

07-September-2018

# Morningnote

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## Overseas Market Report

| Foreign Equities      | Latest Price | Time/Date (AEST)  | Change | % Change |
|-----------------------|--------------|-------------------|--------|----------|
| ▲ Dow Jones (US)      | 25996        | 7:12am 07/09/2018 | 21     | 0.08     |
| ▼ S&P 500             | 2878         | 7:12am 07/09/2018 | -11    | -0.37    |
| ▼ NASDAQ              | 7923         | 7:31am 07/09/2018 | -72    | -0.91    |
| ▼ FTSE 100 Index      | 7319         | 2:39am 07/09/2018 | -64    | -0.87    |
| ▼ DAX 30              | 11955        | 2:45am 07/09/2018 | -85    | -0.71    |
| ▼ CAC 40              | 5244         | 2:54am 07/09/2018 | -16    | -0.31    |
| ▼ Nikkei 225 (Japan)  | 22488        | 4:20pm 06/09/2018 | -93    | -0.41    |
| ▼ HKSE                | 26975        | 6:24pm 06/09/2018 | -269   | -0.99    |
| ▼ SSE Composite Index | 2692         | 5:16pm 06/09/2018 | -13    | -0.47    |
| ▼ NZ 50               | 9102         | 8:19am 07/09/2018 | -126   | -1.37    |

## International Markets Roundup

NEW YORK [Morningstar with AAP]: The S&P 500 and Nasdaq declined as the possibility of more US tariffs on Chinese imports loomed, while tech stocks stumbled, led by chipmakers and concerns about increased regulation of social media companies.

The public comment period for proposed tariffs on an additional \$US200 billion (\$A278 billion) worth of Chinese imports ends on Friday at midnight EDT, and the tariffs could go into effect shortly afterward.

China has warned of retaliation if Washington implements any new tariff measures.

On a more positive note, talks between the United States and Canada to renegotiate the North American Free Trade Agreement continued.

The muddled outlook for trade was reflected in the mixed outcome for US stocks on Thursday, investors said. The Dow edged up even as the S&P and Nasdaq fell.

"Investors are waiting for clarity," said Keith Lerner, chief market strategist at SunTrust Advisory Services in Atlanta. "The next round of tariffs could happen as early as tomorrow."

Shares of chipmakers and internet companies weighed on the S&P and Nasdaq.

The Philadelphia SE Semiconductor index slid 2.7 per cent after executives from Micron Technology Inc and KLA-Tencor Corp spoke at a Citi technology conference.

Micron shares sank 9.9 per cent and were among the biggest drags on the Nasdaq and the S&P. KLA-Tencor shares tumbled 9.7 per cent.

Fallout from the scrutiny of social media companies also continued to batter tech stocks.

On Wednesday, executives from Facebook Inc and Twitter Inc testified before sceptical US lawmakers regarding

**Leigh Creek Energy Limited (LCK)** -Leigh Creek Energy Trading Halted, Pending Company Announcement

**Bluechiip Limited (BCT)** -Bluechiip Trading Halted, Pending Company Announcement

**Emmerson Resources Limited (ERM)** -Emmerson Resources Reinstates to Official Quotation

**ERM Power Limited (EPW)** -ERM Power Expands Energy Solutions Offering with Acquisition of Industrial Energy Efficiency Business Out Performers

**The Food Revolution Group Limited (FOD)** -The Food Revolution Group Trading Halted, Pending Company Announcement

their measures to combat foreign efforts to influence US politics.

The same day, the US Justice Department said it was looking into concerns that social media platforms were "intentionally stifling the free exchange of ideas."

Facebook shares fell 2.8 per cent and Twitter shares dropped 5.9 per cent. Shares of Snap Inc, the parent company of Snapchat, touched a record low and ended down 3.1 per cent.

The Dow Jones Industrial Average rose 20.88 points, or 0.08 per cent, to 25,995.87, the S&P 500 lost 10.55 points, or 0.37 per cent, to 2,878.05 and the Nasdaq Composite dropped 72.45 points, or 0.91 per cent, to 7,922.73.

Among bright spots, shares of CBS Corp rose 3.2 per cent after reports that the media company's board was in settlement talks with Chief Executive Les Moonves to negotiate his exit.

Declining issues outnumbered advancing ones on the NYSE by a 1.49-to-1 ratio; on Nasdaq, a 1.89-to-1 ratio favoured decliners.

The S&P 500 posted 41 new 52-week highs and 11 new lows; the Nasdaq Composite recorded 98 new highs and 72 new lows.

Volume on U.S. exchanges was 6.66 billion shares, compared to the 6.18 billion average over the last 20 trading days.

| Commodities              | Latest Price | Time/Date (AEST)  | Change | % Change |
|--------------------------|--------------|-------------------|--------|----------|
| ▼ Aluminium              | 2002         | 5:31am 07/09/2018 | -33    | -1.63    |
| ▲ Copper                 | 5904         | 5:31am 07/09/2018 | 50     | 0.85     |
| ▼ Nickel                 | 12356        | 5:31am 07/09/2018 | -1     | -0.01    |
| ▼ Gold                   | 1200         | 8:19am 07/09/2018 | -6     | -0.46    |
| ▼ Silver                 | 14.2         | 8:19am 07/09/2018 | --     | -0.01    |
| ▼ Oil - West Texas crude | 67.8         | 8:20am 07/09/2018 | -0.9   | -1.38    |
| ▼ Lead                   | 2014         | 5:31am 07/09/2018 | -18    | -0.91    |
| ▲ Zinc                   | 2448         | 5:31am 07/09/2018 | 20     | 0.80     |
| ▲ Ore                    | 68           | 7:10am 07/09/2018 | 1      | 1.35     |

| Currency       | Latest Price | Time/Date (AEST)  | Change  | % Change |
|----------------|--------------|-------------------|---------|----------|
| ▲ \$A vs \$US  | 0.7198       | 8:19am 07/09/2018 | 0.0005  | 0.07     |
| ▼ \$A vs GBP   | 0.5568       | 8:19am 07/09/2018 | -0.0003 | -0.06    |
| ▼ \$A vs YEN   | 79.67        | 8:19am 07/09/2018 | -0.51   | -0.64    |
| ▲ \$A vs EUR   | 0.6191       | 8:19am 07/09/2018 | 0.0008  | 0.13     |
| ▲ \$A vs \$NZ  | 1.0915       | 8:19am 07/09/2018 | 0.0020  | 0.18     |
| ▲ \$US vs Euro | 0.8603       | 8:19am 07/09/2018 | 0.0009  | 0.10     |
| ▼ \$US vs UK   | 0.7733       | 8:19am 07/09/2018 | -0.0009 | -0.12    |
| ▼ \$US vs CHF  | 0.9652       | 8:19am 07/09/2018 | -0.0059 | -0.61    |
| ▼ \$A vs \$CA  | 0.9465       | 8:19am 07/09/2018 | -0.0013 | -0.14    |

**Australian Market Report**

| Australian Equities                     | Latest Price | Time/Date (AEST)  | Change | % Change |
|---|--------------|-------------------|--------|----------|
| ▼ All Ordinaries                        | 6268         | 7:20pm 06/09/2018 | -71    | -1.13    |
| ▼ S&P/ASX 200                           | 6160         | 7:20pm 06/09/2018 | -70    | -1.12    |
| ▼ 10-year Bond Rate                     | 2.54         | 7:09am 07/09/2018 | -0.03  | -0.97    |
| ▲ 90 Day Bank Accepted Bills<br>SFE-Day | 1.96         | 6:34am 07/09/2018 | 0.01   | 0.51     |
| ▼ 3-yr Bond Rate                        | 2.00         | 7:09am 07/09/2018 | -0.01  | -0.74    |

## Local Markets Are Expected to Open Lower

Ahead of the local open SPI futures were 25 points lower at 6,120.

Thursday 6 September - close [Morningstar with AAP]: Australian shares have dropped to their lowest since June in the wake of near-across the board falls triggered by increased US-China trade worries, falling world oil prices and a new round of mortgage rate hikes by local banks.

The benchmark S&P/ASX200 index closed down 70 points, or 1.12 per cent, at 6,160.4 points on Thursday, while the broader All Ordinaries index was down 71.4 points, or 1.13 per cent, to 6,267.8 points.

The Australian dollar was buying more than 72.10 US cents shortly after midday but had a sharp fall when ANZ and Commonwealth Bank announced they would increase variable mortgage rates.

The Aussie was buying 71.78 US cents at 16.30 AEST, down from 71.74 on Wednesday.

JP Morgan interest rate strategist Sally Auld said the drop was likely due to investors worrying that a retail bank rate hike may sway the Reserve Bank of Australia from its recent indications the next move in official interest rates will be up.

"If the banks are raising mortgage rates, then the RBA certainly doesn't need to," Ms Auld said.

Ms Auld said Australia was facing a longer period of official rates on hold as many other countries around the world increase official rates.

"So all else equal, that's currency negative," she said.

The big four banks' shares rose last week following Westpac's rate hike and on Thursday CBA and ANZ's moves had little impact.

Westpac fell 0.4 per cent to \$27.84, while Commonwealth Bank was the only major to finish higher, up 0.04 per cent at \$70.14.

Oil prices fell on Thursday as emerging market woes weighed on sentiment and a deadline neared for a potential new round of US tariffs on another \$US200 billion of Chinese goods.

Asian shares fell for a sixth straight session as oil skidded and safe-haven gold gained, with MSCI's broadest index of Asia-Pacific shares outside Japan falling 0.4 per cent to hit its lowest since mid-August.

Among local stocks, mining giant BHP weighed on the materials sector market, with shares falling 2.5 per cent to \$31.40 as the stock went ex-dividend.

Telstra was up 3.3 per cent to \$3.12 after trimming its 2018/19 earnings guidance because a lower than expected number of NBN customers are available for connection.

The telco giant said the NBN slowdown would be financially positive over the course of the full NBN rollout.

Sigma Healthcare shares slumped after the pharmaceuticals supplier revealed a fall of more than 50 per cent in first-half profit to \$13.4 million, partly due to restructuring costs following the loss of its contract to supply Chemist Warehouse in July.

Sigma shares fell seven cents, or 11.6 per cent, to 53.5 cents.

On the ASX:

The S&P/ASX200 closed down 70 points, or 1.12 per cent, at 6,160.4 points

The All Ordinaries was down 71.4 points, or 1.13 per cent, at 6,267.8 points

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

- ▶ Adelaide Brighton Limited
- ▶ Amcor Limited
- ▶ BlueScope Steel Limited
- ▶ Select Harvests Limited
- ▶ Southern Cross Media Group Limited
- ▶ Speedcast International Limited

#### Companies Reporting Today (ASX 300):

| ASX Code | Company Name                | Report |
|----------|-----------------------------|--------|
| BAL*     | Bellamy's Australia Limited | Annual |
| GWA*     | GWA Group Limited           | Annual |
| TCL*     | Transurban Group            | Annual |

\* Estimated based on release date of previous report

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**Market Sensitive Announcements**


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08:06 AM

**Telstra Corporation Limited (TLS) -Telstra Revises FY 2019 Guidance for nbn Corporate Plan 2019**

Telstra revised FY 2019 guidance based on the nbn co Corporate Plan 2019 released on 31 August 2018. Its FY 2019 guidance included an assumption that the nbn rollout and migration in FY 2019 would be broadly in accordance with management's current best estimates and may be updated for any material changes, including after taking account of the nbn Corporate Plan 2019 when it was published. The nbn Corporate Plan 2019 includes lower than previously estimated premises declared Ready for Service (RFS) and premises activated for FY 2019.

08:12 AM

**Nearmap Ltd (NEA) -Nearmap Trading Halted, Pending Company Announcement**

The securities of Nearmap will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 10 September 2018 or when the announcement is released to the market.

08:56 AM

**GrainCorp Limited (GNC) -GrainCorp Provides FY 2018 Guidance and Seasonal Update**

GrainCorp lifted its earnings guidance for the year ending 30 September 2018 to \$255-\$270m underlying EBITDA and \$60-\$75m underlying NPAT. The growth of its origination footprint has continued, with the commissioning of the second of four GrainsConnect Canada sites in June 2018 and the opening of a Black Sea trading office in Kyiv, Ukraine, also in June 2018. The Foods business has made progress during the year with a more streamlined structure, improved operational efficiencies being delivered at West Footscray and pick-up in demand from the infant formula sector.

09:02 AM

**Sigma Healthcare Limited (SIG) -Sigma Healthcare Releases 2018/2019 Half Year Results**

Sigma Healthcare announced Underlying EBITDA of \$40.3m for 1H 2019, down 16.4%, with Reported EBITDA impacted by one-off redundancy and restructure costs. The Company has again maintained its high dividend payout ratio to deliver an interim dividend of 1.5 cps payable on 29 October 2018 with a Record Date of 15 October 2018 and an Ex-Dividend Date of 12 October 2018. The Management continues to target Underlying EBIT for FY 2020 of \$40 - \$50m, with greater clarity expected as the business re-engineering program advances. It continues to invest in programs and support structures to enhance the capability of its pharmacy brand members to meet the growing demands of their customers.

09:09 AM

**Sigma Healthcare Limited (SIG) -Sigma Healthcare Provides Half Year Presentation Results**

Sigma Healthcare provided half year presentation results. The Interim dividend is 1.5 cps (fully franked). The Payout ratio is 80%. High Dividend Payout Ratio expected to be maintained. The Future focus will be on EBITDA as a better indicator of business performance due to DC investment.

09:11 AM

**PepinNini Lithium Limited (PNN) -PepinNini Lithium Trading Halted, Pending Company Announcement**

The securities of PepinNini Lithium will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 10 September 2018 or when the announcement is released to the market.

09:14 AM

**Tawana Resources NL (TAW) -Tawana Resources Provides Bald Hill Operations and Optimisation Study Update**

Tawana Resources provided an update for the Bald Hill Lithium and Tantalum Mine (Bald Hill Mine) located in the eastern goldfields of WA. The Company reported that, in June 2018, management of the Company had visited the Jiangte Special Electric Motor (Jiangte) lithium conversion facility under construction in Yichun, in China's Jiangxi Province. The JV parties are targeting production of 60,000 to 75,000t of lithium concentrate during the 6 months between July 2018 and December 2018. The Bald Hill Mine is establishing a reputation for high quality lithium concentrates with low levels of deleterious elements and minerals such as Fe, Na, K, F and mica.

|          |  |
|----------|--|
| 09:20 AM | <p><b>Nearmap Ltd (NEA) -Nearmap Announces Underwritten Institutional Placement to Accelerate Growth</b></p> <p>Nearmap announced the launch of a fully underwritten A\$70m institutional placement (Placement) to accelerate the Company's pursuit of key strategic objectives and provide additional balance sheet flexibility. The Placement to raise A\$70m has been fully underwritten by Macquarie Capital (Australia) and Canaccord Genuity (Australia) at a fixed price of A\$1.60 per share (Offer Price). The Offer Price represents a 11.1% discount to the last closing price of A\$1.80 on 5 September 2018 and an 8.1% discount to the 5-day trading VWAP of A\$1.742. The capital raising will result in the placement of 43,750,000 new FPO shares in the Company (New Shares) to sophisticated, professional and institutional investors.</p> |
| 09:28 AM | <p><b>Nearmap Ltd (NEA) -Nearmap Provides Institutional Placement Investor Presentation</b></p> <p>Nearmap provided institutional placement investor presentation. The Fully underwritten institutional placement is 43.75m New Shares to raise \$70m at the offer price of \$1.60 (the Placement). The New shares issued under the Placement will rank equally with existing ordinary shares in the Company in all respects. The Company guided that FY 2019 will be cash flow break even. In the absence of the capital raise, the Company still expects the current business to be cash flow break even for FY 2019.</p>  |
| 09:30 AM | <p><b>Leigh Creek Energy Limited (LCK) -Leigh Creek Energy Trading Halted, Pending Company Announcement</b></p> <p>The securities of Leigh Creek Energy will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 10 September 2018 or when the announcement is released to the market.</p>   |
| 09:31 AM | <p><b>Bluechiip Limited (BCT) -Bluechiip Trading Halted, Pending Company Announcement</b></p> <p>The securities of Bluechiip will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 10 September 2018 or when the announcement is released to the market.</p>  |
| 09:32 AM | <p><b>Emmerson Resources Limited (ERM) -Emmerson Resources Reinstates to Official Quotation</b></p> <p>The suspension of trading in the securities of Emmerson Resources will be lifted from the commencement of trading on 6 September 2018, following the release by the Company of an announcement regarding a strategic alliance and capital raising.</p>  |
| 09:37 AM | <p><b>ERM Power Limited (EPW) -ERM Power Expands Energy Solutions Offering with Acquisition of Industrial Energy Efficiency Business Out Performers</b></p> <p>ERM Power announced the acquisition of independent engineering group, Out Performers, which specialises in industrial energy productivity for large energy consumers. The acquisition will be immediately earnings and EPS accretive as part of its Energy Solutions division and will be financed from existing facilities, consistent with previously announced plans to invest up to \$40m in organic and inorganic opportunities in Energy Solutions. The acquisition cost is \$12m with an earnout over two years of up to a further \$4m. Out Performers FY 2018 net profit before tax on a standalone basis was \$2.3m and is acquired on a debt-free basis.</p>                         |
| 09:41 AM | <p><b>The Food Revolution Group Limited (FOD) -The Food Revolution Group Trading Halted, Pending Company Announcement</b></p> <p>The securities of The Food Revolution Group will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 10 September 2018 or when the announcement is released to the market.</p>  |

### Recommendation Updates Over the Last Week

| ASX Code | Company Name           | Morningstar Rating | Date Changed | Latest Report                 |
|----------|------------------------|--------------------|--------------|-------------------------------|
| ▲ ASX    | ASX                    | ★★                 | 06/09/2018   | Upgrade due to price change   |
| ▲ BKL    | Blackmores             | ★★★                | 06/09/2018   | Upgrade due to price change   |
| ▲ CGF    | Challenger             | ★★★★               | 06/09/2018   | Upgrade due to price change   |
| ▲ FXJ    | Fairfax Media          | ★★★                | 06/09/2018   | Upgrade due to price change   |
| ▲ NCM    | Newcrest Mining        | ★★★★               | 06/09/2018   | Upgrade due to price change   |
| ▼ CNU-NZ | Chorus                 | ★★                 | 05/09/2018   | Downgrade due to price change |
| ▲ LLC    | LendLease              | ★★★                | 05/09/2018   | Upgrade due to price change   |
| ▼ ARF    | Arena REIT             | ★★★                | 04/09/2018   | Downgrade due to price change |
| ▼ CNU    | Chorus                 | ★★                 | 04/09/2018   | Downgrade due to price change |
| ▼ MGR    | Mirvac Group           | ★★                 | 04/09/2018   | Downgrade due to price change |
| ▲ GNE    | Genesis Energy         | ★★★                | 03/09/2018   | Upgrade due to price change   |
| ▲ MIN    | Mineral Resources      | ★★★                | 31/08/2018   | Upgrade due to price change   |
| ▼ ORA    | Orora                  | ★                  | 31/08/2018   | Downgrade due to price change |
| ▼ RHC    | Ramsay Health Care     | ★★★★               | 31/08/2018   | Downgrade due to price change |
| ▼ BKW    | Brickworks             | ★★                 | 30/08/2018   | Downgrade due to price change |
| ▼ BPT    | Beach Energy           | ★★                 | 30/08/2018   | Downgrade due to price change |
| ▲ GNE-NZ | Genesis Energy         | ★★★                | 30/08/2018   | Upgrade due to price change   |
| ▼ MMS    | McMillan Shakespeare   | ★★                 | 30/08/2018   | Downgrade due to price change |
| ▼ RMD    | ResMed                 | ★★                 | 30/08/2018   | Downgrade due to price change |
| ▼ SOL    | Washington H. Soul Pat | ★                  | 30/08/2018   | Downgrade due to price change |

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