OUR ANALYSTS' BUY-RATED STOCKS

The favoured ten for private clients

Peter Quinton/Radhika Singla

After examining all of our analysts' buy-rated stocks with a market capitalisation above $1.0 billion, we have identified ten of them which we particularly like over the next 12 months or so for private clients:

- **Aristocrat Leisure (ALL):** Develops, manufactures and sells gaming content, platforms and systems. Group revenue consists of land-based gaming (29.0%) involving the placement of gaming machines in customer venues for no upfront cost and then leasing the games/ titles for a recurring revenue stream; land-based outright sales of gaming machines (24.5%); and digital (46.5%) encompassing the monetisation of social casino and casual games/ titles.

  The group has a dominant position in the North American gaming industry and the land-based operations should underpin medium term growth while the digital business offers opportunities in a rapidly growing market.

- **Brambles (BXB):** A global logistics company operating in more than 60 countries, which provides reusable pallets, crates and containers for shared use by multiple participants throughout a supply chain under a model known as "pooling".

  The group primarily serves defensive growth sectors such as fast-moving consumer goods (dry food, grocery, and health and personal care), fresh produce and beverages. Further expansion into emerging markets should generate additional earnings growth.

- **CSL (CSL):** A leading global company in the development, manufacture, and distribution of plasma therapies as well as non-plasma biotherapeutic products and influenza related products. The recently completed acquisition of Vifor Pharma will add global leadership in pharmaceutical products for renal disease and iron deficiency.

  The global growth in plasma volumes is expected to be around a solid 8% per annum for the foreseeable future and, in addition, the group is planning to launch new products from its very extensive Research and Development portfolio.

- **Goodman Group (GMG):** One of the world's largest integrated industrial property groups with operations centred around development, management and ownership throughout Australia, New Zealand, Asia, Europe, United Kingdom, North America, and Brazil.

  The long term outlook for industrial and logistics properties is favourable given the continuing growth in ecommerce (or on-line retail sales) and data storage requirements as well as supply chain optimisation and the growing middle class in developing countries.

- **GPT Group (GPT):** The ownership and management of a commercial property portfolio—38% office, 34% retail, and 28% logistics—currently accounts for 93% of group earnings. The remaining 7% of group earnings includes the property development and funds management operations.

  The current 30% discount to the NTA (net tangible assets per security) of $6.26 provides a solid safety margin in the event of any property devaluations, especially in the office sector, on the back of higher interest rates and capitalisation rates.

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- **South32 (S32):** A diversified resources company with operations in Australia, South America and South Africa. The fiscal 2022 earnings composition was 35% aluminium/ alumina, 31% coking coal, 19% nickel/ zinc, 12% manganese ore, and 3% copper.

  The next phase of growth is expected to come from the world class base metal development options in North America. In addition, the management team has plans to markedly increase the group's involvement in minerals, which are critical to a low carbon future, such as copper, nickel, zinc, aluminium, and manganese.

- **Suncorp Group (SUN):** The second largest general insurance company in Australia and New Zealand and it also owns a large Australian regional bank, which is now subject to a sale agreement with ANZ Banking Group. The fiscal 2022 net profit composition was 53% Suncorp Bank, 25% Insurance Australia, and 22% Insurance New Zealand.

  The cash sale of Suncorp Bank to ANZ is expected to yield net proceeds of $4.1 billion and the group's intention is to return the majority of these proceeds to shareholders through a combination of a fully franked special dividend and a pro-rata capital return after completion of the transaction, which is targeted for the second half of calendar 2023.

- **Woodside Energy Group (WDS):** A top 10 global independent energy company with oil and gas assets in Australia, U.S. Gulf of Mexico, Senegal, Trinidad and Tobago, and Mexico. The current production composition is 57% LNG, 23% oil, and 20% pipeline gas and natural gas liquids.

  The upheavals in the global and Australian energy markets over the past twelve months have highlighted the importance of gas in the world's future energy mix. In addition, the group is entering new energy sources such as hydrogen, carbon capture and storage/ utilisation, and solar with an investment target of US$5 billion by 2030.

- **Woolworths Group (WOW):** The group operates supermarkets, discount department stores (BIG W) and B2B (business to business) food services. It is Australia's largest grocery retailer and accounts for over 36% of the food grocery retailing market.

  In the current environment of rising cost of living pressures, supermarkets are much better placed than discretionary retailers and, in the longer term, the group should benefit from a persistence in working from home habits and the accompanying elevated at home food consumption.

- **Worley (WOR):** A global company providing engineering services, project management and maintenance to three broad sectors—energy (hydrocarbons, renewables and power), chemicals (refining, petrochemicals, and chemicals), and resources (minerals and infrastructure). The composition of earnings is currently 44% from energy, 41% from chemicals, and 14% from resources.

  A key driver of growth will be sustainability related work across these three sectors—decarbonisation, resource stewardship, asset sustainability, and environment—which already accounts for 35% of group revenue and management has an aspirational target of 75% by 2026.

Note: refer to our latest company research and contact your adviser for more information

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