

27-December-2018

Morningnote

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Overseas Market Report

Foreign Equities	Latest Price	Time/Date (AEST)	Change	% Change
▲ Dow Jones (US)	22878	8:35am 27/12/2018	1086	4.98
▲ S&P 500	2468	8:35am 27/12/2018	117	4.96
▲ NASDAQ	6554	9:05am 27/12/2018	361	5.84
▼ FTSE 100 Index	6686	11:50pm 24/12/2018	-35	-0.52
▲ DAX 30	10634	4:00am 22/12/2018	23	0.21
▼ CAC 40	4626	4:15am 25/12/2018	-68	-1.45
▲ Nikkei 225 (Japan)	19327	5:20pm 26/12/2018	171	0.89
▼ HKSE	25651	3:24pm 24/12/2018	-102	-0.40
▲ SSE Composite Index	2527	6:15pm 24/12/2018	11	0.43
▲ NZ 50	8715	4:05pm 24/12/2018	28	0.33

International Markets Roundup

[Morningstar with AAP]: China stocks slipped on Wednesday amid investor skittishness over the US government shutdown and Donald Trump's threat to oust US Federal Reserve chairman Jerome Powell.

Asia

China stocks slipped on Wednesday amid investor skittishness over the US government shutdown and Donald Trump's threat to oust US Federal Reserve chairman Jerome Powell.

The blue-chip CSI300 index fell 0.5 per cent, to 3002.03, while the Shanghai Composite Index lost 0.3 per cent to 2498.29 points.

The scheduled trade talks between the US and China will be the first face-to-face meeting the two sides have held since Trump and China's Xi Jinping agreed on a temporary truce in Argentina this month.

Treasury Secretary Steven Mnuchin said last week the US team and its counterparts have held talks over the phone, Bloomberg reports.

Japan's Nikkei share average closed 0.9 per cent higher at 19,327.06, barely shaking off Tuesday's 5 per cent plunge - the steepest single-day decline in over two years.

The sell-off left the benchmark down about 21 per cent from a 27-year peak scaled in early October, meaning it's still in bear market territory entered during the previous session.

The broader Topix finished 1.1 per cent higher at 1431.47, but remained down 25.1 per cent from a high of 1911.31 hit in late January.

Europe

European markets finished mixed as of the most recent closing prices. The DAX gained 0.21 per cent while the

Flinders Mines Limited (FMS) -Flinders Mines Announces Regarding ASX Approval to De-List

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Westgold Resources Limited (WGX) -Westgold Resources Expands Murchison Footprint Buying the Andy Well and Gnaweeda Gold Projects

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Highlands Pacific Limited (HIG) -Highlands Pacific Announces Pause in Trading

Whitehaven Coal Limited (WHC) -Whitehaven Coal Advises on Boardwalk Resources Legal Proceedings

CAC 40 led the FTSE 100 lower. They fell 1.45 per cent and 0.52 per cent respectively.

North America

The Dow Jones Industrial Average has surged at least 1000 points in a single session for the first time in a broad stock rebound after the benchmark S&P 500 index was on the brink of a bear market.

The three major US indexes all posted their biggest one-day percentage gains since March 2009, in the first day of trading following the Christmas holiday, when the market was closed.

Sales in the 2018 US holiday shopping season rose 5.1 per cent to over \$US850 billion, the strongest in six years, according to a Mastercard report. The S&P 500 retailing index jumped 7.4 per cent, while shares of online retailer Amazon, which touted a "record-breaking" season, climbed 9.4 per cent.

Oil prices also surged, boosting sentiment for risk assets such as stocks, while underpinning a 6.2 per cent gain for energy shares.

Stocks found their footing after wobbling in morning trade. The S&P 500 came within 2 points of falling 20 per cent from its late-September closing high, a threshold commonly used to define a bear market.

"The market is extremely oversold where we left it" on Monday, said Brett Ewing, chief market strategist at First Franklin Financial Services in Tallahassee, Florida.

"You cannot make the assumption that this correction is over, but today's action is definitely a very positive signal."

The Dow Jones Industrial Average rose 1086.25 points, or 4.98 per cent, to 22,878.45, the S&P 500 gained 116.6 points, or 4.96 per cent, to 2467.7 and the Nasdaq Composite added 361.44 points, or 5.84 per cent, to 6554.36.

The previous record point gain for the Dow was 936.42 on 13 October 2008, when markets were whipsawed almost daily by developments in the financial crisis, which was then in full swing. Over the two sessions following that gain, the Dow dropped more than 800 points.

Commodities	Latest Price	Time/Date (AEST)	Change	% Change
Aluminium	1898	10:30am 26/12/2018	0	--
Copper	5932	10:30am 26/12/2018	0	--
Nickel	10801	10:31am 26/12/2018	0	--
▼ Gold	1267	9:00am 27/12/2018	-5	-0.38
▲ Silver	15.0	9:01am 27/12/2018	0.3	2.07
▲ Oil - West Texas crude	46.2	9:05am 27/12/2018	3.7	8.68
Lead	1983	10:31am 26/12/2018	0	--
Zinc	2530	10:32am 26/12/2018	0	--
Ore	70	5:55am 25/12/2018	0	--

Currency	Latest Price	Time/Date (AEST)	Change	% Change
▲ \$A vs \$US	0.7063	9:05am 27/12/2018	0.0023	0.33
▲ \$A vs GBP	0.5588	9:05am 27/12/2018	0.0041	0.74
▲ \$A vs YEN	78.50	9:05am 27/12/2018	0.84	1.08
▲ \$A vs EUR	0.6222	9:05am 27/12/2018	0.0051	0.83
▲ \$A vs \$NZ	1.0485	9:05am 27/12/2018	0.0027	0.25
▲ \$US vs Euro	0.8807	9:05am 27/12/2018	0.0047	0.54
▲ \$US vs UK	0.7915	9:05am 27/12/2018	0.0035	0.44
▲ \$US vs CHF	0.9955	9:05am 27/12/2018	0.0095	0.96
▲ \$A vs \$CA	0.9583	9:05am 27/12/2018	0.0016	0.16

Australian Market Report

Australian Equities	Latest Price	Time/Date (AEST)	Change	% Change
▲ All Ordinaries	5560	2:30pm 24/12/2018	26	0.48
▲ S&P/ASX 200	5494	2:30pm 24/12/2018	26	0.48
▲ 10-year Bond Rate	2.39	9:05am 27/12/2018	0.03	1.06
▲ 90 Day Bank Accepted Bills SFE-Day	1.98	8:38am 27/12/2018	0.01	0.51
▲ 3-yr Bond Rate	1.85	8:54am 27/12/2018	0.03	1.37

Local Markets Are Expected to Open Higher

Ahead of the local open SPI futures were 35 points higher at 5,413.

[Morningstar with AAP]: Australian shares are tipped to climb after a two-day Christmas break, chasing a huge Wall Street rebound fuelled by retail confidence and higher oil prices.

The S&P 500, Nasdaq, and the Dow Jones were up more than 4 per cent each overnight, in the first day of US trading following the Christmas holiday, when the market was closed.

Investors welcomed news that sales during the US holiday shopping season rose 5.1 per cent to over \$US850 billion in 2018, while rising oil prices also helped stocks climb back from a Christmas Eve slump.

The Dow Jones Industrial Average rose 1086.25 points, or 4.98 per cent, to 22,878.45, the S&P 500 gained 116.6 points, or 4.96 per cent, to 2467.7 and the Nasdaq Composite added 361.44 points, or 5.84 per cent, to 6554.36.

There are signs of progress in the US-China trade talks. A US government delegation will travel to Beijing in the week of 7 January to hold trade talks with Chinese officials, Bloomberg reports.

Oil erased some of the losses that have taken crude benchmarks to lows not seen in 18 months, but gold has pared gains after earlier hitting a six-month peak.

The benchmark ASX/200 closed higher on Christmas Eve thanks to broad-based gains amid light trade, but the local bourse remains on track for a fourth consecutive month in the red, and its worst quarter since September 2011, in a year marked by political and economic uncertainty.

The market has shed 9.42 per cent in 2018 - its worst run in eight years.

The Aussie dollar has been steady over the break and is trading at 70.70 US cents at 0800 on Thursday, slightly up from 70.62 US cents on Monday.

Companies Reporting Today (ASX 300):

ASX Code	Company Name	Report
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* Estimated based on release date of previous report

Market Sensitive Announcements

08:25 AM

Telix Pharmaceuticals Limited (TLX) -Telix Pharmaceuticals Completes Acquisition of Advanced Nuclear Medicine Ingredients (ANMI) SA

Telix Pharmaceuticals announced that it has completed the acquisition of Advanced Nuclear Medicine Ingredients (ANMI) SA. ANMI develops innovative solutions in the manufacture and packaging of therapeutic products to enable fast, easy preparation and use in hospitals and the radio-pharmacy setting. The final upfront consideration value is A\$8.29m.

08:36 AM

Navitas Limited (NVT) -Navitas Signs Recruitment and Marketing Agreement with JCU

Navitas announced that it has signed an international student marketing and recruitment agreement with James Cook University, Australia (JCU), to support JCU's internationalisation strategy. The partnership with JCU will focus on leveraging its international education expertise and global recruitment network to assist JCU grow and diversify its international student population and enhance its reputation as an international study destination. It will recruit international students into JCU's own undergraduate degree, pathway and ELICOS programs at its campuses in Townsville and Cairns.

08:40 AM

Gascoyne Resources Limited (GCY) -Gascoyne Resources Provides Operational Update and 2019 Production Guidance

Gascoyne Resources provided an operational update on the Dalganga Gold Project. The project remains Lost Time Incident (LTI) free, since the commencement of construction activities in April 2017. Ore mined for December 2018 to date (20 December 2018) is 165 kt at 0.90 g/t for 4,770 contained ounces. Gold production for December 2018 (to 20 December 2018, unreconciled) is 4,245oz. This sees total gold production for the December 2018 quarter to date of 15,020oz. The first principal repayment for the Dalganga Project Finance Facility (A\$1.6m) is planned to be made as scheduled on 31 December 2018.

08:44 AM

Austal Limited (ASB) -Austal Announces LCS Support Expansion

Austal received an award from the US Department of Defense for US\$21,070,175 for support activities on the Littoral Combat Ship program. It will be the Prime Contractor for undertaking a dry docking of LCS 14 to carry out various support and sustainment activities. It has delivered 9 LCS vessels with a further 10 vessels on order all of which will undergo regular maintenance and dry-docking activities to maintain fleet availability during the life of the class. In the last 2 years it has established a LCS support capability in San Diego where the vessels are home based.

08:48 AM

MYOB Group Limited (MYO) -MYOB Group Agrees to Recommended Scheme of Arrangement with Kohlberg Kravis Roberts (KKR)

MYOB Group announced, following the conclusion of discussions with Kohlberg Kravis Roberts (KKR), that it has entered into a Scheme Implementation Agreement (SIA) (attached) under which KKR will acquire, for \$3.40 per share all cash consideration, all of the shares in the Company it does not already own by way of scheme of arrangement. As part of the arrangements, it has agreed to go shop provisions with KKR that permit the Company and its advisers, until 22 February 2019, to solicit competing proposals and with a commitment from KKR to sell its shareholding into, or vote in favour of, any Qualifying Proposal. The Company announces that it expects FY 2018 earnings to reflect organic revenue growth of 7%, R&D spend of 19% of revenue, an underlying EBITDA margin between 42% and 43%.

08:58 AM

NRW Holdings Limited (NWH) -NRW Holdings Announces to Support Gascoyne Resources with Loan Facility

NRW Holdings announced that it has agreed to support Gascoyne Resources through the provision of a \$12m loan facility. The loan provided to GNT Resources (GNT), a subsidiary of Gascoyne Resources, effectively extends payment terms to 75 days. The mining contract is for the open pit mining and drill and blast operations, the award of which was announced by the Company on the 13 December 2017. The facility and associated mining contract are secured by a subordinated general security agreement over the assets of GNT. The loan, which will be used by GNT to meet working capital requirements, will be repaid through instalments during the second half of calendar year 2019.

09:12 AM

Prana Biotechnology Limited (PBT) -Prana Biotechnology Trading Halted, Pending Company Announcement

The securities of Prana Biotechnology will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 28 December 2018 or when the announcement is released to the market.

09:25 AM

Audio Pixel Holdings Limited (AKP) -Audio Pixel Holdings Responds to ASX Aware Letter

Audio Pixel Holdings responded to an ASX aware letter stating that the Company consider the information to be information that a reasonable person would expect to have a material effect on the price or value of its securities. The Company confirms it is in compliance with the listing Rules and, in particular Listing Rule 3.1. It confirms that this response has been authorised and approved by the Board.

09:34 AM

Flinders Mines Limited (FMS) -Flinders Mines Announces Regarding ASX Approval to De-List

Flinders Mines advised that the Australian Securities Exchange (ASX) has formally resolved to remove the Company from the Official List under ASX Listing Rule 17.11 (De-Listing). ASX may remove an entity from the official list of ASX at the request of an entity. Removal from the official list at an entity's request recognises that remaining listed may no longer be suitable for a listed entity at a particular stage in its existence. There is no requirement for ASX to act on the request. The Company's removal from the official list of ASX is approved by ordinary resolution of ordinary security holders of the Company.

09:43 AM

Vocus Group Limited (VOC) -Vocus Group Signs Up with Optus to Drive Growth in a 5G Future

Vocus Group announced the execution of a renegotiation and five-year extension of its current Mobile Virtual Network Operator (MVNO) agreement with Optus Wholesale which includes access to the Optus 5G network and future technologies. The agreement builds upon the long-term partnership between Optus and Company's brands Dodo, iPrimus and Commander. Engineered to drive growth for both businesses, the partnership provides a platform for the Company to grow its mobile customer base across its various brands and a clear path for it to access future 5G mobile services, to support the Company's strategy to increase market share in Enterprise and Small to Medium Business segments.

09:54 AM

Westgold Resources Limited (WGX) -Westgold Resources Expands Murchison Footprint Buying the Andy Well and Gnaweeda Gold Projects

Westgold Resources announced that it has signed a binding term sheet (Term Sheet) with Doray Minerals to buy its Andy Well and Gnaweeda Gold Projects collectively (the Projects) located 40 km north of Meekatharra and 50 km north of its Bluebird Processing Hub. The Term Sheet provides for the sale of Doray's 100% owned subsidiary, Andy Well Mining, to the Company. The signing of the Term Sheet with Doray is another step toward total consolidation in the Central Murchison Region by the Company.

10:05 AM

Autosports Group Limited (ASG) -Autosports Group Provides Half Year Results Update

Autosports Group provided half year results update. The quarantine issues have arisen as a result of heightened surveillance by the DAWR (Department of Agriculture and Water Resources) upon the discovery of the Brown Maromated Stink Bug on several transport vessels. This impact is likely to be temporary but will affect customer deliveries through December 2018. The affected brands include Audi, Mercedes Benz, BMW, Volkswagen and Volvo. Its first half of 2019 is expected to be affected by \$3m EBITDA as a consequence.

10:21 AM

Highlands Pacific Limited (HIG) -Highlands Pacific Announces Pause in Trading

Trading in the securities of the Highlands Pacific will be temporarily paused pending a further announcement.

10:34 AM

Whitehaven Coal Limited (WHC) -Whitehaven Coal Advises on Boardwalk Resources Legal Proceedings

Whitehaven Coal announced that on 21 December 2018 with a Statement of Claim commencing representative proceedings against the Company in the Supreme Court of Qld. The proceedings have been commenced by Nathan Tinkler (Tinkler) who claims to be trustee of the Boardwalk Resources Trust and is purportedly brought on behalf of Tinkler and a number of parties who were issued with Milestone Shares in the Company in May 2012. Tinkler asserts in the proceedings that he holds certain Milestone Shares, however it understands that Boardwalk Resources Investments is the owner of those shares and that Boardwalk is in liquidation.

Research Report Summaries

Morningstar Rating

★★★★

Share Price

1.800

Sky Network Television Limited (SKT) - Is Sky the Limit for the New CEO?

Analyst Note—The challenges facing Martin Stewart, the incoming chief executive officer of Sky Network Television, are considerable. He will be taking control of a company whose monopoly position in the New Zealand traditional pay-television space has been punctured by the increasing popularity of broadband-enabled, a la carte digital streaming services. It is a structural headwind that has seen Sky's EBITDA decline from a peak of NZD 380 million in fiscal 2015 to NZD 286 million in fiscal 2018, a fall that we project will continue until fiscal 2021 when EBITDA is forecast to settle at NZD 200 million.

Stewart's prior experience as CEO of pay-TV operator OSN in the Middle East, introducing cut-price content packages and rebranding over-the-top subscription video on demand, will come in handy. He will have to strike a delicate balance at Sky. On one hand, there is a need to maintain the traditional pay-TV service for heartland subscribers. On the other hand, he must evolve the business model to also cater to younger demographics' penchant for on-demand digital streaming. All this will necessitate a hit on average revenue per user for the sake of stemming overall subscriber losses.

The key issue is whether Stewart is content with the pace Sky has already set itself for this transition from a traditional linear, set-top-box-based pay-TV company to a digital, on-demand, multiplatform one. The key architect of the current strategic agenda, the long-serving CEO John Fellet, will remain on the board, and his interaction with Stewart on how Sky refines its future strategic moves will be critical. This is especially the case now, with the shares of no moat-rated Sky trading at a 24% discount to our NZD 2.50 fair value estimate (or AUD 2.40 at the current exchange rate), demonstrating investor uncertainties about how successful Sky will be in executing the transformation program.

FYE Jun	2017A	2018A	2019E	2020E
Reported Npat \$m	111.05	109.68	82.09	68.90
EPS c	28.53	28.18	21.10	17.70
P/E x	14.34	8.77	8.53	10.17
EPS Growth %	-22.84	-1.23	-25.14	-16.10
DPS c	25.98	13.82	11.80	9.98
Yield %	6.35	5.59	6.55	5.54
Franking %	0.0	0.0	0.0	0.0

Recommendation Updates Over the Last Week

ASX Code	Company Name	Morningstar Rating	Date Changed	Latest Report
▼ GNE-NZ	Genesis Energy	★★	24/12/2018	Downgrade due to price change
▲ SOL	Washington H. Soul Pat	★★	24/12/2018	Upgrade due to price change
▼ FXL	FlexiGroup	★★★★	22/12/2018	Macroeconomic and Regulatory Headwinds Conspire to Reduce FlexiGroup's FVE
▲ BOQ	Bank of Queensland	★★★★	21/12/2018	Upgrade due to price change
▲ CPU	Computershare	★★★★	21/12/2018	Upgrade due to price change
▲ GMA	Genworth Mortgage Insurance Australia	★★★★	21/12/2018	Upgrade due to price change
▲ MND	Monadelphous	★★★	21/12/2018	Upgrade due to price change
▲ ORG	Origin Energy	★★★★	21/12/2018	Upgrade due to price change
▲ SDF	Steadfast Group	★★★★	21/12/2018	Upgrade due to price change
▲ VOC	Vocus Group	★★★	21/12/2018	Upgrade due to price change
▲ DHG	Domain Holdings	★★★★	20/12/2018	Upgrade due to price change
▲ IPL	Incitec Pivot	★★★	20/12/2018	Upgrade due to price change
▲ IVC	InvoCare	★★★★★	20/12/2018	Upgrade due to price change
▲ MCY	Mercury NZ	★★★	20/12/2018	Upgrade due to price change
▲ WHC	Whitehaven Coal	★★★	20/12/2018	Upgrade due to price change
▲ HSO	Healthscope	★★★★	19/12/2018	Upgrade due to price change
▲ SWM	Seven West Media	★★★★	19/12/2018	Upgrade due to price change

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