

Best Buys

March 2018



Analyst

Various

Date

1st March 2018

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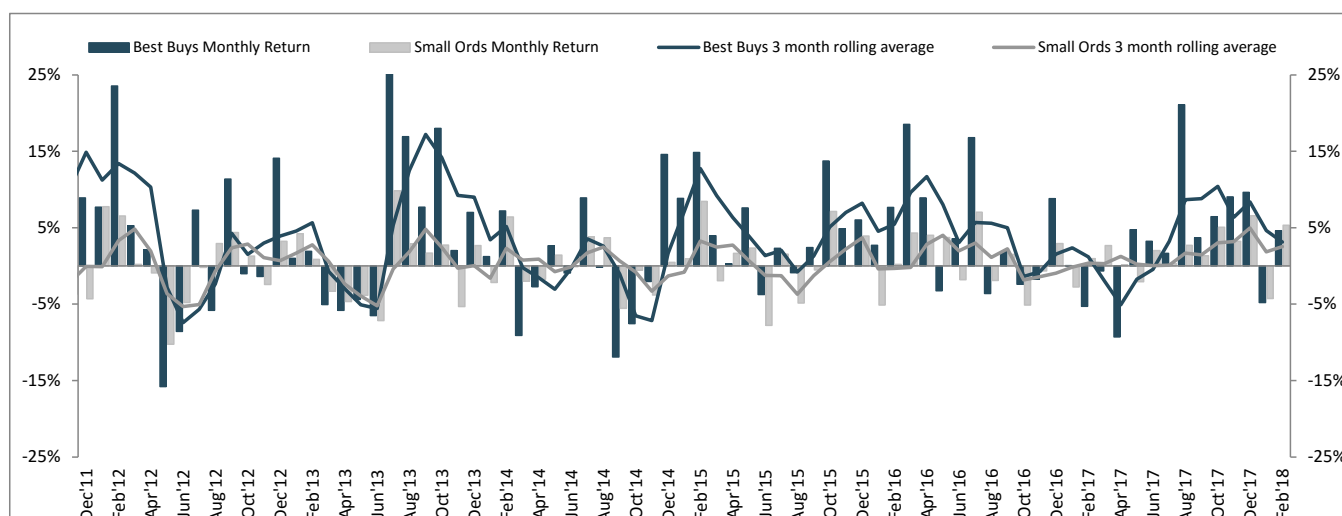
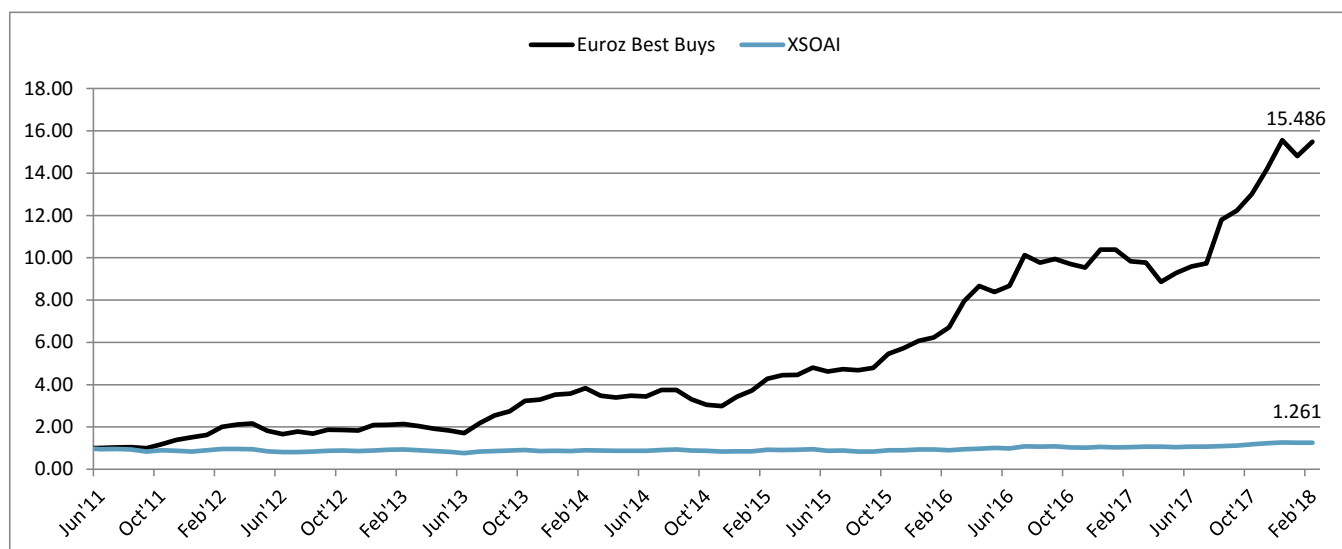
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Euroz Securities Best Buys note highlights the best trading ideas as recommended by the research analysts from our coverage universe at the beginning of each month. Best Buys recognises the catalysts and fundamental value that are expected to drive outperformance in the SHORT TERM.

The Euroz Best Buys have been a consistent outperformer over the ASX Small Ordinaries Accumulation Index (XSOAI) since inception in 2011.

Best Buys for March 2018

- Carnarvon Petroleum Ltd (CVN \$0.135) Speculative Buy
- Genex Power Ltd (GNX \$0.32) Speculative Buy
- IMF Bentham (IMF \$2.84) Buy
- Southern Cross Electrical Engineering Ltd (SXE \$0.755) Buy
- West African Resources Ltd (WAF \$0.37) Buy



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Carnarvon Petroleum Ltd (CVN \$0.135) Speculative Buy**Analyst:** Jon Bishop

- Phoenix South-3 is expected to spud in March, whilst the Dorado-1 well is slated for May spud. We expect this to increasingly attract market attention, particularly set against a firmer oil price picture;
- Success at either location represents a material discovery for CVN:
 - Phoenix South-3 - P50 net (to CVN) recoverable resource of 29mmbboe (Caley Sandstone);
 - Dorado-1 – 25mmbboe net (primary Caley target); 89mmbboe net (secondary Milne Target);
- We remind investors that the primary Caley Sandstone formation is a proven play defined at the Phoenix South and Roc discovered locations;
- Further, that the Phoenix South-2 well was plugged and the rig moved off location after encountering significant well bore pressures and recovering oil and gas upon entering the primary target: We view that the Phoenix South-3 well carries a high probability of success;
- The Company has a substantial portfolio of brown and greenfield exploration through appraisal-development opportunities that can crystallise value through farm-out this CY, including the delineated +20mmbbls Buffalo field in the Bonaparte Basin;
- We note that with the rising oil price, the E&P industry – dormant for the past 3 years – is seeking to re-invigorate its new ventures' portfolios (<http://www.finderexp.com/wp-content/uploads/2017/09/Media-Release-WA-520-P-Finder-Woodside-Farmin-1-Sept-2017-Final.pdf>);
- Our Price Target is \$0.15/sh but our risked Valuation of CVN's in-ground recoverable resources justifies at least \$0.27/sh.

**Genex Power Ltd (GNX \$0.32) Speculative Buy****Analyst:** Jon Bishop

- GNX 's Kidston Renewable Power Hub aligns with State and Federal Govt. agenda for an increase in renewable energy contribution to the domestic electricity market. Stage development is driven by Govt. funding and guaranteed revenue agreements established for Kidston.
- We expect a bounce in share price with the expiry of 15m 20cps Opt. as of Feb 20th;
- Stage 150MW Solar is in operation and has a 30yr life with \$12m/yr guaranteed by the Govt.
- Stage 2 consists of 250MW Solar Project & 270MW Pumped Hydro Storage with a 30-60+yr operating life from CY'20;
- We expect offtake/Power Purchase Agreements shortly and NAIF funding is pending;
- The balance of financing will follow shortly thereafter;
- Therefore Stage 2 completion underpins a 10x uplift in forecast EBITDA equating to an est. EV:EBITDA of 6x by FY'22.
- Peer multiples are closer to 12x whilst Pacific Hydro and Duet transactions capitalised future earnings at 15x: this is the ultimate strategy.
- We maintain our Speculative Buy recommendation with a \$0.54/sh Price Target.

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IMF Bentham (IMF \$2.84) Buy

Analyst: Ben Laird

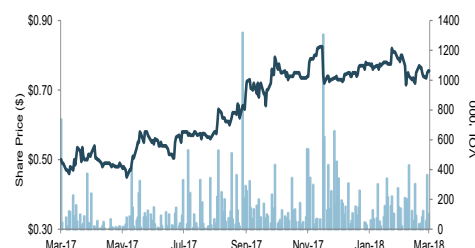
- IMF has been sold off post a break even 1H FY'18 result.
- We see this reaction as backward looking as the nature of IMF's business means that the earnings generated in the next 12-18mths will be predominately derived from the legacy "on balance sheet" business model.
- The reason we are bullish on the stock is the longer term pivot of business model to a capital light, more diversified and scalable funds management model is underway.
- The recent realisation of cash from the sale of their "on balance sheet" US casebook also provides IMF with flexibility regarding amortisation of debt and/or potential acquisitions in the medium term.
- IMF are poised to capitalise on their rare position of being a global leader in a rapidly expanding alternative asset class that is attracting ever increasing sums of third party capital.
- Upside to our longer term forecasts and valuation is possible from any increase in the scale of IMF's FUM operation or more rapid deployment of capital than we currently assume.
- We maintain our BUY recommendation with a price target of \$3.54/sh.



Southern Cross Electrical Engineering Ltd (SXE \$0.755) Buy

Analyst: Gavin Allen

- SXE reported a strong set of half year numbers, generating \$4.6m in underlying NPAT versus a \$1.8 loss pcp.
- Net cash is very strong at over \$60m.
- The pipeline of opportunities increased encouragingly from \$1.5b at time of equity raise late last year to \$2b.
- Importantly the order book is \$450m, similar to end fiscal 2017, and given \$50m in work announced to the ASX, and \$176m in work delivered, it is apparent circa \$100m in smaller work was won in normal course.
- This speaks to the diversity and quality of earnings improving.
- To this end, SXE now has \$250m of our \$400m 2019 revenue forecast locked away.
- In the meantime, SXE will win a fair share of larger size work in the normal course, acting as catalyst for the stock, some of which could be in the short term.
- PT \$1.00/sh.



West African Resources Ltd (WAF \$0.37) Buy

Analyst: Andrew Clayton

- We rate Sanbrado as one of the best undeveloped gold projects controlled by a junior.
- The high grade M1 Sth shoot (747koz @ 14 g/t Au) continues to deliver excellent high grade results and remains open at >500m vertical depth.
- With four rigs on site for both extensional and infill drilling there will be plenty of newsflow culminating in a potential resource upgrade in Q1 CY'18 and updated DFS in mid CY'18.
- The updated feasibility study in mid CY'18 could deliver an IRR of >50% with production >200koz @ AISC of <US\$700/oz in the initial years with the blending of high grade open pit and underground ore.
- We believe project of this quality are rarely developed by junior and hence rate WAF as a potential corporate target.
- WAF is well funded with \$20m in cash.
- Valuation and Price Target is \$0.61/sh.



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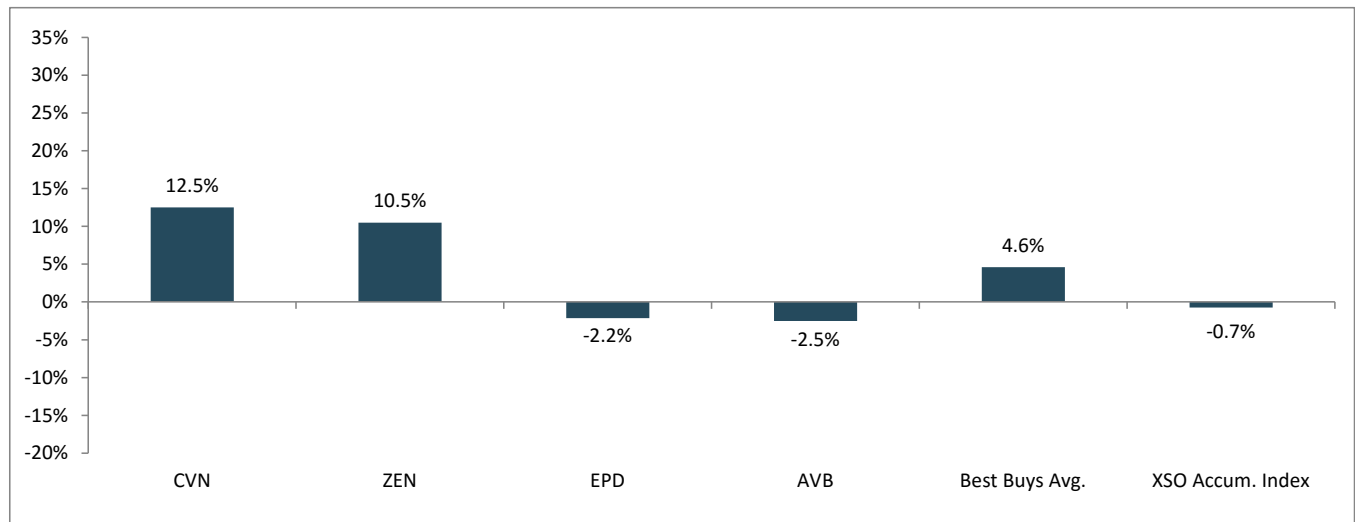
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Best Buys Historical Performance

The Euroz Best Buys portfolio performance is the simple average performance of the stocks selected for that month from date of publish until end of month.

The Euroz Best Buys portfolio returned 4.6% in December against the ASX:XSOAI index return of -0.7% an outperformance of 5.3% for the month.



Outperformance is biased toward periods of uptrend in the XSOAI.

The outperformance of the Euroz Best Buys since inception comes despite a generally poor period of returns from WA oriented stocks.

Future returns from WA oriented companies could be expected to be greatly improved compared the 2011-2015 period as the economic cycle recovers.

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