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2019

Stocks to watch



Marcus Padley

Marcus has more than 30 years of Stock Market experience, is the founder of the Marcus Today Stock Market Newsletter, and is a well renowned media presenter. He appears on the ABC and Your Money regularly, and has a daily spot on Jon Faine's ABC Radio morning show. His opinions are much sought after.



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Henry Jennings

Henry began his career in London and has worked for some of the biggest Financial firms in the world, including Macquarie Bank here in Australia. With over 40 years of experience, there isn't much Henry hasn't seen and that knowledge is invaluable. Henry is a prolific media presenter, appearing frequently on Your Money and the ABC.



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Chris Conway

Chris has more than 10 years of experience and has quickly developed a name for himself when it comes to stock selection. He won the 2018 Stockpicker of the Year Award, as judged by the Australian Stockbrokers Foundation, having finished third in 2015, and second in 2016. Chris is a regular on Your Money, and writes monthly share tips for News Corp publications.



@ChrisCTrader

Marcus Today Newsletter: Top Stocks Picks 2019

Each year the team at Marcus Today sit down and pick their top four stocks, across different categories, for the upcoming year.

The selection process takes into account previous track record but is heavily weighted towards future performance.

The stocks featured are best-of-breed. They have strong fundamentals, positive industry dynamics, superior growth prospects, or exceptional management – or a combination thereof.

The stocks contained in the guide are spread across different sectors, with some well-known blue-chip stocks but also some smaller, more speculative selections.

Don't settle for just any stocks for your portfolio, find out which stocks we feel have the best chance of maximising your returns in 2019.

There are four categories and one stock is selected for each. The selections are listed below, with the stocks the Marcus Today team have selected.

GROWTH – Macquarie Group Limited (MQG)

VALUE – Adairs Limited (ADH)

MOMENTUM – Codan Limited (CDA)

SPECULATIVE – Afterpay Touch (APT)

Written by Chris Conway

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MQG

...top four stocks, across different categories,
for the upcoming year.

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GROWTH - MACQUARIE GROUP LIMITED (MQG)

Macquarie Group Limited is a holding company, which provides financial services. The Company, through its subsidiaries, provides banking, financial, advisory, investment and funds management services. It is divided into six operating groups and a corporate segment. Its operating groups include Macquarie Asset Management, which provides infrastructure and real asset management, securities investment management and personalized investment solutions over funds and listed equities; Corporate and Asset Finance, which delivers finance and asset management solutions; Banking and Financial Services, which provides a range of personal banking, wealth management, and business banking products and services. Macquarie Securities Group, which is a global institutional securities house; Macquarie Capital, which provides corporate finance advisory and capital markets services, and Commodities and Financial Markets, which provides risk and capital solutions across physical and financial markets.

MQG	Macquarie Group Ltd		Last Updated	Price	marcustoday							
SECTOR	Financials		07/11/18	12150c	Reports in AUD							
ACTIVITY	Diversified Capital Markets			Mkt Cap	\$41145m	Headquarters				NEW SOUTH WALES		
STARMINE RANKING 100 = Best	Rankings are relative to all other stocks in Australia							COMBINED FACTOR RANKING			97	
	Earnings Quality	58	Credit Ranking	65	Relative value	57	Trend - Short	8				
	Value Momentum	96	Forecast Trend	98	Insto interest	96	Trend - Medium	55				
	Price Momentum	99	Intrinsic Value	76	Est Surprise	+1.9%	Trend - Long	99				
	FY-2	FY-1	FY0	FY1	FY2	FY3	FY4	ROE Now	16.7%	ROA	2%	
ROE	14.6%	14.5%	16.0%	16.7%	16.8%	16.5%	17.3%	Average ROE	15.7%	NTA	5072c	
REVENUE	-	10443m	10682m	11702m	12072m	12470m	13431m	Sales Growth	10%	Price to Sales		
REVENUE %	-	-	+2%	+10%	+3%	+3%	+8%	PEG Ratio	1.1	PSR	3.9x	
EPS	600.1c	645.0c	743.5c	838.6c	884.4c	925.1c	1056.6c	PE	14.5x	Ave PE	13.1x	
EPS GROWTH	-	+7%	+15%	+13%	+5%	+5%	+14%	Yield	4.8%	High	14.5x	
PE	11.0x	14.1x	13.8x	14.5x	13.7x	13.1x	11.5x	Gross Yield	5.7%	Low	11.0x	
DIVIDEND	400.0c	470.0c	507.6c	582.0c	611.1c	635.6c	726.5c	Franking	45%	Gearing		
YIELD	6.1%	5.2%	5.1%	4.8%	5.0%	5.2%	6.0%	Payout Ratio	70%	463%		
GROSS YIELD	7.2%	6.2%	6.1%	5.7%	6.0%	6.2%	7.1%	Div Cover	1.4x	Debt \$m		
DIV GROWTH	-	+18%	+8%	+15%	+5%	+4%	+14%	Price to Book	4806c	-		
DIV COVER	-	1.4x	1.5x	1.4x	1.4x	1.5x	1.5x	MT STOCK BOX ©				
PAYOUT RATIO	-	73%	68%	69%	69%	69%	69%	-				
Strong Buys		3	Mean price target	12732c	Last Ex Date	12/11/18		Price	1M	6M	1 Year	5 Year
Buys		5	Price v target	-4.6%	Last Dividend	Interim			-3%	+12%	+22%	+128%
Holds		5	Intrinsic value	17187c	Franking	45%		52 Week High	12987c	03/09/18	Beta	
Sells		0	Price v IV	-29.3%	Est. Results	06/05/19		52 Week Low	9549c	06/12/17	1.2	
Strong Sells		0	Price target high	14600c	Next Results	Final		From Year high		-6%	Volatility	
Average - BUY			Price Target Low	10167c	Est. Next ExDiv	13/05/19		From Year low		+27%	23.3%	
https://www.macquarie.com.au/mgl/au				Daily RSI (14)	22.9		Daily ATR & as %		280.5c		2.3%	
Listed	2007-11-05	Yr End	Mar-19	Weekly RSI (14)	35.2		Weekly ATR & as %		559.0c		4.6%	

WHY WE LIKE IT

Over the past decade, MQG has diversified away from Australia to become a global investment bank. 63% of the company's revenue now flows from outside Australia and New Zealand. International income has moved from 53% to 67% of earnings in 2018, and offshore staff from 34% to 54% of total employees as well.

In recent years MQG has been pivoting away from its traditional capital markets business (volatile earnings linked to the financial markets cycle) to manage \$535 billion worth of assets internationally (described as an annuity-style business). Before the GFC, the annuity-style asset-management business accounted for approximately 30% of income, with the rest derived from the capital markets business. Today, the asset-based business accounts for 70% of income and Macquarie is the world's biggest infrastructure asset manager, with half a trillion dollars under management. Across the portfolio of assets, MQG maintains a high-quality match funded balance sheet, with diversified earnings streams across a range of businesses, where it has competitive positions with distinctive product offerings.

MQG's pivot away from the volatile capital markets business, and into the annuity-style asset management business, is what makes it so attractive. Therein lies the magic of the all-weather Macquarie model.

First, the annuity-style businesses help insulate the group from external conditions. In times of volatility, those market-facing businesses benefit as client activity rises. When markets are calm and rising, and rates are low, the annuity style business – asset management and asset finance – will deliver outperformance.

MQG recently delivered their 1H earnings numbers, which beat consensus estimates. Furthermore, the company upgraded their guidance, suggesting the full-year numbers would be a 10% beat on last year.

Given the long running performance and excellent track record of Macquarie, coupled with the company's own positive outlook for future periods, we select MQG as our growth stock for 2019.



ADH

...strong fundamentals, positive industry dynamics, superior growth prospects, or exceptional management – or a combination thereof.

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VALUE – Adairs Limited (ADH)

Adairs Limited is engaged in the retailing of home wares and home furnishings in Australia. The Company is engaged in product design, development, sourcing, distribution and retail operations. Its product offering consists of two segments, being its core or staple product categories (Staple) and the fashion and decorator product categories (Fashion and Decorator). Its Staple product categories include plain bed linen, bedding (pillows, quilts, underlays, mattress protectors) and towelling products. The Staple range also includes seasonal products (Christmas trim, beach towels and flannelette bed linen). Its Fashion and Decorator product categories include fashion bed linen, soft furnishings, homewares, and occasional and bedroom furniture. The Company's products are sold under its own private brands. The Company has approximately 130 stores across Australia in five physical store formats: Adairs, Adairs Homemaker, Adairs Kids, urban home republic (UHR) and Adairs Outlets.

ADH	Adairs Ltd			Last Updated		Price		<i>marcustoday</i>			
				07/11/18		186c					
SECTOR	Consumer Cyclical			Mkt Cap		S306m		Reports in AUD			
ACTIVITY	Homefurnishing Retail			Headquarters		VICTORIA					
STARMINE RANKING 100 = Best	Rankings are relative to all other stocks in Australia						COMBINED FACTOR RANKING				73
	Earnings Quality	91	Credit Ranking	36	Relative value	96	Trend - Short	85			
	Value Momentum	87	Forecast Trend	45	Insto interest	73	Trend - Medium	8			
	Price Momentum	25	Intrinsic Value	100	Est Surprise	-0.9%	Trend - Long	81			
	FY-2	FY-1	FY0	FY1	FY2	FY3	FY4	ROE Now	28.5%	ROA	22%
ROE	30.1%	21.5%	28.2%	28.5%	29.0%	29.4%	27.3%	Average ROE	27.5%	NTA	70c
REVENUE	253m	265m	315m	352m	387m	420m	430m	Sales Growth	12%	Price to Sales	
REVENUE %	-	+5%	+19%	+12%	+10%	+9%	+2%	PEG Ratio	0.7	PSR	1.0x
EPS	15.7c	12.7c	18.3c	20.6c	22.7c	24.5c	26.0c	PE	9.0x	Ave PE	9.4x
EPS GROWTH	-	-19%	+44%	+13%	+10%	+8%	+6%	Yield	8.2%	High	15.2x
PE	15.2x	6.8x	12.2x	9.0x	8.2x	7.6x	7.1x	Gross Yield	11.7%	Low	6.8x
DIVIDEND	11.5c	8.0c	12.9c	15.2c	16.4c	17.9c	19.0c	Franking	100%	Gearing	
YIELD	4.6%	9.3%	6.1%	8.2%	8.8%	9.6%	10.2%	Payout Ratio	71%	22%	
GROSS YIELD	6.6%	13.3%	8.6%	11.7%	12.6%	13.8%	14.6%	Div Cover	1.4x	Debt \$m	
DIV GROWTH	-	-30%	+61%	+18%	+8%	+9%	+6%	Price to Book	70c	12m	
DIV COVER	-	1.6x	1.4x	1.4x	1.4x	1.4x	1.4x	MT STOCK BOX ©		Cash \$m	
PAYOUT RATIO	-	63%	70%	74%	72%	73%	73%			13m	
Strong Buys	1	Mean price target	277c	Last Ex Date	11/09/18		Price	1M	6M	1 Year	5 Year
Buys	3	Price v target	-33.0%	Last Dividend	Final			-24%	-11%	+15%	+0%
Holds	0	Intrinsic value	393c	Franking	100%		52 Week High	271c	31/08/18	Beta	
Sells	0	Price v IV	-52.8%	Est. Results	25/02/19		52 Week Low	153c	19/12/17	0.7	
Strong Sells	0	Price target high	310c	Next Results	Interim		From Year high		-32%	Volatility	
Average - BUY		Price Target Low	252c	Est. Next ExDiv	12/03/19		From Year low		+21%	49.4%	
https://www.adairs.com.au/				Daily RSI (14)	12.1		Daily ATR & as %	10.4c		5.6%	
Listed	2015-06-17	Yr End	Jun-19	Weekly RSI (14)	37.9		Weekly ATR & as %	21.5c		11.6%	

WHY WE LIKE IT

Being our 'value' selection, this one is really all about the numbers. ADH ranks in the top quintile of all ASX stocks for value, as evidenced by the Starmine Rankings in the StockBox. ROE average is a very healthy 27.5% (anything above 20% is excellent), whilst revenue, EPS and gross yield are expected to grow solidly over coming years.

The company recently reiterated FY19 guidance for 5-14% growth in operating earnings, and a like-for-like sales growth above 5% for the first 15 weeks of the new financial year indicate that the company continues to grow market share and execute well. The recent share price weakness has created the value we seek, with the share price trading at a circa 53% discount to intrinsic value.



CDA

...well-known blue-chip stocks but also some smaller, more speculative selections.

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MOMENTUM - CODAN LIMITED (CDA)

Codan Limited develops electronics solutions for government, corporate, non-governmental organization (NGO) and consumer markets across the globe. The Company's segments include communications equipment, metal detection (Minelab) and tracking solutions. The communications equipment segment includes the design, development, manufacture and marketing of communications equipment. The metal detection segment includes the design, development, manufacture and marketing of metal detection equipment. The tracking solutions segment includes the design, manufacture, maintenance and support of a range of electronic products and associated software for the mining sector. The Company's technologies include radio communications, metal detection and tracking solutions. It also serves aid and humanitarian organizations, mining companies, security and military groups, and artisanal miners. The Company operates in Australia, Canada, the United States, China, the United Arab Emirates, South Africa and Ireland.

CDA	Codan Ltd		Last Updated		Price		<i>marcustoday</i>				
			07/11/18		308c						
SECTOR	Technology		Mkt Cap		\$549m		Reports in AUD				
ACTIVITY	Electronic Equipment & Instruments		Headquarters		SOUTH AUSTRALIA						
STARMINE RANKING 100 = Best	Rankings are relative to all other stocks in Australia						COMBINED FACTOR RANKING		94		
	Earnings Quality	89	Credit Ranking	93	Relative value	70	Trend - Short	24			
	Value Momentum	91	Forecast Trend	88	Insto interest	87	Trend - Medium	65			
	Price Momentum	43	Intrinsic Value	93	Est Surprise	+0.1%	Trend - Long	96			
	FY-2	FY-1	FY0	FY1	FY2	FY3	FY4	ROE Now	21.0%	ROA	18%
ROE	15.8%	29.4%	22.5%	21.0%	20.1%	19.2%	-	Average ROE	21.8%	NTA	106c
REVENUE	170m	219m	218m	236m	251m	278m	-	Sales Growth	8%	Price to Sales	
REVENUE %	-	+29%	-0%	+8%	+7%	+11%	-	PEG Ratio	4.8	PSR	2.5x
EPS	11.9c	24.9c	22.1c	22.7c	24.3c	25.0c	-	PE	13.6x	Ave PE	12.3x
EPS GROWTH	-	+109%	-11%	+3%	+7%	+3%	-	Yield	3.9%	High	13.6x
PE	13.1x	9.4x	12.8x	13.6x	12.7x	12.3x	-	Gross Yield	5.6%	Low	9.4x
DIVIDEND	6.0c	7.0c	10.1c	12.1c	13.0c	13.9c	-	Franking	100%	Gearing	
YIELD	5.3%	3.1%	2.9%	3.9%	4.2%	4.5%	-	Payout Ratio	47%	0%	
GROSS YIELD	7.5%	4.4%	4.1%	5.6%	6.0%	6.4%	-	Div Cover	1.9x	Debt \$m	
DIV GROWTH	-	+17%	+44%	+20%	+8%	+6%	-	Price to Book	-	-28m	
DIV COVER	-	3.6x	2.2x	1.9x	1.9x	1.8x	-	MT STOCK BOX ©		Cash \$m	
PAYOUT RATIO	-	28%	46%	53%	54%	55%	-			28m	
Strong Buys		Mean price target	342c	Last Ex Date	31/08/18	Price		1M	6M	1 Year	5 Year
Buys		Price v target	-9.9%	Last Dividend	Final	-4%		+26%	+32%	+76%	
Holds		Intrinsic value	539c	Franking	100%	52 Week High		339c	21/09/18	Beta	
Sells		Price v IV	-42.8%	Est. Results	25/02/19	52 Week Low		194c	06/12/17	0.8	
Strong Sells		Price target high	365c	Next Results	Interim	From Year high			-9%	Volatility	
Average - STRONG BUY		Price Target Low	309c	Est. Next ExDiv	01/03/19	From Year low			+59%	32.7%	
http://www.codan.com.au/				Daily RSI (14)	26.2	Daily ATR & as %		8.6c	2.8%		
Listed	2003-11-27	Yr End	Jun-19	Weekly RSI (14)	45.8	Weekly ATR & as %		18.8c	6.1%		

WHY WE LIKE IT

Whilst Codan is not a particularly well-known stock, the company's financial performance and share price appreciation in recent years has been exceptional.

Demand for the company's metal detection services and software solutions has continued to grow, as mining companies continue to shift towards more automated operations.

Also driving revenue growth has been the spread of a number of new products, rather than being driven solely by demand for Minelab's high-value, high margin product or any 'gold-rush' type demand.

The growth in new products should dilute the contribution of gold detectors to around 35% of revenue by FY20 from around 45% of revenue in FY17.

FY18 saw the company produce another strong year financially, with a 20% increase in base business sales, a special dividend paid to shareholders, and a strong balance sheet with \$28 million in net cash.

In 2019 we anticipate Codan will continue to broaden its earnings base, increase their metal detection product range, and improve the distribution across their Minetec business and double their Tracking revenues.

All this should deliver further increases in revenue, profit and EPS. Couple the share price performance with a nicely trending share price, and this makes Codan (CDA) our momentum stock for 2019.



APT

Don't settle for just any stocks for your portfolio, find out which stocks we feel have the best chance of maximising your returns in 2019.

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SPECULATIVE - AFTERPAY TOUCH (APT)

Afterpay Touch Group Limited is Australia-based technology platform company. The Company is focused on applying its technology to provide a retail payments outfit that facilitates commerce between retail merchants and end customers, offering a buy now, receive now, pay later service. The Company operates in three business units: mobility and payments, health and government and retail services. The Company has developed bespoke solutions. These bespoke solutions and hardware comprises the touch system platform such as TouchPoint technology, e-Services platform and Mobility platform. The Company's technology platform comprises two components: The transaction integrity engine and the Afterpay operating platform. At the core of the Afterpay System is its transaction integrity engine, which conducts end-customer fraud and repayment capability assessments in real-time, allowing Afterpay to make real-time.

APT	Afterpay Touch Group Ltd			Last Updated	Price		<i>marcustoday</i>				
				07/11/18	1300c						
SECTOR	Industrials			Mkt Cap	\$2974m		Reports in AUD				
ACTIVITY	Data Processing & Outsourced Services			Headquarters		VICTORIA					
STARMINE RANKING 100 = Best	Rankings are relative to all other stocks in Australia						COMBINED FACTOR RANKING			8	
	Earnings Quality	2	Credit Ranking	21	Relative value	1	Trend - Short	51			
	Value Momentum	5	Forecast Trend	29	Insto interest	35	Trend - Medium	4			
	Price Momentum	55	Intrinsic Value	1	Est Surprise	-3.6%	Trend - Long	94			
	FY-2	FY-1	FY0	FY1	FY2	FY3	FY4	ROE Now	8.2%	ROA	4%
ROE	-	5.6%	6.1%	8.2%	16.7%	27.3%	42.8%	Average ROE	9.1%	NTA	85c
REVENUE	2m	23m	124m	238m	349m	539m	1060m	Sales Growth	92%	Price to Sales	
REVENUE %	-	+1406%	+429%	+92%	+47%	+54%	+97%	PEG Ratio	0.8	PSR	24.1x
EPS	-	3.0c	4.8c	11.7c	29.2c	58.3c	131.5c	PE	110.7x	Ave PE	46.8x
EPS GROWTH	-	-	+60%	+145%	+149%	+100%	+125%	Yield	0.0%	High	110.7x
PE	-	-	-	110.7x	44.5x	22.3x	9.9x	Gross Yield	0.0%	Low	9.9x
DIVIDEND	-	0.0c	0.0c	0.0c	0.0c	0.0c	0.0c	Franking	0%	Gearing	
YIELD	-	0.0%	-	0.0%	0.0%	0.0%	0.0%	Payout Ratio	-	88%	
GROSS YIELD	-	0.0%	-	0.0%	0.0%	0.0%	0.0%	Div Cover	-	Debt \$m	
DIV GROWTH	-	-	-	-	-	-	-	Price to Book	85c	112m	
DIV COVER	-	-	-	-	-	-	-	MT STOCK BOX ©			Cash \$m
PAYOUT RATIO	-	0%	0%	0%	0%	0%	0%				10m
Strong Buys	3	Mean price target		2378c		Last Ex Date		-			
Buys	3	Price v target		-45.3%		Last Dividend		-			
Holds	0	Intrinsic value		308c		Franking		0%			
Sells	0	Price v IV		+322.1%		Est. Results		25/02/19			
Strong Sells	0	Price target high		2615c		Next Results		-			
Average - STRONG BUY		Price Target Low		2165c		Est. Next ExDiv		-			
http://www.afterpay.com.au				Daily RSI (14)		27.5		Daily ATR & as %		119.0c 9.2%	
Listed	2017-06-29		Yr End	Jun-19		Weekly RSI (14)		52.9		Weekly ATR & as % 266.2c 20.5%	

WHY WE LIKE IT

Despite some recent hiccups, such as the announcement of a Senate inquiry into “debt vultures” (lenders, lease-to-buy schemes and 'buy now, pay later'), there is no doubting Afterpay’s success.

To ‘Afterpay’ something has become part of the vernacular and the sheer numbers highlight the levels of adoption. In just four years almost 18,000 retailers now offer the ability to use Afterpay, and the company claims 2.3 million active customers. For the uninitiated, Afterpay allows consumers to buy a relatively low-value product (the average retail price is \$150) with a 25% deposit and take it immediately. The remainder is paid off in three further instalments over six weeks. The retailer pays Afterpay a commission, and the firm will charge customers late fees – but, importantly, not interest. This means Afterpay is not regulated as a credit provider and instead markets itself as a budgeting tool aimed at the two-thirds of Millennials who don’t own a credit card.

The company has recently expanded into America, a much bigger, consumer-driven market. If the company achieves just a 3% penetration rate (as opposed to the circa 25% penetration rate here in Australia) it would have approximately three times as many US customers than it has in Australia. Needless to say, the opportunity is massive.

This remains a speculative opportunity, subject to regulatory risk, and execution risk – particularly via the US expansion – but if they get it right the rewards could be significant.



Marcus Today Funds Management

Join us - its where we invest!

Over the Financial year to June 2018, compared to the best industry Super Fund up 12.1%,
we have returned 22.34%.



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- » You retain beneficial ownership
- » Utilise your own tax status
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