under the radar report
SMALL CAPS

ISSUE 597
25 APRIL 2024

DIVIDEND PORTFOLIOS SHOW THE POWER OF VALUE

I have mentioned being able to find a portfolio of value Small Caps on low PEs. Look no further! This week we include three recent Small Cap Dividend Portfolios, each containing 10-12 stocks. In total there are 23 different stocks to choose from. Wait a second, make that 21 different stocks. Two have been taken over, PTB Group and A2B Australia. Long-term watchers will know takeovers are a big possibility when you get a portfolio of dividend producing small caps.

10 of the above stocks we rate as buys and you should also check out our 10 Best Stocks To Buy Now. Not all Small Caps we like pay dividends, but those that do also have big potential for capital gain as the valuation goes from being dividend based to including growth expectations.

Our 14 portfolios over 7 years have achieved an average annual return of 12.4%, which is almost three-fold better than the market, with the S&P/ASX All Ords returning 4.6% a year.

Their performance has been accelerating, but over the long-term, our results highlight that a portfolio supported by strong dividends works no matter the share market.

Strong performance often means that you need to go through the process of looking for replacements. The contractors **Southern Cross Electrical (SXE)** and **Acrow Formwork (ACF)** qualified for good reason in prior portfolios but now probably won't because it has gone up so much. We'll have to find a replacement, but we won't be taking profits. Sometimes you let your winners run. Fear not! Our team has been scouring the earth for new stocks and new dividend portfolios, which we will unveil over coming weeks.

Life is about excitement, so welcome to Under the Radar Report!

Richard Hemming
Head of Investments

the issue

THE DIVIDEND REPORT

We show you how to build a portfolio of Small Caps that can grow your wealth, all the while you're getting paid!
8 Reasons why dividend portfolios outperform + Dividend tables

RESEARCH TIP UPDATES

COE upgrade to spec buy

COOPER ENERGY (COE)	▲ SPEC BUY
KAROON ENERGY (KAR)	BUY
PILBARA MINERALS (PLS)	HOLD
SELECT HARVESTS (SHV)	HOLD

BEST STOCKS TO BUY

These stocks are quality companies that we believe offer great return potential for the risks faced. Check them out online.

Our 14 dividend portfolios over 7 years have achieved an average annual return of 12.4%, which is almost three-fold better than the market, with the S&P/ASX All Ords returning 4.6% a year.

Under the Radar Report

Published by Under the Radar Report Ltd
655A Darling St, Rozelle, NSW 2039
Telephone 1300 100 343 Email radar@undertheradarreport.com.au

Head of Investments Richard Hemming, Publisher Caroline Mark
ABN: 65147404662. AFSL: 409518.
Website www.undertheradarreport.com.au

under the radar report
SMALL CAPS

ISSUE 597
25 APRIL 2024

DIVIDEND PORTFOLIO REVIEW: 8 TOP TIPS

A Strategy For All Seasons

We have recommended 14 Small Cap Dividend Portfolios over the past seven years, which includes 27 stocks that have doubled or more. Their performance has been accelerating but over the long-term, our results highlight that a portfolio supported by strong dividends works no matter the share market. Stocks with strong fundamentals can give you a dividend yield AND big potential for capital gain as the valuation goes from being dividend based to growth based.

BELOW ARE THE TOP 8 TAKEAWAYS

1. Winners outweigh losers

Winners have outweighed the losers both by quantum and by number. Remember, winners are unlimited, while losses are limited to the amount you invest.

Winning means that you need to go through the process of looking for replacements. The contractors **Southern Cross Electrical (SXE)** and **Acrow Formwork (ACF)** qualified for good reason in prior portfolios but now probably won't because it has gone up so much. We'll have to find a replacement, but we won't be taking profits. Sometimes you let your winners run.

Radio networks owner **ARN Media (A1N)** has been a poor price performer, but dividends are still being paid, with some hope of cyclical recovery.

2. Diversfication is the great protector

The best performing portfolios have had most stocks i.e. 9 plus, which illustrates some of the benefits of diversification. Diversification is not only important to spread the individual stock risk, but it is also important to spread your risk across sectors, across industries, across business models, and exposing the portfolio to different models of financial leverage.

The regional banks **Auswide (ABA)** and **MyState (MYS)** have been hit hard, price wise, but have been paying income throughout the difficult times of increasing interest rates. Their shares have been rebounding, highlighting the importance of being a long-term holder.

Two longer held portfolios have double digit annual returns, despite four out of twelve stocks in each being negative. Some of the losses were offset by dividends received, which have the hidden benefit of giving more firepower for fresh purchases. The most recent portfolio has fewer loss making positions. Three of the stocks are up over 30% in six months!

Published by Under the Radar Report Ltd
655A Darling St, Rozelle, NSW 2039
Telephone 1300 100 343 Email radar@undertheradarreport.com.au

Head of Investments Richard Hemming, Publisher Caroline Mark
ABN: 65147404662. AFSL: 409518.
Website www.undertheradarreport.com.au

DIVIDEND PORTFOLIO REVIEW

3. Takeovers go with the territory

We have recommended 14 Small Cap Dividend Portfolios over the past seven years, which includes 27 stocks that have doubled or more.

It's telling that the same number of stocks have been taken over at 27 of the close to 100 stocks that we have picked in our portfolios, which is a strike rate of over 27%. In our first portfolio in January 2017 of the 9 stocks in the portfolio, five have been taken over, four having doubled on our entry price.

We expect to continue to find stocks which attract the interest of larger companies and private equity, because we are looking in the same spots they are. We like to think we often get there first, and consequently make bigger returns.

We're not the only ones who do fundamental analysis! For instance, **PTB Group (PTB)** was included in three recent portfolios, and was taken over, at a price much more than double our original recommendation and provided an attractive yield in the meantime. The taxi services group **A2B Australia (A2B)** struggled, but continued to deliver tax effective income and then a share price boost on being taken over, to return almost 30% in six months in our most recent portfolio.

We try to think about stocks in terms of the attractiveness of their underlying business, not only on a stand-alone basis, but also in strategic terms. Under the Radar Report, big corporates and private equity are all hunting for stocks that are profitable, cash flow positive, and are cheap enough that the share of earnings paid out as dividends still represents an attractive return, usually paid twice a year, that can also include valuable tax credits.

4. Strong balance sheets matter more than ever

We aim to identify companies with strong balance sheets and the capacity to increase dividends over time, from existing earnings, has protected the performance of these portfolios from the worst consequences of this bear market.

Fundamentals are more important than ever – which means a strong balance sheet and positive cash flow. Weak balance sheets are even more important to avoid, as banks hesitate about refinancing without injecting more equity. We saw this when the Blue Chip pathology services group **Healius (HLS)** did an emergency equity capital raise last October to reduce debt.

Many smaller companies are not dependent on general economic conditions to grow their business, either because they are winning market share, or because they service sectors that are less affected by the overriding share market valuation parameters of interest rates and sentiment. And by definition, stocks paying dividends from underlying earnings which deliver market beating yields are not expensive, which means they already have the valuation parameter on their side.

Apart from PTB, other stocks that have appeared in a number of recent portfolios include **Southern Cross Electrical (SXE) GR Engineering (GNG)** and **Capral (CAA)**, which have all delivered attractive returns in a difficult market, and consistently paid dividends. In 2022 even the stocks that have not outperformed have shown resilience based on their capacity to pay dividends, the payment of which noticeably improved their returns.

Published by Under the Radar Report Ltd
655A Darling St, Rozelle, NSW 2039
Telephone 1300 100 343 Email radar@undertheradarreport.com.au
Head of Investments Richard Hemming, Publisher Caroline Mark
ABN: 65147404662. AFSL: 409518.
Website www.undertheradarreport.com.au

under the radar report
SMALL CAPS

ISSUE 597
25 APRIL 2024

DIVIDEND PORTFOLIO REVIEW

5. Secret benefit of dividends.

Reinvesting dividends is one strategy, but income also provides cash for new investments. We guide you in both.

Averaging down is a technique to increase your exposure to stocks where the fundamentals are robust, but sentiment has turned against particular unfashionable situations. This is something that takes experience and analysis. Under the Radar Report has consistently demonstrated that patience can deliver great results as long as you continue to pay attention to individual company prospects.

When stocks fall, our analytical antennae quivers. It is imperative to identify and understand fundamental factors that are not part of the market view.

6. Buy Cheap, Be patient

The three portfolios showcased here highlight the benefits of stock picking, not simply buying the index.

The most important determinant of your returns from any investment is the price you pay. In all but the rarest of cases, our returns will always be better if we have paid a lower price.

It is hard not to jump after the opportunities which present themselves. But investors must be careful to be patient; let prices come to us, and like London buses, there is always another stock around the corner.

You cannot go past **A2B Australia (A2B)** as an example of a company ignored, but whose valuation was underpinned by a strong balance sheet (property) and positive cash flow. That stock returned 30% in six months.

7. Consistency Counts

Share prices reflect both fundamentals and general sentiment. When you have done the homework, you can be more confident that the fundamentals will remain intact even when sentiment is weak, based on your company's capacity to deliver earnings growth or dividends, whatever the share price falls may be saying.

Some stocks have appeared in a number of dividend portfolios. Cash dividends will cushion offset some share price falls, but our commitment to our stock selection process ensures that attention is always directed towards the factors important to dividend sustainability.

8. Start a Portfolio and Build Wealth From Scratch in the stock market!

The benefits of dividends are no secret. If you're new to investing, we cannot stress enough the benefits you will get from following our $500 Strategy.

This is a program that can be followed by anyone and gives you a pathway to kick start your investment journey. Dividends are about accessing the profits of companies and our program will enable you to do that in a systematic way. You will accumulate wealth without too much effort, it's as simple as that.

12.4%	4.6%	3.3%
14 Portfolios Over 7 years: Average Annual Return	Average S&P/ASX All Ords Index:	Average S&P/ASX Small Ords Index

26.5% Return: Dividend Portfolio Launched November 2021.

This portfolio has absorbed weaker performers, delivering share price appreciation on top of dividends.

SMALL CAP DIVIDEND PORTFOLIO

Small Cap dividend paying stocks we recommended in November 2021

COMPANY (CODE)	TIP PRICE $ @ 11/11/21	DIVIDENDS PAID ($)	CASH YIELD	PRICE @ 23/4/24	PRICE RETURN	TOTAL RETURN	RADAR RATING
AUSWIDE BANK (ABA)	6.75	1.17	17.3%	4.36	-35.4%	-18.1%	HOLD
AUSTAL (ASB)	1.77	0.19	10.7%	2.29	29.4%	40.1%	BUY
BOOM LOGISTICS (BOL)	0.18	0.02	8.3%	0.14	-22.2%	-13.9%	HOLD
CAPRAL (CAA)	8.13	1.75	21.5%	9.80	20.5%	42.1%	TAKE PROFITS
GR ENGINEERING (GNG)	2.01	0.47	23.4%	2.23	10.7%	34.1%	HOLD
ARN MEDIA (A1N)	1.88	0.21	11.3%	0.82	-56.4%	-45.1%	HOLD
MYSTATE (MYS)	4.99	0.59	11.7%	3.63	-27.3%	-15.5%	HOLD
NORTHERN STAR RESOURCES (NST)	10.20	0.73	7.2%	14.49	42.0%	49.2%	BUY
PACIFIC CURRENT (PAC)	7.16	0.91	12.7%	10.14	41.6%	54.3%	HOLD
PTB GROUP (PTB)	0.96	0.08	8.3%	n/a	66.1%	74.5%	*TAKEN OVER
RECKON (RKN)	0.99	0.65	65.2%	0.54	-45.5%	19.7%	SPEC BUY
SOUTHERN CROSS ELECTRICAL (SXE)	0.69	0.15	21.7%	1.21	75.4%	97.1%	HOLD
AVERAGE			18.3%		8.3%	26.5%	
				Portfolio Annualised return		10.10%	
ASX All Ords Index (XAO)	7302			7,931.7		2.5%	
				XAO Annualised return		1.0%	
ASX Small Ords Index (XSO)	3285			3005.9		-15.3%	
				XSO Annualised return		-6.50%	

Published by Under the Radar Report Ltd
655A Darling St, Rozelle, NSW 2039
Telephone 1300 100 343 Email radar@undertheradarreport.com.au

Head of Investments Richard Hemming, Publisher Caroline Mark
ABN: 65147404662. AFSL: 409518.
Website www.undertheradarreport.com.au

17.9% Return: Dividend Portfolio Launched February 2023.

This portfolio has benefited from outstanding performers like ACF, CAA, NCK, SXE overcoming weaker stocks like GAP & ABA.

SMALL CAP DIVIDEND PORTFOLIO

Small Cap dividend paying stocks we recommended in February 2023

COMPANY (CODE)	TIP PRICE $ @ 16/02/23	DIVIDENDS PAID ($)	CASH YIELD	PRICE $ @ 23/04/24	PRICE RETURN	TOTAL RETURN	RADAR RATING
ACROW FORMWORK (ACF)	0.71	0.07	10.3%	1.15	62.0%	72.3%	BUY
AUSWIDE BANK (ABA)	5.92	0.54	9.1%	4.36	-26.4%	-17.2%	HOLD
CAPRAL (CAA)	8.09	1.05	13.0%	9.80	21.1%	34.1%	TAKE PROFITS
GALE PACIFIC (GAP)	0.31	0.01	3.2%	0.17	-45.2%	-41.9%	HOLD
ARN MEDIA (A1N)	1.22	0.12	10.1%	0.82	-32.8%	-22.7%	HOLD
MYSTATE (MYS)	3.97	0.35	8.7%	3.63	-8.6%	0.1%	HOLD
NICK SCALI (NCK)	10.20	0.47	4.6%	13.96	36.9%	41.5%	HOLD
NZME (NZM)	1.06	0.14	13.3%	0.83	-21.8%	-8.5%	BUY
PACIFIC CURRENT (PAC)	7.31	0.53	7.3%	10.14	38.7%	46.0%	HOLD
SOUTHERN CROSS ELECTRICAL (SXE)	0.71	0.06	8.5%	1.21	71.6%	80.1%	HOLD
SRG GLOBAL (SRG)	0.77	0.06	7.8%	0.80	4.8%	12.7%	BUY
AVERAGE			8.7%		9.1%	17.9%	
				Portfolio Annualised return		14.9%	
ASX All Ords Index (XAO)	6271			7,931.7		4.1%	
				XAO Annualised return		2.2%	
ASX Small Ords Index (XSO)	2968			3005.9		2.5%	
				XSO Annualised return		2.1%	

Published by Under the Radar Report Ltd
655A Darling St, Rozelle, NSW 2039
Telephone 1300 100 343 Email radar@undertheradarreport.com.au

Head of Investments Richard Hemming, Publisher Caroline Mark
ABN: 65147404662. AFSL: 409518.
Website www.undertheradarreport.com.au

19.8% Return: Dividend Portfolio Launched October 2023.

We don't think getting 6 stocks returning more than 24% in six months in a portfolio is usual, but we'll take it.

SMALL CAP DIVIDEND PORTFOLIO

Small Cap dividend paying stocks we recommended in October 2023

COMPANY (CODE)	TIP PRICE $ @ 05/10/23	DIVIDENDS PAID ($)	CASH YIELD	PRICE $ @ 23/4/24	PRICE RETURN	TOTAL RETURN	RADAR RATING
A2B AUSTRALIA (A2B)	1.635	0.65	39.8%	n/a	-11.3%	28.4%	*TAKEN OVER
ACROW FORMWORK (ACF)	0.84	0.056	6.7%	1.15	36.9%	43.6%	BUY
ARN MEDIA (A1N)	0.87	0.036	4.1%	0.82	-5.7%	-1.6%	HOLD
BIG RIVER INDUSTRIES (BRI)	2.26	0.055	2.4%	1.72	-23.9%	-21.5%	SPEC BUY
CAPRAL (CAA)	8.9	0.35	3.9%	9.80	10.1%	14.0%	TAKE PROFITS
CENTREPOINT ALLIANCE (CAF)	0.25	0.01	4.0%	0.30	20.0%	24.0%	HOLD
DATA3 (DTL)	6.78	0.126	1.9%	7.89	16.4%	18.2%	HOLD
HELLOWORLD TRAVEL (HLO)	2.57	0.05	1.9%	2.70	5.1%	7.0%	HOLD
NICK SCALI (NCK)	10.81	0.35	3.2%	13.96	29.1%	32.4%	HOLD
NZME (NZM)	0.835	0.056	6.7%	0.83	-1.2%	5.5%	BUY
SOUTHERN CROSS ELECTRICAL (SXE)	0.785	0.01	1.3%	1.21	54.1%	55.4%	HOLD
SRG GLOBAL (SRG)	0.62	0.02	3.2%	0.80	29.4%	32.6%	BUY
AVERAGE			6.6%		13.2%	19.8%	
				Portfolio Annualised return		38.90%	
ASX All Ords Index (XAO)	6281			7,731.80		11.4%	
				XAO Annualised return		6.2%	
ASX Small Ords Index (XSO)	2744			3005.9		13.7%	
				XSO Annualised return		26.3%	

Published by Under the Radar Report Ltd
655A Darling St, Rozelle, NSW 2039
Telephone 1300 100 343 Email radar@undertheradarreport.com.au

Head of Investments Richard Hemming, Publisher Caroline Mark
ABN: 65147404662. AFSL: 409518.
Website www.undertheradarreport.com.au

under the radar report
SMALL CAPS

ISSUE 597
25 APRIL 2024

COOPER ENERGY

SECTOR OIL AND GAS **INDUSTRY** OIL AND GAS PRODUCER

Research Tip Update

What's New:
Cooper provided positive production and financial guidance for FY24.

Total production guidance from the Gippsland, Otway and Cooper Basin assets (Victoria) is now over 60 terra joules per day (60.5-64 TJe/d) having been at 40TJ only three years ago. Expenses are expected to be below $63m, an improvement from $68m, previously expected

The capital cost for the Basker Manta Gully (BMG) decommissioning is unchanged at up to $280m.

Bull points
· Orbost plant production increasing

· East Coast gas markets under supplied

Bear points
· BMG decommissioning not complete

· Debt

Analysis. The Orbost Plant is definitely improving, which is a big thing to say in the context of its 5 plus years of underperformance. This puts the company on a stable operating and finaincial footing for the first time since it embarked on its Sole gas project in Victoria's Gippsland Basin.

Plus, BMG de-commissioning is 80% complete and is on track and on budget. The risk of a budget blowout has diminished; COE is once again kicking goals and has a new CEO.

Last quarter's (3Q24) Orbost plant output was up 7% at 52.0 terrajoules a day and included a record daily rate of 67.3 TJ/d.

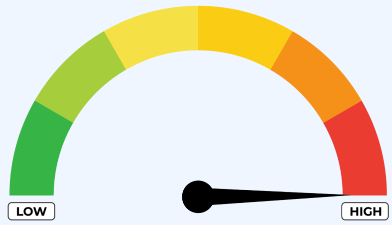
The BMG wells decommissioning is expected to be completed next month. At COE's smaller Casino, Henry and Netherby operations (COE 50%) in the Otway Basin, production was 9.9 TJ/d at the Athena processing plant.

Portfolio risk rating: Still high but reducing quickly, along with debt and issues at Orbost and BMG. A fifth of gas sales into East Coast spot market at higher prices.

RADAR RATING: Potential re-rating with increase in production certainty. Scarsity value as a significant gas supplier into tight East Coast retail and industrial markets. SPEC BUY

RADAR RATING: **SPEC BUY**

RISK RATING



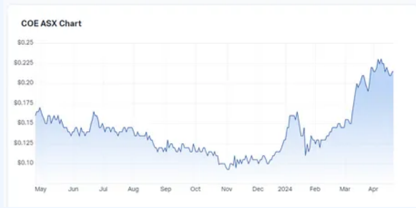
ASX CODE **COE**

CURRENT PRICE **$0.21**

MARKET CAP $567M

DIVIDEND YIELD 0.0%*

NET DEBT ($M) -102.6M



DATA AS AT INITIAL COVERAGE:

DATE 28 JULY 2017

PRICE ($) 0.24

Published by Under the Radar Report Ltd
655A Darling St, Rozelle, NSW 2039
Telephone 1300 100 343 Email radar@undertheradarreport.com.au

Head of Investments Richard Hemming, Publisher Caroline Mark
ABN: 65147404662. AFSL: 409518.
Website www.undertheradarreport.com.au

under the radar report
SMALL CAPS

ISSUE 597
25 APRIL 2024

KAROON ENERGY

SECTOR OIL AND GAS **INDUSTRY** OIL PRODUCTION

Research Tip Update

What's New?
The first quarter production resulted in a 6% downgrade for the 12m to 31 Dec (FY24) to 11.4 million barrels of oil equivalent (mmboe - mid-point) due to one-off events at the Who Dat (Gulf of Mexico, US). Gas output has been lowered.

The shares reversed recent gains, but we remain confident in the project and its growth. Karoon is also working on Neon, in Brazil, which remains early stage.

Bull points
· Low cost oil producer

· Production growth forecast

Bear points
· Operating risk in offshore projects

· Decline phase at Bauna, Brazil

Analysis: We have more than doubled our money on KAR since we first tipped it in August 2017 even after recent share price weakness. The oil producer ramains in a sweet spot, being relatively small and hence very flexible and able to grow production. Earnings are highly leveraged to the oil price, which has seen the stock swing up and down in recent months.

The price moves have been exacerbated by news of short-term issues at its Who Dat project in the Gulf of Mexico, which we envisage will settle down over the rest of CY24.

Karoon continues to prioritise high value oil over gas. The company's flagship project continues to be Bauna in Brazil and it owns close a third of the Who Dat project, which also produces gas.

Total production for 1Q24 on a net revenue interest basis was 2.94 mmboe, up 12% on the prior quarter. Three quarters came from Bauna and the remainder from Who Dat.

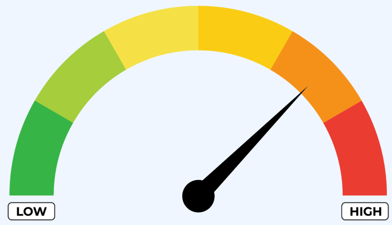
Bauna 1Q24 production was 15% lower than the prior quarter due to technical issues, which included the temporary shut in of a well (SPS-88) as well as natural decline.

Portfolio risk rating: High risk due to oil prices and operational risks. On the flip side, the company produces very strong cash flow and is our favoured leverage to the oil price.

RADAR RATING: Oil price leverage has increased with production growth of over 20%. SPEC BUY.

RADAR RATING: **BUY**

RISK RATING



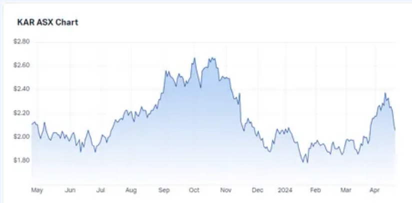
ASX CODE **KAR**

CURRENT PRICE **$1.987**

MARKET CAP $1.6BN

DIVIDEND YIELD 0.0%*

NET DEBT ($M) -95M



DATA AS AT INITIAL COVERAGE:

DATE 21 JANUARY 2021

PRICE ($) 1.10

Published by Under the Radar Report Ltd
655A Darling St, Rozelle, NSW 2039
Telephone 1300 100 343 Email radar@undertheradarreport.com.au

Head of Investments Richard Hemming, Publisher Caroline Mark
ABN: 65147404662. AFSL: 409518.
Website www.undertheradarreport.com.au

under the radar report
SMALL CAPS

ISSUE 597
25 APRIL 2024

PILBARA MINERALS

SECTOR MINING | **INDUSTRY** AUSTRALIAN HARD ROCK LITHIUM DEVELOPER

Lithium Report

What's New?
Pilbara Minerals is on track to achieving 1m tonnes a year spodumene concentrate with first ore targeted next year. Third quarter production (3Q24) was in line with expectations as it ramps up at 179k dry metric tonnes at an average price of US$804/dmt – relatively good – at an average unit cost of A$675/dmt, which was very good.

Bull points

- Lithium producer with strong track record.
- Downstream initiatives

Bear points

- Lithium depressed
- Capital costs rising

Analysis: Pilbara Minerals remains arguably the best positioned lithium producer in the world, generating strong output at low cost and the potential to ratchet up profits by upgrading spodumene concentrate to higher value downstream products, of which there are three initiatives, listed below:

The joint venture at Gwangyang, South Korea with the Korean giant Posco has completed commissioning Train 1 (production) in the past month and is now ramping up Lithium Hydroxide Monohydrate production. Major construction works continue Train 2. The two combined will produce 43k tonnes a year LHM, which puts it on a global footing.

Another initiative is lithium salt production in Australia, which is at the demonstration plant stage and is slated to start producing next year.

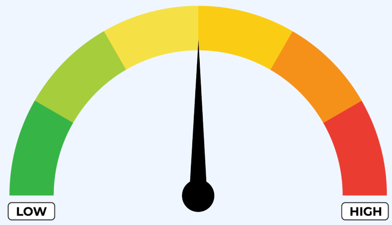
Last is the study with Chinese chemical company Ganfeng to build a conversion facility to produce lithium chemicals, also anticipated next year.

Portfolio risk rating: Moderate because while the company is in production, there is high commodity price risk. We believe a final dividend is now unlikely given continuing low prices and capex demands.

RADAR RATING: Low-cost producer well placed for lithium price recovery. Price recovery so far is limited. Long term outlook for lithium still very positive. HOLD.

RADAR RATING: **HOLD**

RISK RATING



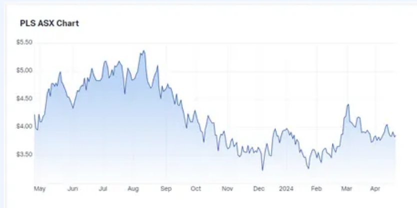
ASX CODE **PLS**

CURRENT PRICE **$3.91**

MARKET CAP $11.5BN

DIVIDEND YIELD 0.0%*

NET DEBT ($M) -1.6BN



DATA AS AT INITIAL COVERAGE:

DATE 02 DECEMBER 2017

PRICE ($) 0.75

under the radar report
SMALL CAPS

ISSUE 597
25 APRIL 2024

SELECT HARVESTS

SECTOR FOOD **INDUSTRY** ALMOND PRODUCER

Research Tip Update

What's new?
After indicating that global almond prices were improving in January and at its AGM in February, which had sent SHV up 20% over a few days, the stock backtracked on a negative outlook on almond prices, included in this week's trading update.

Bull points
• Water efficiency

• Barriers to entry

Bear points
• Debt

• Almond price dependent

Analysis: Select Harvests is always a rollercoaster and difficult to get the timing right, hence we were right to downgrade to hold back in mid-2022. The value is there based on the group's assets of $5.69 a share (based on FY23 estimates) but with softer global almond prices, we are pushing back any expectation of dividends to FY26 at best.

Volume is now expected to be under 30,000 tons based on a slightly wetter late harvest season, but initial yields are strong. This is based on 15% of the crop harvested so far, but the shakeout is almost complete, when the trees are shaken for the year's nuts.

Commentary on global almond pricing was downbeat with the US crop deteriorating and buyers taking their time due to quality concerns. Inventories are falling. The price is now forecast at A$7.30-$7.50, rather than above $7.50, lowering profit margins and cashflow.

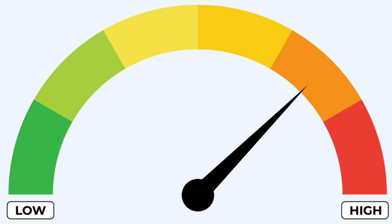
SHV is reducing costs and generating income processing third party almonds under CEO, David Surveyor. The aim is to further reduce production costs in FY25.

Portfolio risk rating: SHV has rebounded impressively before this week. The assets are substantial and debt should fall substantially after peaking this month; SHV remains within covenants on its 3 year facility.

RADAR RATING: Output will recover in FY24 from depressed FY23 to enable debt reduction. Rising global almond prices have stalled, pending further information about the US crop. Interim results due in May. HOLD.

RADAR RATING: **HOLD**

RISK RATING



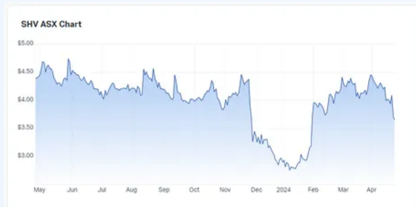
ASX CODE **SHV**

CURRENT PRICE **$3.65**

MARKET CAP $447M

DIVIDEND YIELD 0%*

NET DEBT ($M) -190.2 MILLION



DATA AS AT INITIAL COVERAGE:

DATE 31 MARCH 2013

PRICE ($) 2.60

under the radar report
SMALL CAPS

ISSUE 597
25 APRIL 2024

99% of all financial news relates to the 40 to 50 biggest companies.
So what about the rest? They're Under the Radar.

Published by Under the Radar Report Ltd
655A Darling St, Rozelle, NSW 2039
Telephone 1300 100 343 Email radar@undertheradarreport.com

Editor Richard Hemming, Publisher Caroline Mark
ABN: 65147404662. AFSL: 409518.
Website www.undertheradarreport.com.au