

20-August-2018

Morningnote

Contents

Overseas Market Report	1
Australian Market Report	3
Market Sensitive Announcements	6
Research Report Summaries	8

Flashnotes

Gateway Lifestyle Group (GTY) -Gateway Lifestyle Group Provides Supplementary Bidder's Statement

Goodman Group (GMG) -Goodman Group Provides 30 June 2018 Full Year Results

Goodman Group (GMG) -Goodman Group Provides Full Year Results Presentation

Abacus Property Group (ABP) -Abacus Property Group Provides FY 2018 Results

Vita Group Limited (VTG) -Vita Group Provides Preliminary Final Report for The Year Ended 30 June 2018

Evolution Mining Limited (EVN) -Evolution Mining Provides FY 2018 Financial Results and Final Dividend

Kogan.com Ltd (KGN) -Kogan.com Doubles Earnings for Third Year in a Row

Dawine Ltd (DW8) -Dawine Trading Halted, Pending Company Announcement

Mystate Limited (MYS) -Mystate Provides FY 2018 Full Year Results

Mystate Limited (MYS) -Mystate Provides FY 2018 Full Year Results Investor Presentation

Overseas Market Report

Foreign Equities	Latest Price	Time/Date (AEST)	Change	% Change
▲ Dow Jones (US)	25669	7:04am 18/08/2018	111	0.43
▲ S&P 500	2850	7:04am 18/08/2018	9	0.33
▲ NASDAQ	7816	7:31am 18/08/2018	10	0.13
▲ FTSE 100 Index	7559	1:50am 18/08/2018	2	0.03
▼ DAX 30	12211	2:00am 18/08/2018	-27	-0.22
▼ CAC 40	5345	2:15am 18/08/2018	-4	-0.08
▲ Nikkei 225 (Japan)	22270	4:20pm 17/08/2018	78	0.35
▲ HKSE	27213	6:23pm 17/08/2018	113	0.42
▼ SSE Composite Index	2669	5:16pm 17/08/2018	-36	-1.34
▲ NZ 50	9053	3:21pm 17/08/2018	54	0.60

International Markets Roundup

NEW YORK [Morningstar with AAP]: US stocks have closed higher with the S&P 500 and the Dow Jones Industrial Average extending gains and the Nasdaq turning positive on reports of progress in tariff disputes between the United States and its trading partners China and Mexico.

Chinese and US negotiators are planning talks to resolve their trade row ahead of meetings in November, the Wall Street Journal reported on Friday.

Additionally, Mexico's Economy Minister Ildefonso Guajardo said he hoped to wrap up outstanding bilateral issues on the North American Free Trade Agreement by the middle of next week.

"The threat of a trade war threatens economic activity," said Stephen Massocca, senior vice president at Wedbush Securities in San Francisco. "The fact that the administration might resolve (trade disputes) sooner rather than later, without a sustained time frame of slower economic activity due to tariffs, that bodes well for the market."

Trade-vulnerable industrial stocks led advances by the S&P 500 and the Dow, with the S&P 500 industrial sector gaining 0.6 per cent. The sector was led higher by a 2.3 per cent rise in Caterpillar shares.

For the week, the S&P and the Dow posted weekly gains, but the Nasdaq showed a loss for the same period.

Following bleak forecasts, shares of Nvidia Corp and Applied Materials fell 4.9 per cent and 7.7 per cent, respectively, pushing the Philadelphia SE Semiconductor index 0.7 per cent lower.

Among the so-called FAANG group of momentum stocks, all but Apple Inc fell. The smartphone maker gained 2.0 per cent to an all-time closing high.

Netflix posted its sixth consecutive loss. In addition to Apple and Netflix, the FAANG group includes Facebook, Amazon.com and Google parent Alphabet.

Ausdrill Limited (ASL) -Ausdrill Announces Regarding Successful Completion of Institutional Entitlement Offer

Shares of Tesla dropped 8.9 per cent, their worst day in over two years after chief executive Elon Musk's interview with the New York Times and a UBS note saying the company could lose \$US6,000 (\$A8,201) on every base Model 3 sedan due to powertrain costs.

Hansen Technologies Limited (HSN) -Hansen Technologies Provides FY 2018 Results

The Dow Jones Industrial Average rose 110.59 points, or 0.43 per cent, to 25,669.32, the S&P 500 gained 9.44 points, or 0.33 per cent, to 2,850.13 and the Nasdaq Composite added 9.81 points, or 0.13 per cent, to 7,816.33.

High Grade Metals Limited (HGM) -High Grade Metals Trading Halted, Pending Company Announcement

Second-quarter earnings season is approaching the finish line. Of the 467 companies in the S&P 500 that have reported, 79.2 per cent have beaten consensus estimates, according to Thomson Reuters I/B/E/S.

All 11 major sectors in the S&P 500 were in positive territory.

Hansen Technologies Limited (HSN) -Hansen Technologies Provides FY2018 Results Presentation

Bucking the otherwise downbeat department store earnings trend, shares of Nordstrom jumped 13.2 per cent after posting better-than-expected same-store sales and raising its profit forecast.

Deere & Co's shares rose 2.4 per cent after quarterly results missed analysts' estimates due to higher raw materials and freight costs.

Advancing issues outnumbered declining ones on the NYSE by a 2.45-to-1 ratio; on Nasdaq, a 1.41-to-1 ratio favoured advancers.

The S&P 500 posted 38 new 52-week highs and 3 new lows; the Nasdaq Composite recorded 83 new highs and 69 new lows.

Volume on US exchanges was 6.06 billion shares, compared with the 6.53 billion average over the last 20 trading days.

Commodities	Latest Price	Time/Date (AEST)	Change	% Change
▼ Aluminium	2004	8:30am 18/08/2018	-18	-0.89
▼ Copper	5890	8:31am 18/08/2018	-11	-0.19
▲ Nickel	13390	8:31am 18/08/2018	160	1.21
▲ Gold	1183	8:14am 20/08/2018	3	0.29
▲ Silver	14.8	8:14am 20/08/2018	0.0	0.07
▼ Oil - West Texas crude	65.2	8:15am 20/08/2018	-0.2	-0.38
▼ Lead	1963	8:32am 18/08/2018	-51	-2.56
▲ Zinc	2391	8:32am 18/08/2018	7	0.27
▲ Ore	68	7:10am 18/08/2018	0	0.59

Currency	Latest Price	Time/Date (AEST)	Change	% Change
▼ \$A vs \$US	0.7311	8:14am 20/08/2018	-0.0004	-0.05
▼ \$A vs GBP	0.5737	8:14am 20/08/2018	-0.0002	-0.03
▼ \$A vs YEN	80.80	8:14am 20/08/2018	-0.01	-0.02
▲ \$A vs EUR	0.6393	8:14am 20/08/2018	0.0004	0.07
▲ \$A vs \$NZ	1.1024	8:14am 20/08/2018	0.0007	0.06
▲ \$US vs Euro	0.8743	8:14am 20/08/2018	0.0010	0.11
▲ \$US vs UK	0.7845	8:14am 20/08/2018	0.0007	0.09
\$US vs CHF	0.9952	8:14am 20/08/2018	--	--
▼ \$A vs \$CA	0.9542	8:14am 20/08/2018	-0.0023	-0.24

Australian Market Report

Australian Equities	Latest Price	Time/Date (AEST)	Change	% Change
▲ All Ordinaries	6426	4:30pm 17/08/2018	14	0.21
▲ S&P/ASX 200	6339	4:30pm 17/08/2018	11	0.17
▲ 10-year Bond Rate	2.55	7:09am 18/08/2018	--	0.20
90 Day Bank Accepted Bills SFE-Day	1.98	12:18am 18/08/2018	--	--
▲ 3-yr Bond Rate	2.04	7:09am 18/08/2018	0.01	0.74

Local Markets Are Expected to Open Higher

Ahead of the local open SPI futures were 28 points Higher at 6,327.

Friday 17 August - close [Morningstar with AAP]: Australian shares have closed higher, and the benchmark index has established a fresh 10-year high as an easing in US-China trade worries underpinned a week of solid company results.

The benchmark S&P/ASX200 ended Friday up 10.9 points, or 0.17 per cent, at 6,339.2 points while the All Ordinaries was up 13.6 points, or 0.21 per cent, at 6,426.2 points.

The benchmark recorded a weekly gain of about one per cent - its biggest since the first week of July and a new post-GFC high.

A firmer finish on Wall Street overnight set the local market up for a positive day, with banks leading the gains and strong earnings results from data administrator Link Group and property group Goodman also contributing.

US stocks rebounded on Thursday with the Dow posting its biggest percentage gain in over four months.

IG markets analyst Kyle Rodda said the Wall St lead had encouraged investors.

"I think that gave punters a bit of an opportunity to jump into markets without a sentiment play," he said.

"We've done remarkably well throughout the week to be able to clock up new 10-year highs, the earnings were really solid."

Mr Rodda said the current reporting season was delivering solid results and the market could push to 6,350 if the quality is sustained.

"I wouldn't want to put the mozz on the ASX here but we've had practically everything you could imagine in terms of bad news thrown at us - typical financial crises in emerging markets, trade wars, all sorts of different problems emerging - but despite that, the market has held up really strong," he said.

"The fundamentals are really respectable".

Mirroring strength in their US peers, Australian banks led gains on Friday, with the financial index rising 0.3 per cent to its highest since March 13.

ANZ rose 0.7 per cent to \$30.28, its highest since November 2017, while National Australia Bank strengthened 0.2 per cent to \$28.85, CBA lifted 0.2 per cent to \$74.29 and Westpac added 0.5 per cent to close at \$30.33.

Goodman Group surged 5.3 per cent to a near 10-year high of \$10.58 after posting a 41 per cent jump full-year

profit.

Financial data admin giant Link Group climbed 6.3 per cent to \$8.07, its highest since May 8, after reporting an 68 per cent jump in full-year net profit courtesy of a new acquisition and business growth.

On the opposite end, weakness in Origin Energy and health care stocks kept the benchmark's gains in check.

Origin extended losses after underlying earnings of its energy markets business fell short of expectations on Thursday, falling 2.2 per cent to a more than four-month low of \$8.89 on Friday.

Health care stocks were in red, with CSL dipping 0.4 per cent in profit-taking, while Sonic Healthcare dropped 2.6 per cent.

The Australian dollar was at 72.7 US cents at 1630 AEST, up from 72.69 US cents on Thursday as the US greenback stepped back from recent highs as upcoming talks between the US and China offered hope of an easing in trade tensions.

ON THE ASX:

The benchmark S&P/ASX200 closed up 10.9 points, or 0.17 per cent, at 6,339.2 points

The All Ordinaries was up 13.6 points, or 0.21 per cent, at 6,426.2 points.

Companies Commencing Ex-Dividend Trading Today (ASX 300):

- ▶ Domain Holdings Australia Limited
- ▶ Companies commencing Ex-Dividend Trading Today (ASX 300):
- ▶ Domino's Pizza Enterprises Limited
- ▶ IOOF Holdings Limited
- ▶ Wesfarmers Limited

Companies Reporting Today (ASX 300):

ASX Code	Company Name	Report
BXB*	Brambles Limited	Annual
CDD*	Cardno Limited	Annual
FMG*	Fortescue Metals Group Ltd	Annual
GOZ*	Growthpoint Properties Australia	Annual
NHF*	NIB Holdings Limited	Annual
APO*	APN Outdoor Group Limited	Interim
GEM*	G8 Education Limited	Interim
BPT*	Beach Energy Limited	Prelim
BXB*	Brambles Limited	Prelim
CDD*	Cardno Limited	Prelim
FMG*	Fortescue Metals Group Ltd	Prelim
GDI*	GDI Property Group	Prelim
IMD*	Imdex Limited	Prelim
MVF*	Monash IVF Group Limited	Prelim
NHF*	NIB Holdings Limited	Prelim
NHF	NIB Holdings Limited	Annual
APO	APN Outdoor Group Limited	Interim
ANN	Ansell Limited	Prelim
BPT	Beach Energy Limited	Prelim
FMG	Fortescue Metals Group Ltd	Prelim
GXL	Greencross Limited	Prelim
NHF	NIB Holdings Limited	Prelim
PRY	Primary Health Care Limited	Prelim
WOW	Woolworths Group Limited	Prelim

* Estimated based on release date of previous report

Market Sensitive Announcements

08:24 AM

Gateway Lifestyle Group (GTY) -Gateway Lifestyle Group Provides Supplementary Bidder's Statement

Gateway Lifestyle Group provided Supplementary Bidder's Statement. The Company noted that Hometown refers to its off-market cash takeover offer of \$2.25 per stapled security for all the stapled securities of the Company announced on 2 July 2018. Hometown's Offer will close by on 10 September 2018 (unless extended in accordance with the Corporations Act). As at 15 August 2018, Hometown had a relevant interest in 55,294,432 Company's Stapled Securities and its voting power in the Company was 18.21%.

08:31 AM

Goodman Group (GMG) -Goodman Group Provides 30 June 2018 Full Year Results

Goodman Group provided 30 June 2018 full year results. The Group's forecast operating profit for FY 2019 is \$913m with operating EPS of 50.0c, up 7% on FY 2018. The portfolio performance continued to be the key driver of the operational result with property fundamentals steadily improving in FY 2018. By having the right properties in the right locations to meet its customer's needs, it has achieved like-for-like net property income (NPI) growth of 3.2% and 98% occupancy across the portfolio, contributing to an increase in global valuations of \$2.8bn.

08:34 AM

Goodman Group (GMG) -Goodman Group Provides Full Year Results Presentation

Goodman Group provided full year results presentation. The Total assets under management is \$38.3bn, with external assets under management increasing to \$35.1bn, up 15% on 30 June 2017, despite transacting over \$4.0bn of asset sales during the year 2018. The Average Partnership gearing declined to 19.2%. The \$12.1bn available in undrawn debt, equity and cash, due to new commitments and asset sale proceeds.

08:37 AM

Abacus Property Group (ABP) -Abacus Property Group Provides FY 2018 Results

Abacus Property Group provided FY 2018 results. The Company's balance sheet remains conservatively gearing at 23.3%. The Post balance date transactions have further reduced gearing to c.18% increasing the Group's available liquidity and providing over \$600m of capacity for acquisition or organic growth opportunities. The Group's capital allocation strategy will continue to target assets with much longer dated core plus developing to core strategies to ensure more sustainably growing revenue levels in the medium to long term.

08:42 AM

Vita Group Limited (VTG) -Vita Group Provides Preliminary Final Report for The Year Ended 30 June 2018

Vita Group provided preliminary final report for the year ended 30 June 2018. A fully franked final dividend for 2018 has been declared at 4.4 cps (2017: 7.4c). The Company paid a fully franked interim dividend of 4.7 cps (2017: 9.2c) on 13 April 2018. The Record date for determining entitlements to the final dividend is 14 September 2018. The dividend will be paid on 28 September 2018. The Net tangible assets per ordinary share is 1.68 cps and for 2017 is 2.76 cps.

08:45 AM

Evolution Mining Limited (EVN) -Evolution Mining Provides FY 2018 Financial Results and Final Dividend

Evolution Mining provided FY 2018 financial results and final dividend. It recorded a statutory NPAT of A\$263.4m for the year, an increase of 21% on the prior year 2017. Underlying profit after tax increased by 21% to a record A\$250.8m. The Group's ongoing focus on productivity improvements and cost efficiencies delivered another year of outstanding results. Total gold production of 801,187oz was at the upper end of original guidance for the year of 750,000oz - 805,000oz. The Board has declared a fully franked final dividend for the FY 2018 financial year of 4 cps. Its shares will trade excluding entitlement to the dividend on 28 August 2018, with the record date being 29 August 2018 and payment date of 28 September 2018.

08:52 AM

Kogan.com Ltd (KGN) -Kogan.com Doubles Earnings for Third Year in a Row

Kogan.com announced financial results for the full year ended 30 June 2018 (FY 2018). The Company reported Gross Transaction Value of \$492.6m, up 47.3% on prior year (FY 2017: \$334.5m), and Revenue of \$412.3m, up 42.4% on prior year (FY 2017: \$289.5m). The EBITDA was \$26.0m, up 108.0% on prior year (FY 2017 Pro Forma equivalent basis: \$12.5m), driven by growth in Product Divisions, Kogan Mobile and investments in marketing and inventory.

08:58 AM

Dawine Ltd (DW8) -Dawine Trading Halted, Pending Company Announcement

The securities of Dawine will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 21 August 2018 or when the announcement is released to the market.

09:09 AM

Mystate Limited (MYS) -Mystate Provides FY 2018 Full Year Results

Mystate provided FY 2018 full year results. The Board declared a final dividend of 14.5 cps, fully franked, consistent with the previous year and payable on 25 September 2018 to shareholders on the register at the record date of 24 August 2018, with a 1.5% discount for shares issued under the DRP. This results in total dividends of 28.75 cps for FY 2018, an increase of 0.25 cps over the prior year 2017. Wealth division performance improved with NPAT increasing to \$4.6m in FY 2018 from \$3.8m in the previous year 2018.

09:12 AM

Mystate Limited (MYS) -Mystate Provides FY 2018 Full Year Results Investor Presentation

Mystate provided FY 2018 full year results investor presentation. It Continued focus on re-shaping the cost base to enable investment in customer acquisition, marketing and digital capability. The Depreciation and amortisation increased on pcp as higher levels of investment in technology began to be amortised. The Operating costs declined -1.5% below pcp. The Investment planned to grow wealth business.

09:22 AM

Ausdrill Limited (ASL) -Ausdrill Announces Regarding Successful Completion of Institutional Entitlement Offer

Ausdrill announced the successful completion of the institutional component of its fully underwritten 1 for 2.13 pro rata accelerated non-renounceable entitlement offer, announced on 15 August 2018 (Entitlement Offer or Offer). The accelerated institutional component of the Entitlement Offer (Institutional Entitlement Offer) raised \$175m at the offer price of \$1.47 per new FPO share in the Company (New Shares). The Institutional Entitlement Offer had support from its existing eligible institutional shareholders who took up 93% of the New Shares available as part of the Institutional Entitlement Offer.

09:38 AM

Hansen Technologies Limited (HSN) -Hansen Technologies Provides FY 2018 Results

Hansen Technologies announced its results for the year ended 30 June 2018. The effective tax rate for the year was 22.0%, compared to 27.2% in FY 2017. Factors giving rise to the lower tax rate in FY 2018 include the reduction in the US federal corporate tax rate from 35% to a transitional rate of 28% for FY 2018, which will further reduce to 21% in FY 2019 and the corporate tax rates of 24% in Norway and 20% in Finland applicable to Enoro's profits. Nordic-based Enoro was acquired effective 1 July 2017 for an enterprise value of \$94.7m. The business is the provider of customer information systems and data management systems for the Nordic energy market and has an expanding footprint in the broader European market.

09:40 AM

High Grade Metals Limited (HGM) -High Grade Metals Trading Halted, Pending Company Announcement

The securities of High Grade Metals will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 21 August 2018 or when the announcement is released to the market.

09:45 AM

Hansen Technologies Limited (HSN) -Hansen Technologies Provides FY2018 Results Presentation

Hansen Technologies provided FY2018 results presentation. The FY 2018 EBITDA margin for the Group excluding Enoro was 28.9%, compared to 26.4% in FY 2017. The FY 2018 EBITDA margin for Enoro was in-line with guidance at 16.0%, which diluted the overall FY 2018 EBITDA margin to 25.7%. The effective tax rate is anticipated to be 24%, dependent on the profit mix by jurisdiction. The Underlying recurring revenue is anticipated to be higher.

Research Report Summaries**Morningstar Rating**

★★★

Share Price

0.210

Acrux Limited (ACR) - All Eyes on Licensing Partners and Shape of the Deal; Maintaining FVE for Acrux

Analyst Note-No-moat Acrux reported full-year results in line with expectations both at the top and bottom lines marking the end of a difficult 12 months. Reported full-year loss of AUD 9 million, excluding impairments, on group revenue of AUD 2.7 million compared with our forecast loss of AUD 9 million on group revenue of AUD 2.6 million. Nonetheless, Acrux ended fiscal 2018 on a high note with AUD 28.5 million in cash on hand and 13 products in the generic pipeline. Given the recent announcement of its Abbreviated New Drug Application dossier submission for review by the U.S. Food and Drug Administration for its generic version of antifungal topical solution, branded Jublia, there was little in the result that would alter our medium-term view of the company.

As such, our fair value estimate remains unchanged at AUD 0.23 per share. This reflects current royalty streams from existing out-licensed products, as well as our assessment of the generic Jublia opportunity based on the branded drug's annual U.S. sales of around USD 280 million as at March 2018 and our probability-weighted assessment of the two more generic product candidates being filed in fiscal 2019. We have applied a 75% probability of success to these potential products and assumed target markets similar to that of Jublia in terms of competitive dynamics and formulation complexity. At current levels, we consider Acrux to be trading roughly in line with fair value.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat \$m	27,365.94	-9,286.33	-8,434.23	-4,453.15
EPS c	16.43	-5.58	-5.06	-2.67
P/E x	2.26	-3.29	-4.15	-7.87
EPS Growth %	110.82	-133.93	-9.18	-47.20
DPS c	0.00	0.00	0.00	0.00
Yield %	0.00	0.00	0.00	0.00
Franking %	100.0	100.0	100.0	100.0

Morningstar Rating

★★

Share Price

7.700

Downer EDI Limited (DOW) - Downer's Fiscal 2018 Short of our Target, but Not to Detriment of Longer Term. No Change to FVE.

Analyst Note-We make no change to our AUD 5.40 fair value estimate for no-moat Downer. Underlying fiscal 2018 NPAT of AUD 250 million came in 9% below our AUD 274 million forecast, but without implication for long-term assumptions. Net operating cash flow increased by 32% to AUD 583 million, boosted by the Spotless Group acquisition. But this too was also below our AUD 655 million expectations. The full-year dividend of AUD 0.27 missed our AUD 0.31 target, a 61% payout, but was calculated over the lower-than-anticipated earnings. Downer shares have strengthened 20% from April AUD 6.30 lows, and at AUD 7.50, trade at a substantial premium to our fair value estimate. We continue to think the market credits unrealistic earnings growth, including from high-profile government infrastructure spending. We think disappointment at translation of work-in-hand, or WIH, to cash flows could be a key catalyst for share price to retreat to fair value.

WIH increased by 7.5% to AUD 42 billion in fiscal 2018, the gains substantially in mining and in transport services. But Downer is burning through more than AUD 1.0 billion per month in revenue that must be replaced just to stand still. We have previously expressed concern that work levels weren't supporting the high market expectations. While we recognise there will be volatility in work levels over short time frames and more large contracts will come through, particularly in the public infrastructure arena, these are necessary to replace income in addition to growing it. Current WIH per share levels of AUD 70 are considerably higher than circa AUD 50 fiscal 2010 peaks, but AUD 12.0 billion fiscal 2018 revenue is more than double AUD 5.8 billion fiscal 2010 levels. And many of the newer rail and maintenance contracts are considerably longer-dated than mining and EC&M contracts traditionally dominating; less revenue per year but accruing over a longer period.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat \$m	181.50	249.70	294.00	338.54
EPS c	36.95	41.99	49.44	56.93
P/E x	15.01	16.11	15.19	13.19
EPS Growth %	-6.36	13.63	17.74	15.15
DPS c	24.00	27.00	29.66	34.16
Yield %	4.33	3.99	3.95	4.55
Franking %	100.0	100.0	100.0	100.0

Morningstar Rating

★★★

Share Price

8.070

Link Administration Holdings Limited (LNK) - Link's Cost-Out and CAS Integration Progressing Better Than Expected; FVE Increased to AUD 8.50

Analyst Note-Narrow-moat-rated Link's fiscal 2018 result was its first to include earnings from Capita Asset Services, or CAS, which was acquired for AUD 1.5 billion in November 2017 and has since been renamed Link Asset Services, or LAS. The 54% increase in revenue was mainly due to the eight-month contribution from LAS and was in line with our forecasts. Without LAS, revenue rose by just 2%, also in line with our forecast and affected by various factors such as client losses and the repricing of the Superpartners contract. However, the 57% increase in underlying net profit after tax, or NPAT, was much stronger than our 43% forecast, reflecting better-than-expected LAS margins and better-than-expected progress with cost-saving initiatives in the rest of the business.

We've largely maintained our revenue forecasts for the group but increased our EBITDA margin forecasts to around 29% from 28% on average, and increased the debt weighting in our weighted average cost of capital, to reflect the increasing likelihood of further acquisitions. These changes have driven a 5% increase in our fair value estimate to AUD 8.50, and at the current market price of AUD 8.02, we still believe the shares are undervalued. The market price and our earnings forecast imply a fiscal 2019 price/earnings ratio of 17, versus 18 at our fair value estimate. The market price also implies a dividend yield of 3.6%, or 5.2% including franking credits.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat \$m	123.07	192.95	230.04	245.67
EPS c	34.21	38.90	46.38	49.53
P/E x	21.98	20.69	17.40	16.29
EPS Growth %	10.67	13.74	19.22	6.79
DPS c	14.00	20.50	28.00	30.00
Yield %	1.86	2.55	3.47	3.72
Franking %	57.14	100.0	100.0	100.0

Morningstar Rating

★★★

Share Price

9.160

OZ Minerals Limited (OZL) - Oz Minerals on Track to Meet 2018 Guidance, AUD 8.30 FVE Retained

Analyst Note-No-moat-rated Oz Minerals' first-half 2018 net profit after tax of AUD 128 million was slightly better than our AUD 120 million. The stronger-than-expected result reflected lower than forecast smelter treatment and refining charges. Compared with last year, the 59% rise in net profit was principally due to the 18% higher copper price. We marginally increase our 2018 earnings forecast as a result to AUD 0.86 per share from AUD 0.83 previously. Our AUD 8.30 per share fair value estimate is retained with our key assumptions and outlook for the firm essentially unchanged. Guidance remains to produce 100,000 to 110,000 tonnes of copper at a cash cost of USD 0.75 to USD 0.85 per pound in 2018.

The recent sell-off in base metals prices sees Oz Minerals now trading within 10% of our fair value estimate. While still slightly overvalued, based on our expectations for the copper price, the shares appear less overvalued than most of the miners under our coverage. We think this likely reflects the high level of capital expenditure and development activity currently under way. Mining companies sometimes make capital allocation mis-steps or are subject to risks outside management's control. However, we think current management is doing a creditable job and don't see any specific reason to be concerned by the elevated level of expenditure and activity. Treatment of lower-grade stockpiles at Prominent Hill will also see net profit decline, however, we expect net operating cash flow to be relatively consistent and to average AUD 530 million a year between 2018 and 2020.

FYE Dec	2016A	2017A	2018E	2019E
Reported Npat \$m	134.30	231.10	269.77	26.31
EPS c	44.51	77.40	86.39	8.10
P/E x	13.34	10.52	10.41	110.99
EPS Growth %	-3.26	73.90	11.62	-90.63
DPS c	20.00	20.00	20.00	10.00
Yield %	3.37	2.46	2.22	1.11
Franking %	70.0	100.0	100.0	100.0

Morningstar Rating

★★

Share Price

3.720

Growthpoint Properties Australia (GOZ) - Fixed Rental Escalators Provide Earnings Momentum for Growthpoint. FVE Unchanged at AUD 3.20

Analyst Note-Growthpoint Properties' fiscal 2018 earnings on a funds from operations, or FFO, basis of AUD 24.9 cents per security, or cps, were down 2% on the prior year. The fixed average rental escalator applying to approximately 90% of the portfolio continue to provide earning momentum, with weighted average rent reviews resulting in an increase of 3.3%. We forecast fiscal 2019 FFO of AUD 25.2 cps, up 1.5%. This is comfortably above Growthpoint's guidance (that has historically been conservative) of "at least" AUD 24.6 cps. The main reason for the slow earnings growth is a higher share count from the activation of the dividend reinvestment plan and some earnings dilution from planned asset sales. Distributions are expected to increase from AUD 22.2 cps in fiscal 2018 to AUD 23.0 cps in fiscal 2019, representing a yield of 6.1%. Our fair value estimate for no-moat-rated Growthpoint is unchanged at AUD 3.20 with the stock screening as overvalued, trading at AUD 3.75.

Major forecast revisions are the incorporation of the AUD 93 million purchase of a West Perth office property on a 6.25% yield, fully let to the Commonwealth government for further eight years, with rents rising annually by 3.75%. Letting risk across the portfolio is low in the near term with only 1% of leases expiring in fiscal 2019, but this increases to 11%, 6% and 21% for the fiscal years of 2020, 2022 and 2022, respectively. We have factored in office rents tracking broadly sideways on medium-term reletting. Market rents look set to grow solidly over the coming few years which should offset the negative effect of the 7.4% over-renting across the office portfolio. Both Sydney and Melbourne office markets have low vacancy rates and this combined with solid economic growth is putting upwards pressure on market rents.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat \$m	156.15	145.51	158.40	161.63
EPS c	23.98	21.77	23.09	23.14
P/E x	13.44	15.30	16.28	16.25
EPS Growth %	9.60	-9.22	6.08	0.23
DPS c	21.50	22.20	23.00	23.01
Yield %	6.67	6.66	6.12	6.12
Franking %	0.0	0.0	0.0	0.0

Morningstar Rating

★★★

Share Price

4.880

Mystate Limited (MYS) - MyState Remains in a Steady State; FVE Unchanged at AUD 5.00

Analyst Note-No-moat-rated MyState's fiscal 2018 cash profit of AUD 31.5 million represents a 5% increase on the previous corresponding period, or PCP, but 5% below our fiscal 2018 forecast. Lower-than-expected net interest margins, subdued noninterest income, higher-than-system home loan growth, improved cost efficiency, strong asset quality, and a strong capital position underpin the result. The final fully franked dividend of AUD 14.5 cents per share took total dividends to AUD 28.75 cents per share, an increase of 3% on the PCP based on an 83% payout rate.

We retain our fair value estimate of AUD 5.00 per share following the result. Our valuation is based on moderating loan growth, stable net interest margins, improving cost-efficiency, and very low bad debts. Our outlook for earnings growth is broadly intact, with average annual EPS growth forecast of 4% over our five-year forecast period. Our fair value estimate implies a fiscal 2019 P/E of 13.9 times, an attractive fully franked dividend yield of 5.8%, or 8.3% on a grossed-up basis. At current levels, MyState is trading broadly in line with our valuation.

The capital position remains solid, largely driven by organic capital generation. The common equity Tier 1 capital ratio increased 23 basis points to 11.51%, and the total capital ratio increased 18 basis points to 13.47%. MyState is well positioned to meet APRA's "unquestionably strong" benchmark required by January 2020. The capital structure and solid balance sheet provide comfort that the bank can manage a potential increase in mortgage loan losses.

The bank's funding and liquidity levels remain sound, backed by a strong retail deposit base, with total deposits growing 9% on the PCP. The funding mix has been relatively stable over the past few years. As at June 2018, retail deposits represented 68% of total funding, wholesale 23.8%, and securitisation 8.2%.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat \$m	30.08	31.48	33.09	35.50
EPS c	34.04	34.99	35.99	37.78
P/E x	12.76	13.85	13.56	12.92
EPS Growth %	5.06	2.79	2.86	4.97
DPS c	28.50	28.50	29.00	29.50
Yield %	6.56	5.88	5.94	6.05
Franking %	100.0	100.0	100.0	100.0

Recommendation Updates Over the Last Week

ASX Code	Company Name	Morningstar Rating	Date Changed	Latest Report
▲ AWC	Alumina	★★	17/08/2018	Upgrade due to price change
▼ MTS	Metcash	★★	17/08/2018	Downgrade due to price change
▲ ORG	Origin Energy	★★★	17/08/2018	Upgrade due to price change
▼ QBE	QBE	★★★	17/08/2018	Downgrade due to price change
▼ SWM	Seven West Media	★	17/08/2018	Downgrade due to price change
▲ RIO	Rio Tinto	★★	16/08/2018	Upgrade due to price change
▼ VRL	Village Roadshow	★★★	16/08/2018	Downgrade due to price change
▼ API	Australian Pharmaceutical Industries	★★★	15/08/2018	Downgrade due to price change
▲ DXS	Dexus	★★★	15/08/2018	Sturdy East Coast Office Demand Prompts Dexus Upgrade; FVE Increases to AUD 9.80
▼ GMG	Goodman Gp	★★	15/08/2018	Downgrade due to price change
▲ PGH	Pact Group Holdings	★★★★	15/08/2018	Upgrade due to price change
▼ SEK	SEEK	★★	15/08/2018	Downgrade due to price change
▲ GEM	G8 Education	★★★★★	13/08/2018	Upgrade due to price change
▲ JHG	Janus Henderson Group	★★★★	13/08/2018	Upgrade due to price change
▲ SGM	Sims Metal Management	★★	13/08/2018	Upgrade due to price change

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