

# MARKET UPDATE

Weekly Update



## Strap yourself in, lots to get through

The market limped 27 points higher to 7488 this week and there were plenty more results through. They'll continue thick and fast until the end of the month. Amidst this white noise of figures, there are some interesting results being released. See below for a few result snapshots of interest:

### Newcrest (NCM)

FY21 record result and dividend, great margin expansion option ahead

Click on link for full report

[\*\*Newcrest Mining - FY21: Record NPAT \(in line\) & dividend US55c \(60% beat\): lots of attractive growth options - 19 Aug 2021\*\*](#)

### South 32 (S32)

FY21 result in line plus a very handy capital management top up – special dividend and buy back top up. Company is well set up heading into FY22.

Click on link for full report

[\*\*South32 - FY21: NPAT inline, DPS and buy back sweetened; Projects - 19 Aug 2021\*\*](#)

### Woolworths (WOW)

FY21 result in line with Group sales of \$67.3b, EBIT of \$3.66b, NPAT of \$1.97bn, and better than expected final dividend per share of 55cps. Outperforming Coles comfortably, but a PE of 31 x and little growth potential doesn't look cheap.

## ***Of greater interest (to me at least anyway):***

### **Silk Logistics (SLH)**

I like this recently listed company (and sector) and will report on it in greater detail in coming months. For now their FY21 results were as follows:

FY21 sales revenue up 28% to \$323m, EBIT up from \$0.9m to \$19.4m, statutory NPAT up \$12.7m to \$8.4m. Strong balance sheet with net cash of \$8.5m (\$25.3m cash, \$16m debt)

They also reiterated their FY22 guidance; retail store sales have obviously been hit but e-commerce is flying.

*NB: Shaw and Partners were a Joint Lead Manager (JLM) for the IPO.*

Click on link to our initiation of coverage below and an update post yesterday's release

**[Silk Logistics Holdings Limited - Leading Contract Logistics Operator: High Growth Sector, Attractive Metrics, Positive Outlook - 22 Jul 2021](#)**

**[Silk Logistics Holdings Limited - Ripper of a start to listed life ... with even stronger FY22 expected; Too cheap to ignore - 27 Aug 2021](#)**

### **Global Data Centre Group (GDC)**

This is another company I like the look of based on their sector and metrics. Shaw started coverage on them about 6 months ago and I've been following them closely ever since.

Firstly, their FY21 result:

It reminds me of when I first started investing in Vocus Communications (VOC) a decade ago when they were a small fibre optics business where they had purchased a group called Digital River, a dark fibre business, they also supplied bandwidth to corporates and were moving into data centres. VOC continued its path of growth, moving from less than a dollar to a peak of just under \$10.

GDC has a similar feel but is purely data centres and not as cheap.

FY21 operating revenue was \$8.9m, up 295% on previous corresponding period (pcp) and EBITDA was \$2.6m, up 521% on pcp.

Given the reliability of their cashflow they have also provided FY22 operating revenue guidance of \$15.3-15.8m and EBITDA guidance for the same period of \$3.7-\$4.0m.

This sector has exciting tailwinds and will continue to show substantial growth. Global data demand is forecast to grow at a 55% Compound Annual Growth Rate (CAGR) over the next 10 years and the hyperscale cloud market (i.e. the massive companies in the space like Apple, Google, etc) which facilitate data hosting and communication are expected to grow at similar rates.

Keep an eye on this one.

Click on link to report below

**[Global Data Centre Group - We're Going to Need a Bigger Data Centre - 25 Aug 2021](#)**

## Whitehaven Coal (WHC)

FY21 result was a shocker as expected, with a net loss of \$87m due to geological issues at Narrabri, strengthening currency, excessive debt and large asset write-offs (largely Narrabri) but thanks to cost reductions and of course the trebling in the coal price, FY22 looks ridiculously good.

Since June 30, 7 weeks ago, they've already paid down \$178m in debt, reducing it from \$809m to \$631m. At this rate they'll be debt free and cash positive in 6 months with plenty more to come. So with all this cash sloshing around the business, the big question is what they will do with it. Develop some of their greenfield projects, dividends, special dividends, acquisitions, buybacks. Ironically the cash generation from thermal coal may provide them with funds to buy into renewable projects. Not sure, but all will add further to the appeal of the company.

Click on link to report below

[Whitehaven Coal - FY21: A tough yr. ... FY22 looking better \(i\) Operationally, \(ii\) price tailwind, \(iii\) Deleveraging - 27 Aug 2021](#)

## Coventry Group (CYG)

Another cracking result, 3 years in a row of substantial growth.

FY21 sales were \$288.5m (pcp \$247.6m), EBITDA of \$13.4m (pcp \$6.6m), NPAT of \$7.2m (pcp -\$0.5m)

Net debt is a mere \$16.2m and they have declared the first dividend in 6 years; 3 cps.

CYG is a highly acquisitive, rapidly growing infrastructure facing business. I'll provide a more thorough update once I've met with them in the next few weeks.

## Dalrymple Bay Infrastructure (DBI)

HY21 result in line, Revenue of \$219.7m and NPAT \$113.2, will continue on market buyback, maintaining guidance of \$0.18 distribution per security (8.1% yield at current price of \$2.23).

DBI also updated the market on their move to a light-handed regulation model, as approved by the Queensland Competition Authority (QCA) on 1 July 2021

DBI is in commercial price negotiations with customers and any adjustments to access charges payable by users arising from this process will be backdated to an effective date of 1 July 2021. "DBI remains optimistic it will reach pricing agreements with all or a majority of its customers but does not intend to comment on customer negotiations until they are concluded".

Good yield and decent upside

## Elanor Retail Fund (ERF)

The Elanor Group released the results for all listed funds, ENN, ECF, ERF, but I just want to make a few points on the ERF update.

ERF sold Auburn Centre in December 2020 releasing \$129.5m and have now sold Moranbah Fair for \$28m. The sale of Auburn Centre released sufficient funds for them to pay off debt and pay a \$0.03 distribution plus a \$0.12 special distribution. The sale of Moranbah Fair enables them to repay \$25m of debt, reducing their gearing to 10.5%.

On a conference call this week I tried to extract some clarity on guidance for the group as they seem to be shrinking themselves to greatness, which is of no benefit to a property manager.

I think they will do one of two things from here:

- 1) Announce a major acquisition to replace the sold assets, and spend big on their 'value add' opportunities at Tweed Mall and Manning mall
- 2) Announce a buyback of all shares at NTA \$1.22 and delist ERF so that they can benefit from the improvements being made at the two shopping centres above.

ERF is run differently to ECF and they view themselves as 'value adding', i.e. pursuing total return rather than a distribution generator, like most property groups. In this way they feel like a retail version of GDI.

It is a little unusual for a property group to be so willing to reduce the value of their assets under management (AUM) without a clear and near-term pathway to re-investment.

Either way, it is good for unit holders.

We shall see how it plays out.

## Impedimed (IPD)

For investors who are exposed to this long underperforming medical device business, they announced this week the receipt of FDA approval for their bioimpedance spectroscopy (BIS) SOZO device for 'Breakthrough Device designation for Renal Failure'.

ImpediMed now boasts a number of FDA cleared and CE Marked medical devices, including SOZO® for heart failure, lymphoedema, and protein calorie malnutrition.

This is not an insignificant development for a company that has been in the wilderness for some time.

## Podcast

This week we chat with Andrew Varlamos, CEO and Co-Founder of OpenInvest.

OpenInvest is a technology company providing small investors access to professionally managed portfolios that would otherwise be reserved for those dealing directly with a broker or financial planner.

The future of Wealth Management is borderless, and it is companies with the vision and the technological knowhow that are changing the game and opening channels to connect professionals with would-be-investors.

[Listen to the episode](#) or [find us on Spotify](#).

See you next week,

Ben and the team

**This report has been prepared by Ben Morrissey**  
Shaw and Partners, Morrissey Wealth Management  
Level 20, 90 Collins Street  
Melbourne VIC 3000

Morrissey Wealth Management (Authorised Representative Number 268130) is a Corporate Authorised Representative of Shaw and Partners Limited (AFSL 236048) (ABN 24 003 221 583)

*This market update is issued by Morrissey Wealth Management an authorised representative (no. 268130) (the "Morrissey Group") of Shaw and Partners Limited AFSL 236048. This market update is confidential and may be privileged. Unauthorised use, copying or distribution of any part of this document including attachments is prohibited. The views expressed are personal to the Morrissey Group and do not necessarily reflect the views of Shaw and Partners. This market update has been prepared without taking into consideration any investor's financial situations, objectives or needs. Accordingly, before acting on the advice in this document, if any, you should consider its appropriateness to your financial situation, objectives and needs. Every reasonable effort has been made to ensure the information provided in this document is correct, but we cannot make any representation nor warranty as to the accuracy, completeness or currency of that information. To the extent permissible by law, no responsibility for any errors or misstatements is taken, negligent or otherwise. Shaw or its authorised representatives may also receive fees or brokerage from dealing in financial products, see Shaw's Financial Services Guide for information about the services offered by Shaw available at <http://www.shawandpartners.com.au/>.*