market could, if the political developments above could be set aside, be set for a rally. However, the fly in the ointment is the meaningful slowdown in economic survey data outside the US in recent months; combined with the large decline in the oil price over the last six weeks, this means that earnings forecasts remain at risk.

Exhibit 2: Manufacturing PMI survey declining in the UK and eurozone during Q4



Source: Thomson Reuters

November's flash manufacturing PMI for Germany and the eurozone overall adds to the pessimism shown in Exhibit 2, indicating that growth has stalled over the summer, with the current month's final eurozone reading now likely to be just above 50. There may be a one-off impact of new regulations within the auto sector but the slowdown appears to be more broadly based.

Similarly, business optimism in China, Germany, Japan and the UK is on a declining trend. Global trade fears may be partly to blame but for investors the data are consistent with weakened earnings momentum over coming months and increased profit warning risk in energy and cyclicals, rather than a bounce in markets.

In these same surveys, inflation pressure has been sustained, despite the perceived slowdown in end demand. The data therefore make for mixed reading for central bank policymakers, who in the

US at least appear still focused on normalising policy, although futures markets point to a possible short pause in rate increases in Q119. The ECB has been tight-lipped about the end of QE but the data raises real questions about the strength of the eurozone recovery, in our view.

Brexit: A decisive step into the fog

Limited parliamentary support for UK PM May's Brexit deal creates further uncertainty

UK PM May's Brexit deal has achieved the unlikely honour of uniting both pro-EU and Brexiteers in rejecting it. Despite challenging House of Commons sessions in recent weeks, May has continued on her pre-planned path to finalise the text of the political declaration and bring it back to Parliament for a vote in December. At this point it is difficult to see how May's Withdrawal Agreement will gain Parliamentary approval, in our view. We are surprised to see reports in the FT quoting EU sources, indicating the likely brutality of future trade negotiations because of the weakness in the UK's negotiating position due to the backstop arrangements. While this risk is evident from the Withdrawal Agreement, this suggests EU officials believe it is mission accomplished.

One of May's key rivals has failed to secure the 48 letters required to challenge her leadership, to date, which has eased the immediate political pressure. In any case without an election, any new PM would have the near-impossible task of renegotiating the current deal – and would have to create from scratch a credible no-deal deterrent to succeed. Furthermore, an election risks a Labour government less accommodating to the corporate sector.

Both these scenarios are likely to be unwelcome for financial markets. The probability of sufficient change to the draft agreement to pass the UK Parliament on 11 December appears slim, but would in contrast be welcomed by investors. The current strategy of PM May to go "over the heads" of MPs and appeal directly to the electorate and business appears in concept so similar to running a virtual referendum campaign, it is effectively in conflict with her insistence on no actual second referendum process. The success of this strategy is also in question as one recent poll indicates May's deal has less support than either no deal or no Brexit.

This is a charged political environment, with personal ambitions interwoven into policies, in addition to the UK national interest. There are material drawbacks to the deal PM May has negotiated with the EU, notably the possibility that the UK could remain in a permanent customs union, unable to exit unless prepared to offer a better scenario – for the EU. It is difficult to argue against the view that this appears to be a sub-optimal position from which to start negotiating a new UK/EU trading relationship.

Given the expressed view of the UK government that it must deliver on the result of the referendum, its failure to develop a credible no-deal plan over the past two years is surprising. A palatable no-deal scenario would have given the UK's negotiators increased leverage and possibly avoided the political crisis that is now unfolding. The EU has long established its reputation as a smart and ruthless negotiator, most recently in the eurozone debt crises of the past decade. If the electorate is minded to punish the current UK administration in future it will be for this lack of foresight, in our view. A credible deterrent has significant value, even if it is never used.

While we note at the time of writing that there have been insufficient letters of support to call for a vote of no-confidence in the PM, a failure of Parliament to approve the Withdrawal Agreement is highly likely to re-ignite a leadership challenge, in our view. Should PM May ultimately fail to win support for her deal, any new PM would have to win parliamentary and public support for a much tougher negotiating position to attempt to amend the existing Withdrawal Agreement.

To be credible, this would have to include substantive preparations for a realistic possibility of a no-deal as it is difficult to see why the EU would materially change its position otherwise. Adding to the uncertainty, earlier suggestions from EU officials that delaying or withdrawing the Article 50 notification would be possible can no longer be assumed to be valid given the ready support for the

Withdrawal Agreement in its current form. For financial markets, the uncertainty and risks of a no-deal Brexit are hardly likely to enthuse financial markets or the non-financial corporate sector.

If the UK Parliament remains split on the Brexit question, a general election becomes likely in Q119, which in effect would represent a second referendum on a strategy for Brexit and the current Withdrawal Agreement. In these circumstances investors would have to contend with the meaningful probability of a Labour administration, which would be likely to be significantly less accommodating to the corporate sector, a situation also unlikely to enthuse UK financial markets. Within this scenario there may be further calls to extend Article 50 and/or remain in the EU, thus increasing uncertainty. In contrast, the probability of sufficient change to the draft agreement to pass the UK Parliament appears slim, but would be welcomed by investors.

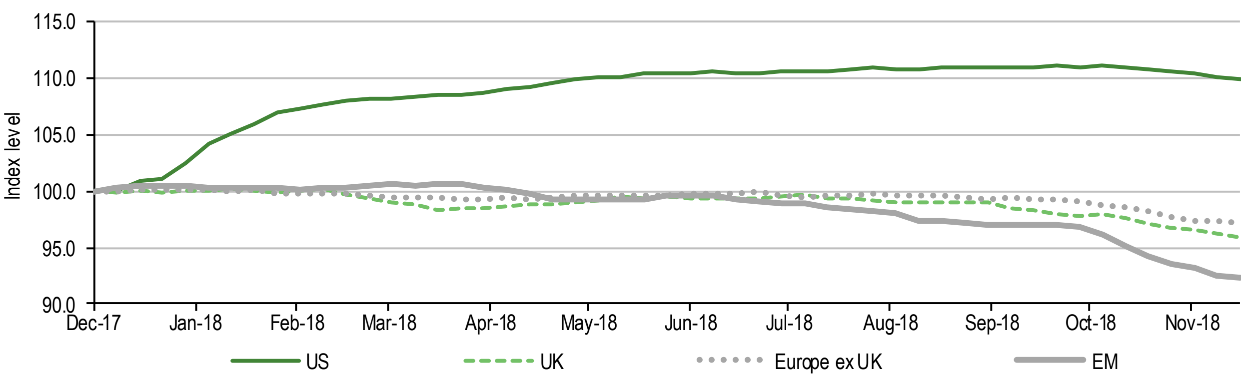
The binary outcomes on offer for investors in respect of Brexit mean UK markets are likely to remain volatile in the circumstances and sterling may come under increased pressure leading up to the parliamentary vote on 11 December. If the Withdrawal Agreement is passed, a significant relief rally would be in store for any betting on this happening now, but we believe it is risky to gamble on it at this stage.

2019 earnings forecasts soften

Q4 market declines coincide with falls in 2019 profits outlook

For the UK and continental Europe, 2019 estimates have been falling at an accelerated pace during October with a total decline of 2.5% since August, Exhibit 3. In addition to signs of ebbing economic momentum within the eurozone, the specific Brexit and budget risks in the UK and Italy respectively appear to have pincered investor sentiment.

Exhibit 3: Consensus forecasts falling at an accelerated pace outside the US during Q4



Source: Thomson Reuters

Italian budget deficit stand-off could be resolved by compromise

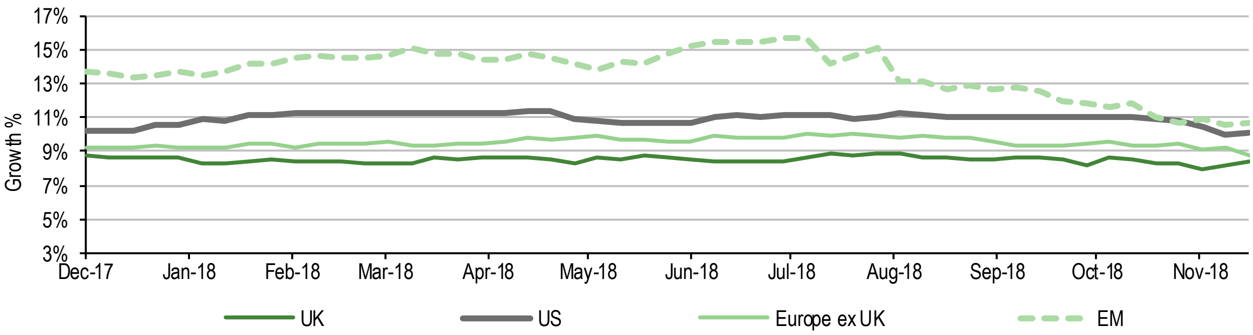
For Italy, the difference of opinion between the EU and the Italian government over the level of the primary budget deficit in 2019 remains in place. This is not in our view an economic issue – the situation would be likely to be irrelevant for markets if either the EU supported Italy's plans for greater fiscal stimulus or Italy moved towards the EU's wishes for greater austerity.

It is instead a political issue in respect of the autonomy of the populist Italian government to deliver a budget, set against the constraint of the necessity of approval from eurozone partners (and in particular the ECB) in supporting the Italian bond market. While the rhetoric continues to escalate, investors are likely to continue to proceed cautiously, and we note that in recent days a softening of the Italian position has led to lower yields on Italian government bonds. Unlike Brexit, a solution is likely to be found, provided there is the willingness to compromise modestly on each side.

2019 emerging market estimates have fallen materially during H218

For emerging markets (EM), there has been a quite pronounced change in the profits outlook, as the median 2019 profits growth estimate has fallen by one-third to a below-average 11% since August.

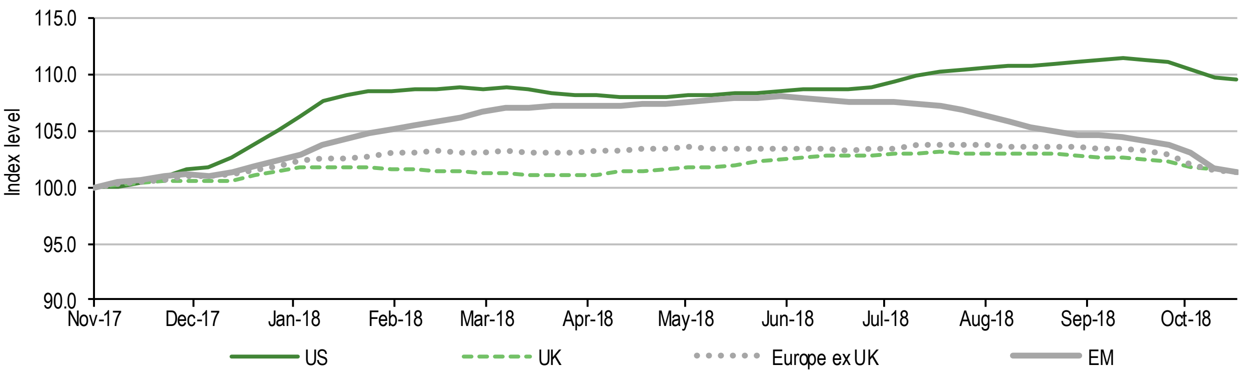
Exhibit 4: 2019 median consensus profits growth has fallen to below-average 11% in EM



Source: Thomson Reuters

It is also surprising to see such negative earnings momentum in emerging markets when commodity prices have until only very recently remained relatively robust over the same period, in contrast to 2015. While we have noted that emerging market valuations have over the summer become relatively attractive, at least compared to developed market peers, in the short term we believe the rapid decline in prospects for profits growth will put many investors on pause, at least until estimates have stabilised. For example, we expect the recent decline in the oil price to lead to further reductions in related equity sectors in coming weeks.

Exhibit 5: Analysts' price targets undershooting typical 8% pa growth rate during Q2-Q418



Source: Thomson Reuters, Edison calculations

Analysts' price targets have only trod water since Q118

We have also examined the progression of target prices for equities in each major region, Exhibit 5. Since the one-off "Trump bump" in US estimates (resulting from corporate tax reform in January), analyst target prices for developed markets have effectively been static for much of 2018 and have fallen over the last four weeks.

Unlike earnings forecasts for a specific year, as price targets are in effect a rolling measure of company values, price targets normally grow over time. Therefore, 2018 has been an exception to the long-term annual growth rate for target prices since 2013 of 8%. This implies a bottom-up analyst consensus from earlier this year that valuations were somewhat over-extended, matching our top-down views.

Conclusion

2018 has been the year that the US Fed normalised US monetary policy. Evidence of this is in the restoration of normal market volatility, lower global equity valuations and a strong US dollar, in addition to higher US interest rates. With Fed chair Powell suggesting in recent days that US rates are just below the broad range of the Fed's estimates of the neutral level, expectations of a pause in US rate increases have risen, even if this observation is only consistent with previously published Fed projections.

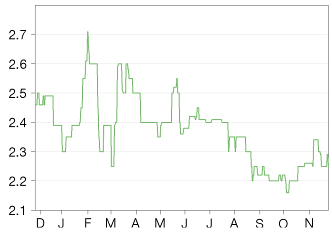
Even given the possibility of a further easing of Fed rhetoric in coming weeks, the investment outlook remains difficult to read in our view due to key political risks directly ahead, the most significant of which are the potential for a no-deal Brexit and US trade policy with respect to China.

On balance, earnings risk keeps our cautious view on global equities in place. We are mindful of the 2015 experience where the resources and energy sectors continued to decline despite attractive valuations, until earnings forecasts stabilised. We can also see the relative merits of a risk-free 2.8% annual return on US two-year Treasury notes in the circumstances.

Sector: Pharma & healthcare

Price:	NZ$2.25
Market cap:	NZ$219m
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	0.0	1.4	(8.5)
Relative*	(0.2)	8.0	(11.9)

* % Relative to local index

Analyst

Maxim Jacobs

AFT Pharmaceuticals (AFT)

INVESTMENT SUMMARY

AFT Pharmaceuticals is a New Zealand-based speciality pharmaceutical company that currently sells 130 prescription speciality 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 that is addressing a $10.4b market, is currently sold and launched in 10 countries and distribution agreements are in place in a total of 125. Additionally, AFT recently reported positive results from a pivotal trial for Maxigesic IV. 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

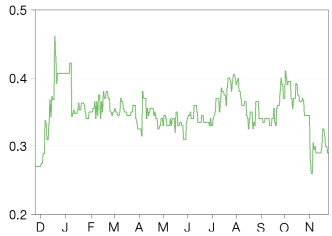
AFT is a multi product company targeting pharmacy prescription, OTC and hospital markets. Data for Maxigesic offers them a competitive advantage in a fragmented industry.

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	99.6	1.9	0.0	4.56	49.3	N/A
2020e	120.7	11.7	9.9	10.13	22.2	23.7

Sector: Oil & gas

Price:	A$0.29
Market cap:	A$221m
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	(20.3)	(10.6)	7.4
Relative*	(18.2)	(1.9)	12.5

* % 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 is hydraulically fracturing two horizontal wells. Operations will take approximately three months to complete from initiation for both horizontal exploration wells with initial results expected in early 2019. Given uncertainties, we currently utilise a probabilistic approach to valuation estimating a 67% chance of commercial success for UK shale (NPV15>0). At a group level, incorporating AJL's operating business units and net debt, and based on the FY18 results (to end June 2018) we have updated our P50 (mid-case) valuation to A0.93/share.

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	9.9
2020e	129.7	13.9	(4.0)	6.89	4.2	18.1

Sector: Mining

Price: A$0.21
Market cap: A$109m
Market ASX

Share price graph (A$)

Company description

Alkane Resources is a multi-commodity explorer and developer, with projects in the central west region of New South Wales in Australia. Alkane owns the Tomingley Gold Operation and DZP rare metal and rare earths projects (both 100%).

Price performance

%	1m	3m	12m
Actual	2.4	16.2	(39.4)
Relative*	5.1	27.6	(36.6)

* % Relative to local index

Analyst

Ryan Long

Alkane Resources (ALK)

INVESTMENT SUMMARY

ALK's is expected to produce c. 30,000 to 35,000 ounces (oz) gold (Au) in FY19 from its Tomingley gold project, located in NSW, Australia. At Tomingley, Alkane is expected to commence underground development work in early-2019 with the extraction of ore to occur from mid-2019 onwards. Alkane also has an extensive regional exploration programme underway, which is focused on defining ounces that can be used to extend the life of the Tomingley operation. Alongside this, the company is also seeking the required funding to move its Dubbo polymineral project, also located in NSW, into production.

INDUSTRY OUTLOOK

Alkane continues to market the strategic Dubbo project (DP) asset to a wide range of potential customer/investors across Europe, Asia and the US. The current US-China trade war and general US protectionist stance towards its industries, bodes well for development of non-Chinese production of rare metals from projects such as the DP.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (c)	P/E (x)	P/CF (x)
2017	117.8	61.3	18.0	4.5	4.7	2.0
2018	130.0	68.8	31.3	4.8	4.4	2.3
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: General industrials

Price: HK$8.33
Market cap: HK$13402m
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	13.3	(7.0)	40.9
Relative*	10.8	(0.4)	61.5

* % Relative to local index

Analyst

Graeme Moyse

China Water Affairs Group (855)

INVESTMENT SUMMARY

CWA's FY18 results extended the company's impressive track record (CAGR FY13-18 in EPS of 29.6% and DPS of 35.7%). We believe CWA is capable of achieving further growth as demonstrated by the recent JV in Jia County and the injection of capital into Gold Tact. Politics and regulation require further improvements to the Chinese water and sewage infrastructure and, as the National Development and Reform Commission (NDRC) acknowledges, tariffs should be reflective of costs and not force operators to supply the domestic water market at a loss. We would caution against read-across from recent proposals for gas regulation in Chongqing, as substantial differences exist between the two industries. In our view CWA's current market valuation appears undemanding.

INDUSTRY OUTLOOK

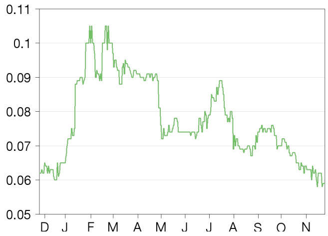
Water supply in China remains fragmented. The central government encourages local governments to deleverage their own balance sheets with private–public partnerships. This trend remains positive for CWA.

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	15.0	N/A
2018	7580.0	3097.0	2462.0	71.8	11.6	N/A
2019e	8935.0	3599.0	2829.0	81.5	10.2	N/A
2020e	10481.0	4212.0	3384.0	97.5	8.5	N/A

Sector: Oil & gas

Price:	A$0.06
Market cap:	A$96m
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	(6.3)	(11.9)	(4.8)
Relative*	(3.9)	(3.3)	(0.3)

* % 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. Management forecasts CY18 net production of just over 9kboed. In May 2018, ELK completed a A$13.5m capital raising to fund the development of Aneth, and the field development plan started in June 2018. Our risked valuation stands at A$0.19/share. Key catalysts include debt re-financing and the ramp-up of oil output at Grieve.

INDUSTRY OUTLOOK

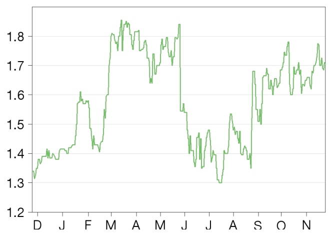
Alongside field operators Denbury and ConocoPhillips, ELK management has identified numerous field optimisation opportunities at Grieve and Madden with high risk-adjusted returns (many in the 50-100% IRR range). ELK continues to consolidate Rocky Mountain CO2 EOR projects.

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	3.6	N/A
2020e	202.5	123.4	80.8	2.5	1.7	N/A

Sector: General industrials

Price:	A$1.71
Market cap:	A$436m
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, while the company recently announced the sale of its US business.

Price performance

%	1m	3m	12m
Actual	2.1	12.2	26.3
Relative*	4.8	23.1	32.3

* % Relative to local index

Analyst

Dario Carradori

ERM Power (EPWX)

INVESTMENT SUMMARY

ERM Power is refocusing its business on the core Australian activities, with the recent announcement of the sale of the US business for A$38m and the completion of the acquisition for up to A$16m of Out Performers, a provider of energy services to large energy customers. We recently revised our estimates, raising our forecasts for FY19-21 underlying net income from continuing operations by 6%, to reflect earnings accretion from the acquisition of Out Performers and cash inflow from the sale of the US business.

INDUSTRY OUTLOOK

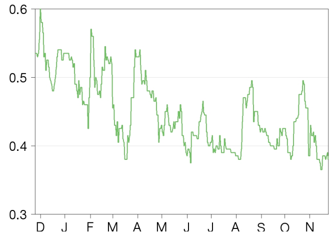
While electricity supply activities in Australia remain very competitive with limited growth opportunities, ERM Power has experienced significant positive momentum which led to a double upgrade to Australian medium-term profit guidance over the last 18 months. The energy market in Australia (and globally) 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	2.7
2018	2047.0	97.5	43.1	12.0	14.3	N/A
2019e	2074.0	96.7	39.2	11.2	15.3	3.5
2020e	2133.0	107.1	49.4	14.5	11.8	4.2

Sector: General industrials

Price:	A$0.38
Market cap:	A$200m
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	(23.2)	(15.6)	(33.3)
Relative*	(21.2)	(7.3)	(30.2)

* % Relative to local index

Analyst

Dan Gardiner

Fluence Corporation (FLC)

INVESTMENT SUMMARY

If Fluence can deliver on its H218e target, its shares could re-rate sharply. Its membrane-aerated biofilm reactor (MABR) technology provides a competitive advantage in the growing market for decentralised water treatment. We see the ramp in sales here transforming its scale, revenue visibility and profitability by FY20e. In October, Fluence secured a deal with ITEST for its Aspiral product in China that should generate at least US$45m in revenue over the next three years. The Q3 report highlighted revenues on track for $105m and included a $23m equity raising.

INDUSTRY OUTLOOK

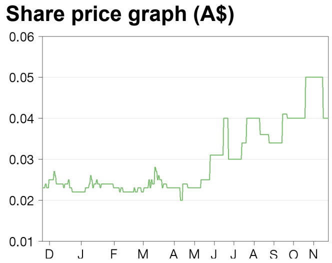
Fluence’s ‘plug and play’ solutions can cost-effectively boost the performance of existing centralised treatment plants and address unserved, greenfield rural populations. Aspiral and SUBRE are based on a proprietary technology (MABR) that offers both superior treatment and lower energy costs. We see 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)
2016	0.8	(8.8)	(9.1)	(4.27)	N/A	N/A
2017	33.2	(23.6)	(21.7)	(7.00)	N/A	N/A
2018e	107.3	(13.4)	(12.3)	(2.52)	N/A	N/A
2019e	154.0	(2.0)	(4.2)	(0.77)	N/A	N/A

Sector: Pharma & healthcare

Price:	A$0.04
Market cap:	A$120m
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	(13.3)	14.7	62.5
Relative*	(11.1)	25.9	70.2

* % 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 (155 of 226 patients recruited in randomised Phase IIb, initial PFS data expected H219) and in melanoma in combination with Keytruda (33% response rate in three dose-finding cohorts, 61% response rate from start of Keytruda monotherapy screening). 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 this year. Immutep will collaborate with Merck & Co (MSD) in a study of efti plus Keytruda in lung and head and neck cancers in Q418. A trial of efti plus Bavencio in advanced solid tumours in collaboration with Merck KGaA/Pfizer is also planned.

INDUSTRY OUTLOOK

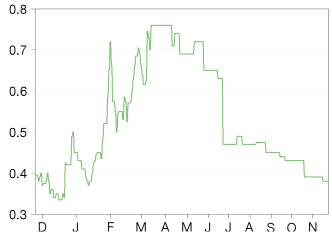
Immunotherapies are among the most promising class of products for cancer and autoimmune diseases. The LAG-3 products are potentially first-in-class, each with distinct mechanisms and applications.

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$0.38
Market cap:	A$23m
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) and a discovery-stage anti-tropomyosins program. GDC-0084 was inlicensed from Genentech, and Kazia is seeking other in-licence opportunities.

Price performance

%	1m	3m	12m
Actual	(1.3)	(19.1)	(2.6)
Relative*	1.3	(11.2)	2.0

* % 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 March; an initial Phase IIa dose-optimisation study will precede a randomised Phase IIb trial in 228 first-line glioblastoma patients (final data due 2021). 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. Kazia is collaborating with Noxopharm to support the development of NOX66.

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$0.02
Market cap:	A$57m
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	0.0	(32.0)	(77.0)
Relative*	2.6	(25.3)	(75.9)

* % 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 on schedule for completion in December 2018 as part of a feasibility study, at the same time that a pilot plant is being constructed to reduce scale-up risk and for product development purposes.

INDUSTRY OUTLOOK

Our valuation of Lepidico is substantially based on the unit operating costs of the 3.6t/hour plant and an updated estimate of capex for a 7tph plant. On this basis, we estimate future free cash flow to Lepidico of A$52.0m pa at steady-state, valuing its shares at A$0.0398 apiece after dilution (excluding 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	(1.0)	(3.7)	0.0	N/A	N/A
2020e	16.7	2.2	(4.3)	0.0	N/A	136.8

Sector: Oil & gas

Price:	A$0.45
Market cap:	A$257m
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	(21.1)	(44.4)	(5.3)
Relative*	(19.0)	(39.0)	(0.8)

* % Relative to local index

Analyst

Sanjeev Bahl

Liquefied Natural Gas Limited (LNGL)

INVESTMENT SUMMARY

Liquefied Natural Gas's (LNGL) Magnolia development is up to 30 months ahead of other US-based greenfield liquefaction plants in regulatory approvals, putting it in prime position for buyers/traders 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 tolling agreements and move towards FID in 2019, with first gas in 2023/2024. In June, 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 rise as the project is de-risked by tolling agreements and moves towards first LNG.

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)
2016	7.3	(101.1)	(100.8)	(0.2)	N/A	N/A
2017	0.6	(26.8)	(26.7)	(0.1)	N/A	N/A
2018e	0.3	(22.1)	(22.1)	0.0	N/A	N/A
2019e	0.0	(29.7)	(29.9)	(0.1)	N/A	N/A

Sector: Pharma & healthcare

Price:	A$1.33
Market cap:	A$664m
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	(27.6)	(16.6)	6.0
Relative*	(25.8)	(8.4)	11.0

* % 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 is working towards a pre-BLA meeting in the next few months. Importantly, the Phase IIb data in 159 end-stage CHF patients with an LVAD was presented at a late-breaking session at the American Heart Association (AHA). While the trial missed the primary endpoint, the company highlighted there was a significant reduction in major GI bleeding events (p=0.02), which based on prior feedback from the FDA is a clinically meaningful outcome.

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$51m
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	(27.6)	(23.6)	(54.3)
Relative*	(25.7)	(16.2)	(52.2)

* % 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. 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. It has received Therapeutic Goods Administration (TGA) authorisation for CannEpil to be prescribed as an Investigational Medicinal Product in Australia. MGC has signed a definitive agreement for the sale of its MGC Derma cannabis-based cosmetics business to Cannaglobal for up to C$15m (A$16m).

INDUSTRY OUTLOOK

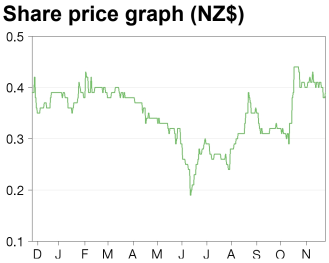
Increasing acceptance and regulatory approvals in many countries have made medicinal cannabis a fast growing industry. Cannabinoids have generated promising data in many indications and consequently are attracting considerable interest.

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)	(0.45)	N/A	N/A
2020e	8.9	(6.4)	(6.6)	(0.50)	N/A	N/A

Sector: Pharma & healthcare

Price:	NZ$0.39
Market cap:	NZ$185m
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	(9.3)	6.9	11.4
Relative*	(9.5)	13.8	7.4

* % 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 that the number of tests processed increased by 29% in FY18 and is guiding for 60% growth in FY19. 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. 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.

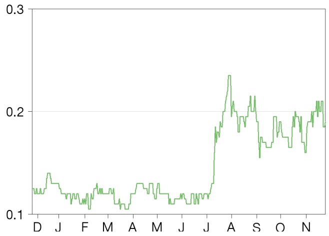
Y/E Mar	Revenue (NZ$m)	EBITDA (NZ$m)	PBT (NZ$m)	EPS (c)	P/E (x)	P/CF (x)
2017	4.4	(22.3)	(22.4)	(5.9)	N/A	N/A
2018	4.8	(19.4)	(19.5)	(4.4)	N/A	N/A
2019e	7.8	(17.9)	(17.7)	(3.7)	N/A	N/A
2020e	12.7	(14.1)	(14.2)	(2.8)	N/A	N/A

EDISON

Sector: Pharma & healthcare

Price:	A$0.19
Market cap:	A$40m
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	0.0	(11.6)	58.3
Relative*	2.6	(3.0)	65.8

* % 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 a number of indications; the first Progenza clinical development licence deal is expected in Q418. Japanese legislation offers an accelerated path to market for regenerative medicines. Progenza therapy reduced osteoarthritis knee pain in Phase I. Regeneus was granted a US patent in July covering the composition and use of Progenza and will soon be granted in Europe. Its autologous cancer vaccine RGSH4K 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

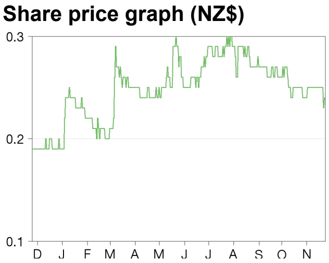
Regeneus focuses on early-stage product development, then partners. In addition to the AGC deal for Progenza in Japan, it has partnered with a global animal health company for CryoShot Canine. It will seek to identify wider applications of Progenza, beyond arthritis.

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	12.1	11.1
2018	0.6	(4.8)	(5.2)	(2.48)	N/A	N/A
2019e	7.8	2.3	2.2	1.04	18.3	17.3
2020e	1.6	(4.0)	(4.2)	(2.00)	N/A	N/A

Sector: General industrials

Price:	NZ$0.24
Market cap:	NZ$118m
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, manufacturer and commercial supplier of advanced forestry seedlings with operations in the US, Brazil and Australasia.

Price performance

%	1m	3m	12m
Actual	(4.0)	(11.1)	27.7
Relative*	(4.2)	(5.3)	23.0

* % Relative to local index

Analyst

Toby Thorrington

Rubicon (RBC)

INVESTMENT SUMMARY

The simplified corporate structure presents investors in Rubicon (RBC) with a pure-play, advanced forestry genetics business with leading positions in large international markets for its seedlings. The conversion of these positions into profitable growth through customer migration to more advanced seedlings is the likely driver of further share price outperformance in our view. Our own DCF analysis - implicitly more conservative than the company's - yields a NZ$0.74 per share valuation. At the company's ASM, management noted that it is pursuing another opportunity similar to the Taylor nursery agreement and also a new seedling supply contract in New Zealand. The company notes some storm damage at one of its US nurseries but has maintained current year guidance.

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 (being 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	N/A	N/A	N/A	N/A	N/A	19.7
2018	35.0	6.0	4.0	1.2	13.5	11.3
2019e	51.0	5.0	5.0	1.1	14.7	7.9
2020e	59.0	9.0	10.0	2.0	8.1	N/A

Sector: Pharma & healthcare

Price:	¥228.00
Market cap:	¥18069m
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	(5.0)	86.9	0.4
Relative*	(3.7)	94.8	9.6

* % Relative to local index

Analyst

Dr Dennis Hulme

SymBio Pharmaceuticals (4582)

INVESTMENT SUMMARY

SymBio is a speciality 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 22% in H1 2018, following 61% growth in 2017 (NHI price basis). SymBio has initiated a Phase III trial in Japan of Treakisym in r/r diffuse large B-cell lymphoma, and has in-licensed liquid formulations for injection that will provide Treakisym with patent protection to 2031. A Phase I trial of oral Treakisym commenced in January. SymBio has filed for approval of Treakisym as a CAR-T pre-treatment. 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)
2016	2368.0	(2101.0)	(2317.0)	(59.0)	N/A	590.1
2017	3444.0	(3917.0)	(3977.0)	(79.8)	N/A	928.3
2018e	4203.0	(3004.0)	(3030.0)	(54.2)	N/A	310.4
2019e	4325.0	(3591.0)	(3636.0)	(62.9)	N/A	753.6

Sector: Pharma & healthcare

Price:	A$0.70
Market cap:	A$101m
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	(24.3)	(14.6)	7.7
Relative*	(22.3)	(6.3)	12.8

* % 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; the acquisition of Atlab in September strengthened its position in prostate cancer. Each product has been validated by clinical studies or compassionate use, reducing development risk. The ZIRCON confirmatory Phase III for kidney cancer imaging agent TLX250-CDx is due to commence in Q418 at the completion of a bridging study, and report in H219. The IPAX-1 Phase I/II study of TLX101 therapy in GBM (brain cancer) commenced recruitment in October and is expected to read out in H219. Preparations for multiple Phase I/II studies of other agents are also underway. It is commercialising an investigational prostate cancer imaging kit in the US, including through Cardinal Health, and is developing plans for a pivotal study to allow full approval.

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. Endocyte is using Telix's prostate cancer imaging kit to screen patients for its VISION Phase III trial.

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

Sector: Mining

Price:	A$0.02
Market cap:	A$29m
Market	ASX

Share price graph (A$)

Company description

Volt Resources is a graphite development company. Its main asset is the currently 100%-owned Bunyu graphite project located in Tanzania.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	(25.9)
Relative*	2.6	9.8	(22.4)

* % Relative to local index

Analyst

Ryan Long

Volt Resources (VRC)

INVESTMENT SUMMARY

Volt's feasibility study concerning its Bunyu graphite project in Tanzania (formerly known as Namangale), contemplates a far more appropriately scaled graphite mine (24ktpa of graphite products vs 170ktpa previously) when compared to current graphite demand globally (ie c 1.2Mtpa of natural graphite according to the USGS). Small scale production is also better suited to the as yet unknown, but anticipated, high growth in demand linked to electric vehicle (EV) adoption, and the expandable graphite market (ie fire retardant materials for the construction industry).

INDUSTRY OUTLOOK

Based on data points and inputs given in our May 2018 update note, we consider that a purely illustrative value for Bunyu Phase 1 could be 7.90 cents on an FY19 basis using a 10% discount rate to reflect general equity risk. This does not assume any build out of Phase 2, or reflect the potentially accretive value project expansion would bring.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2017	0.0	(3.3)	(3.3)	(0.3)	N/A	N/A
2018	0.0	(3.5)	(3.6)	(0.2)	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

NXT company spotlights

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NXT Company Spotlight

Marlborough Wine Estates

FY19 KOMs and FY18 preliminary results

Marlborough Wine Estates Group (MWE) is developing its brands and seeking to expand into international markets. The international wine market is strong and New Zealand (NZ) product has a reputation for quality. In the face of slowdown in the Chinese market, MWE continues to explore US, Japanese, Australian, UK and other markets. In this context, early inroads into the US and Japan are encouraging. In new KOMs, MWE is raising its targets for international and domestic wine sales.

FY18 preliminary results

MWE reported a reduced loss after tax of NZ$1.7m for FY18, against NZ$4.4m in FY17. As adjusted, the net loss was NZ$0.3m against NZ$0.7m in FY17. Sales of NZ$4.0m grew 4%, although that masked a 49% decrease in bottled wine sales largely compensated for by increases in bulk wine and bulk grape sales. As restated, gross margin was up 140bp year-on-year at 38.7%, and operating costs were down 4% driven by a reduction in wages and salaries. Net debt (including finance leases) decreased marginally from NZ$5.7m to NZ$5.6m year-on-year.

Sales and market developments

MWE has made good progress in developing products, launching a Pinot Noir and Pinot Gris. With investment in irrigation complete, it is developing new blocks and planting new varietals. US market development is continuing to grow with bulk shipments of 10 containers of the 2017 vintage. Prospects for growth in exports to Japan are bright after a significant wine award, while MWE also shipped first orders to significant markets in the UK and Australia and to Taiwan and Finland.

New key operating milestones

MWE has set new FY19 key operating milestones (KOMs) with a slight increase in gross harvest to 1,800 tonnes, but an 8% fall in bulk grape sales to 1,200 tonnes, as it strategically allocates more grapes to its own production. Correspondingly, it targets a 15% increase in its international bottled wine sales to NZ$1.5m, and a 79% increase in NZ bottled wine sales to NZ$610,000.

Valuation: Sales multiple reflects market ambition

MWE trades on a 19.0x FY18 EV/revenue multiple. This is substantially higher than the 2.5x average FY18e EV/revenue peer multiple, although its peers are larger and more established entities, whereas MWE is aiming to generate higher sales and profits from increased production and new target markets.

Historical performance

Year end	Revenue (NZ$000s)	NPAT (NZ$000s)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
06/15*	1,840	590	0.2	0.0	N/A	N/A
06/16**	7,424	(481)	(0.2)	0.0	N/A	N/A
06/17	3,822	(717)	(0.2)	0.0	N/A	N/A
06/18	3,985	(316)	(0.1)	0.0	N/A	N/A

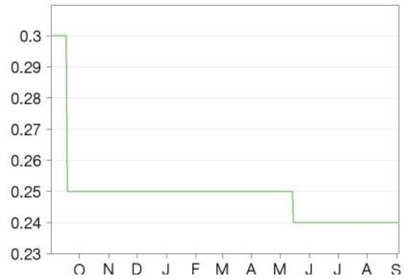
Source: MWE. Note:*March to June 2015; FY15 NPAT includes fair value adjustment of +NZ$1.1m.** FY16 NPAT excludes capital raising costs. FY17 and FY18 are normalised

Food & beverages

5 September 2018

Price	NZ$0.24
Market cap	NZ$70m

Share price performance



Share details

Code	MWE
Listing	NXT
Shares in issue	290.9m

Business description

Marlborough Wine Estates Group owns and operates six vineyard blocks located in the Awatere Valley in the Marlborough wine district of the South Island of New Zealand (NZ). It sells bottled and bulk wine to NZ and international markets, as well as bulk grapes to wine producers in NZ.

Bull

- Potential for developing international markets building on the Marlborough region's global reputation for quality.
- Option to improve earnings by converting more of the grape harvest into bottled wine for local and export sales.
- Improvements in vineyard management, particularly in securing water supply, could improve grape yields.

Bear

- Maintenance of premium pricing is dependent on the quality of the product.
- Increased competition and regulatory barriers in Chinese markets.
- Development of international markets is still at an early stage.

Analysts

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Marlborough Wine Estates coverage is provided through the NXT Research Scheme

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NXT Company Spotlight

QEX Logistics

General industrials

5 September 2018

Continued business acceleration

QEX's revised sales turnover target indicates a robust business uptake and confirms the strong start in Q119 (despite weaker sales in Australia), with sales at NZ$15.4m (up 35% vs Q418) driven by dairy products and NZ's international postage revenue. Importantly, management highlighted that the solid trend continued over the past two months. QEX's ability to secure funding through its listing in February coupled with the recent NZ$2.5m placement, supports the company's solid growth prospects.

New FY19 sales target implies 90% y-o-y growth

QEX has made an upward revision of its FY19 sales turnover KOM target to NZ$60m, which is now 46% higher than the prior figure of NZ$41m (already revised from NZ$28m in May this year). FY19 growth should be mostly driven by the New Zealand operations, as sales in Australia are limited by the strong pricing response of competitors (Q119 sales down to NZ$0.4m from NZ$2.0m in Q418).

Other KOM targets remain unchanged

The remaining top-line targets were so far kept in line with prior levels, with monthly volume of dairy products exported still expected at 182 tonnes (vs 241 in Q119) and the number of cleared parcels at 80,800 per month (Q119: 76,516 due to a reduction in logistics sales in Australia). Moreover, gross margin target was also reaffirmed at 14% (despite Q119 number at 12.3%), as QEX expects margin pressures to ease in Q219 thanks to a seasonal reduction in milk powder supply.

NZ$2.5m placement successfully completed

QEX recently raised NZ$2.5m through a placement of 2.2m shares (ie 4.14% of post-issue share count) at a price of NZ$1.15 per share. According to the company, the placement was heavily oversubscribed and supported by a number of wholesale and retail investors. Management highlights that becoming a listed company in February also allowed QEX to increase its banking facilities.

Valuation: Peer comparison

QEX is priced at (end-March 2018) EV/EBITDA and P/E at 30.2x and 51.6x, respectively, with logistics companies trading on c 10.0x EV/EBITDA and 19.4x P/E on a trailing 12-months basis. However, QEX's ratio may decline further if the company meets its KOM targets for FY19.

Company financials

Year end	Sales turnover (NZ$m)	PBT (NZ$m)	Cash (NZ$m)	Cash from operations (NZ$m)
03/16	18.1	0.6	0.3	0.9
03/17	22.2	2.6	0.1	0.4
03/18	31.5	1.8	1.8	(3.2)
03/19e*	60.0	N/A	N/A	N/A

Source: QEX accounts. Note: *QEX's KOM target.

Price	NZ$1.17
Market cap	NZ$61m

Share price graph

Share details

Code	QEX
Listing	NXT
Shares in issue	52.5m
Last reported net debt at 31 March 2018	NZ$0.6m

Business description

QEX is a logistics company that facilitates direct trade between New Zealand/Australia and China, aiming to be a one-stop shop for Australasian entities looking to export products to China.

Bull

- Fast growth into a large market.
- Strong board.
- Diversified relationships.

Bear

- Acquisitions made could be dilutive.
- Rapid growth may present management with problems.
- Majority of revenues dependent on daigou market.

Analyst

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QEX Logistics coverage is provided through the NXT Research Scheme

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NXT Company Spotlight

Snakk Media

Broadening out the offering

The benefits of the restructuring initiated in FY17 and continuing through FY18, should be more apparent in FY19 as the business runs for a full year on a lower underlying cost base. The upheaval in mobile advertising markets presents opportunities as well as threats and Snakk is diversifying its offering beyond geolocation in-app advertising to include a broader range of digital and data products. The group is placing shares at NZ$0.0425, raising $144k to ease its tight working capital position.

Strengthened team

Changes to the operational management team have been made to bring in a new chief commercial officer, whose priorities include expanding the product range within digital media, as well as growing the customer base beyond the core advertising agency clients. The strengthened team is focused on driving product development and ad operations, on tightened financial disciplines, as well as on growing the top line. There remain challenges within the market environment and revenues in H119 for managed services have been below earlier management expectations.

Cash injection

At the end of March 2018, Snakk had a cash position of NZ$1.1m, but the funding of working capital has placed significant restraints on the operation of the business over recent months. Management has been reviewing its capital strategy and at the AGM indicated its intention to raise funds through placing up to 20% of the issued share capital, with two directors participating. Just less than 8% of the issued share capital is being issued for $55k to Yee Industries (with Mr M. Yee to join the board), with the two directors providing $55k and $34k respectively, initially via convertible loans until shareholder approval is obtained.

Valuation: Below last published cash

Having reached NZ$0.10 in June 2018, Snakk's share price has fallen away to the current lows over the summer and autumn. The group had NZ$1.1m of cash at end March, but this figure is outdated so, at this stage, it is not possible to determine the group's EV. Given the scale of the group, comparisons to global peers are of limited use but, for context, these currently trade at median multiples of 0.5x EV/sales and 4.3x EV/EBITDA, having fallen sharply in value over the same period.

Historical financials

Year end	Revenue (NZ$m)	Gross profit (NZ$m)	PBT (NZ$m)	EPS (c)	EV/gross profit (x)	EV/Sales (x)
03/15	9.2	3.9	(4.0)	(25.6)	N/A	N/A
03/16	10.5	6.6	(0.9)	(6.6)	N/A	N/A
03/17	10.6	6.3	(3.2)	(20.2)	N/A	N/A
03/18	10.3	6.0	(0.3)	(1.6)	N/A	N/A

Source: Company accounts

Media

5 November 2018

Price	**NZ$0.035**
Market cap	**NZ$0.6m**

Share price graph

Share details

Code	SNK
Listing	NXT
Shares in issue	16.3m
Cash (NZ$m) at 31 March 2018	1.1

Business description

Mobile advertising technology company Snakk Media specialises in engaging consumers. It works to identify and target mobile audiences, whether directly by advertising to mobile devices or indirectly using the mobile consumer data through other channels.

Bull

- Broadening range of products and services.
- Strengthened board.
- Cash injection.

Bear

- Slower growth of than anticipated.
- Highly competitive sector.
- Comparatively small scale.

Analysts

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Snakk Media coverage is provided through the NXT Research Scheme

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Other Edison clients

BCI Minerals

Mining

BCI is an Australian-based resources company that is creating value from its attractive portfolio of mineral interests through discovery, de-risking and transactions. BCI's portfolio currently includes interests in iron ore, salt, potash and gold projects. Iron Valley is an operating iron ore mine located in the Central Pilbara region of Western Australia, which is operated by Mineral Resources. Iron Valley is generating quarterly royalty earnings for BCI (A$18.3M EBITDA in FY17).

Market cap* **A$54m**

*As at 28 November 2018

Share details	
Code	BCI
Exchange	ASX

Information from https://www.commsec.com.au/

Covata

Software

Covata's SafeShare software enables users to share data securely within their businesses as well as with external parties. The software uses identity, policy and key management to protect data wherever it goes. The company is headquartered in Australia and has 25 employees.

Market cap* **A$16m**

*As at 28 November 2018

Share details	
Code	CVT
Exchange	ASX

Information from http://www.edisoninvestmentresearch.com/research/report/covata84816/full/

CSL

Pharma & biotech

CSL is a global specialty biotherapeutics 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.

Market cap* **A$81bn**

*As at 28 November 2018

Share details	
Code	CSL
Exchange	ASX

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

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* **A$2,337m**

*As at 28 November 2018

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$83m**

*As at 28 November 2018

Share details	
Code	IMU
Exchange	ASX

MOD Resources

MOD Resources Ltd (ASX: MOD) is an Australian-listed exploration and development company with a goal of becoming a substantial copper producer. After discovering copper in the first drill hole in March 2016, MOD is less than 5 months away from completion of a feasibility study for its 100% owned 60Mt T3 Pit Project in the Kalahari Copper Belt, Botswana.

Information from www.modresources.com.au

Resources

Market cap* **A$88m**

*As at 28 November 2018

Share details	
Code	MOD
Exchange	ASX

MGC Pharmaceuticals

Pharma

MGC Pharmaceuticals (MXC, formerly Erin Resources) is a medical and cosmetic cannabis company with global operations to supply the legalized markets with cannabis products. The current activities of the company include development of non-psychoactive cannabidol (CBD) cosmetic products.

Information from https://www.commsec.com.au/

Market cap*	A$50m

*As at 28 November 2018

Share details	
Code	MXC
Exchange	ASX

New Energy Minerals

Mining

New Energy Minerals are a Mozambique-focused emerging mining company (ASX: MUS). We are currently fast-tracking the development of our two highly prospective projects: the Montepuez Ruby Project and the Caula Graphite and Vanadium Project. The two projects are located next to each other, in the Cabo Delgado Province of Northern Mozambique.

Information from https://www.commsec.com.au/

Market cap*	A$7m

*As at 28 November 2018

Share details	
Code	NXE
Exchange	ASX

Race Oncology

Pharma & biotech

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/

Market cap*	A$8m

*As at 28 November 2018

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.

Consumer

Market cap*	A$234m
	*As at 28 November 2018

Share details	
Code	RBL
Exchange	ASX

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

Rubicon

Rubicon is a New Zealand-based company listed on the main board of the New Zealand Stock Exchange (NZX: RBC). Rubicon's advanced Arborgen technology is revolutionizing productivity in global plantation forestry, by applying advanced technology to critical tree traits to create new products that deliver 'step-changes' in tree-performance.

Forestry

Market cap*	NZ$120m
	*As at 28 November 2018

Share details	
Code	RBC
Exchange	NZX

Information from http://www.rubicon-nz.com/

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$559m
	*As at 28 November 2018

Share details	
Code	SXY
Exchange	ASX

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

Telix Pharmaceuticals

Telix Pharmaceuticals (TLX) is a clinical-stage biotechnology company dedicated to the development and commercialization of molecularly-targeted radiation (MTR) therapy. The company's products seek to address major clinical unmet needs in the management of prostate, renal (kidney) and glioblastoma (brain) cancer.

Information from https://www.commsec.com.au/

Pharmaceuticals

Market cap* **A$146m**

*As at 28 November 2018

Share details	
Code	TLX
Exchange	ASX

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