5 STOCKS TO BENEFIT FROM A VACCINE

WITH THE MARKET UNPACKED

***SHORT TERM PLAYS
FOR LONG TERM GAINS***

*TRAVEL
BRICKS & MORTAR
ENTERTAINMENT
LUXURY GOODS*

OVERVIEW

THE UNFAVOURABLES ARE STARTING TO NOT LOOK SO UGLY

It's no surprise that any stock that had exposure to travel or involved groups of people gathering in person took a hit due to Covid-19 and the restrictions that came with it. Airline traffic reduced by 90% in some instances, bricks and mortar retailers were negotiating lease compromises; many in the hospitality industry were forced to close completely. It has been a horrific time for all that have been impacted, which is why the news of Pfizer and BioNTech SE reporting a 90% effective result against COVID-19 gives the world a sign of hope for the 'normal' returning.

This hope has revitalised stocks that have been surrounded by COVID-19 suppression for the best part of 8 months. Tuesday we saw the likes of Unibail-Rodamco-Westfield rally ~43%, Webjet up ~12% and Qantas up roughly 8%. As we move closer towards a distributable vaccine there are many companies that have been unfavourable to investors that will start to regain some lustre.

We've put together a short report of 5 stocks that we think will benefit nicely from the world returning to life as we used to know it before COVID-19, some of which you may not have thought of.

Enjoy and stay safe!

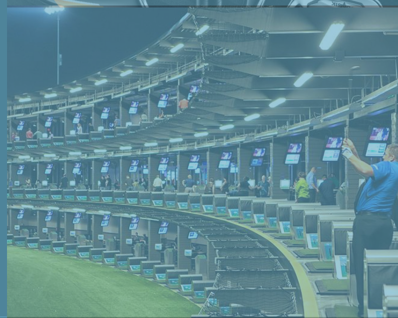
Mitchell Lawler

CALLAWAY GOLF CO. (ELY:NYSE)

MEDIUM RISK

NOT HELD

CONSUMER PRODUCTS/ENTERTAINMENT



Current Price: US$17.09
Market Cap: US$1.6B
52 Week Range: US$4.75 - $22.33
Shares Outstanding: 94.2M
Last Reported Revenue: US$476M (Q3 FY20)
Growth: 12% (YoY)
Link to Latest Investor Presentation: https://ir.callawaygolf.com/static-files/6197fc68-ce85-4631-ac71-f2af0348882f

Callaway is best known for their golf equipment, including clubs and balls. Both products saw an uplift in sales in the last quarter compared to the prior corresponding quarter. Club sales increased by 25% and golf balls increased by 36%. Callaway indicates that this is a by product of golf being a sport that bodes well with social distancing.

Although there has been an increase in sales for Q3 compared to the last year, for the nine months ended September gross profit has fallen from $637M in 2019, to $518M for 2020. Yet, as restrictions continue to lift we may see more people that are finally released to the outdoors take up activities such as golf in the future.

The most exciting part of this business for a possible rebound is their recent acquisition of TopGolf. Topgolf would be able to leverage Callaway's available cash, roughly US$286M, to continue building out the expansion of Topgolf venues around the world.

Topgolf is highly experiential, meaning that there's a lot of money in the sale of food, drinks and games for customers; even while attracting professional golfers alike. With a vaccine we could expect more people getting back into the habits of going out in large gatherings.

As apart of the Topgolf suite of offerings, there is also its ball tracker technology that is used in televised golf, and enables the features available for the topgolf range experience. In addition to this, Topgolf also has a vastly popular golfing esports game available.

A benefit to Callaway through this acquisition is Topgolf will be able to cross-sell Callaway's golfing products on site, it's a win-win for everyone!

Topgolf's revenue is expected to come in at US$3.2B in 2022, while Callaway is acquiring it for roughly US$2B.

QANTAS AIRWAYS (QAN:ASX)

MEDIUM RISK

NOT HELD

AIRLINE

Current Price: $5.07
Market Cap: $9.7B
52 Week Range: $2.03 - $7.46
Shares Outstanding: 1.9B
Last Reported Revenue: $14.26B (2020 FY)
Growth: -20.6% (YoY)
Link to Latest Investor Presentation:
https://www.listcorp.com/asx/qan/qantas/news/qantas-2020-annual-report-2371370.html

Qantas acted swiftly with the impacts of the pandemic. Actions were taken to conserve the companies balance sheet as best as possible. Such measures included grounding most of their fleet, suspending dividends, standing down staff and cutting board salaries.

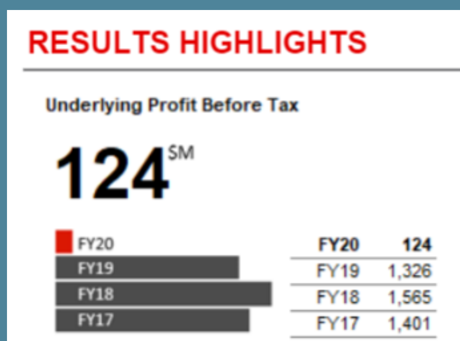
Qantas has already constructed plans for the future of their business as it comes out the other side of this crippling crisis. These plans suggest $15B of cost cutting, which is expected to result in $1B in annual savings from FY23. This plan is well backed by a $1.4B equity raising from shareholders.

Despite the vast impacts on the business, Qantas managed to post a $124M profit before tax, largely from the first half which was unimpeded by the pandemic. Qantas also innovated during the pandemic, with the development of creative airline experiences such as the flight to nowhere, which departed and arrived at the same terminal with 7 hours of flying over beautiful Australian landmarks in between.

It seems Qantas is well capitalised to leap back into action as soon as conditions allow. Given that Qantas is an international carrier, it will benefit most from a global vaccine that would enable international travel again.

Although in the short term we can expect a gradual return to popular domestic travel irrespective of a vaccine, the global travel market is paramount to Qantas' success.

If Qantas can navigate the waters (or should we say sky) until there is a lift of international travel restrictions, this stock could really soar!



CARNIVAL CORP (CCL:NYSE)

MEDIUM RISK

NOT HELD

CRUISE LINER

Current Price: US$16.21
Market Cap: US$15.1B
52 Week Range: US$7.80 - $51.94
Shares Outstanding: 700M
Last Reported Revenue: US$2.383B (HY 2020)
Growth: -41.5%
Link to Latest Investor Presentation: https://www.carnivalcorp.com/static-files/d29f4321-1f58-4685-9cb3-bb92b6a6290a

COVID-19 absolutely decimated Carnival cruises' businesses, it also didn't help that it became the centre of controversy when the Diamond Princess was labelled as an epicentre. Things in April were looking very hairy for the cruise liner until they managed to raise $6B through a combination of new stock, secured notes and convertible notes. This isn't enough though for the liner to be complacent and feel like as though its in safe waters given that their latest cash burn rate was $770M a month.

Carnival looked to take advantage of the vaccine rally earlier in the week with the financials in mind, with a reported $1.5B additional stock offering to keep it afloat.

Carnival states that their forward looking bookings are robust and reasonable. This in conjunction with the CDC indicating a pathway for cruise liners to resume activities once they prove that it is safe.

It seems that Carnival are attempting to prove the safety of their operations through the resumption of Costa Cruises, as Costa Deliziosa and the Costa Diadema cruises set sail once again. These experiences are operating with reduced numbers and heightened health and safety protocols to mitigate COVID risks.

It is obvious the sooner there is a vaccine the sooner Carnival can stop diluting its shareholders and increasing debt. As noted by Carnival themselves, it won't be an immediate rebound to pre-COVID levels, however, it is anticipated that more first timers will experience cruises and Carnival cruises is well positioned with their vast offerings globally to capture this market.

Considering their current balance sheet we would expect that the worst is behind the business now, and instead it is offering a compelling opportunity for exposure to the cruise line industry.

SCENTRE GROUP (SCG:ASX)

MEDIUM RISK

NOT HELD

COMMERCIAL REAL ESTATE

Current Price: $2.68
Market Cap: $14.3B
52 Week Range: $1.35 - $4.085
Shares Outstanding: 5.2B
Last Reported Revenue: $917.6M (HY 2020)
Growth: -7% (YoY)
Link to Latest Investor Presentation:
https://www.listcorp.com/asx/scg/scentre/news/half-year-results-announcement-and-slide-presentation-2358613.html

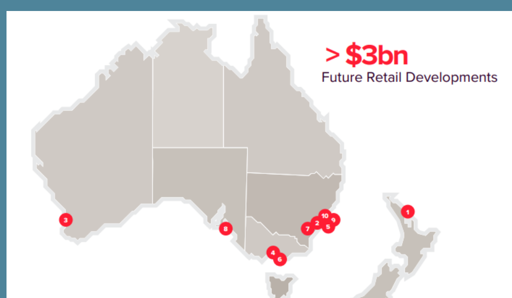
Scentre group holds 42 Westfield Living centres in the commercial real estate portfolio scattered throughout Australia and New Zealand. Scentre Groups ownership in these assets are estimated to be valued around $34.2B. Throughout the pandemic Scentre has managed to keep all of these locations open and trading, while also implementing some new approaches such as 'Westfield Direct', a new drive-through collection method.

Scentre's retail partners were hit during the pandemic also, which resulted in some of these businesses closing down and foregoing rent to Scentre. This was at its worst in April, when only 44% of stores were trading in Scentre's Australia operations and only 3% in NZ. This correlates with gross rent cash collections falling to 28% of total billings.
Numbers have since returned to 93% of stores trading in Aus and 100% in NZ, with cash collections back to 80%.

Scentre's assets are currently 98.8% leased. As pointed out in the latest presentation, the strategic portfolio location results in 16 million people being within a 30 minute drive of a Westfield Living Centre.

Scentre appears to be well positioned for a return of shoppers in the case of a vaccine, as more people visiting these store fronts would potentially result in an increase of leased assets and the possibility of increasing the price of the lease.

A return to somewhat normal customer visiting numbers would also better accommodate Scentre's future retail development plans of a further 10 locations valued at over $3B.



LVMH (MOH:ETR)

MEDIUM RISK

NOT HELD

LUXURY GOODS

Current Price: €488.85
Market Cap: €239.4B
52 Week Range: €279.40 - €488.95
Shares Outstanding: 504.8M
Last Reported Revenue: €11.96B (Q3 2020)
Growth: -7% (YoY)
Link to Latest Investor Presentation: https://www.lvmh.com/news-documents/press-releases/significant-improvement-in-trends-in-the-third-quarter-of-2020-in-wines-spirits-and-fashion-leather-goods/

Name a listed company that has more recognisable brands under the one roof, I'll wait... LVMH holds 75 of the most distinguished brands in the world, it has built a luxury label behemoth. The group itself is quite diverse, with products across wines & spirits; leather goods; perfumes & cosmetics; watches & jewellery etc. Some of the most iconic brands being Louis Vuitton, Moet & Chandon, TAG Heuer, Dior and Fendi just to name a handful.

LVMH was hit hard during the peak of the pandemic, with growth down 38% in Q2. The inability to go out to these stores in conjunction with spending tapering off led to a dramatic crunch on revenue.

However, LVMH has begun its bounce-back as restrictions are lifted and the workforce returns. Particularly in Asia where Q3 saw growth of 13%, while all other regions were still indicating reduction in sales. Yet, LVMH are not discouraged by these numbers and continue to invest in their brands and the artists that produce them. During Q3 LVMH launched new parfums from Givenchy, a new ultra-precise lipstick under Make Up For Ever, the launch of a high-end rum (*Eminente*), the list is extensive. With such a continual emphasis on reimagining artforms as it evolves, LVMH appears to be at the forefront.

With the expectation that the middle class globally will continue to rise in wealth and more people in countries like China and India float into the middle class, there will be more people looking to splurge their disposable income on luxury items. Many of the brands that are under the LVMH umbrella will capture that spending due to their notoriety amongst the public and promotion through celebrities such as Kylie Jenner and Rihanna. Therefore, with a vaccine on the horizon LVMH looks to be an unexpected beneficiary, both in the short term and long term.