WEEK 10

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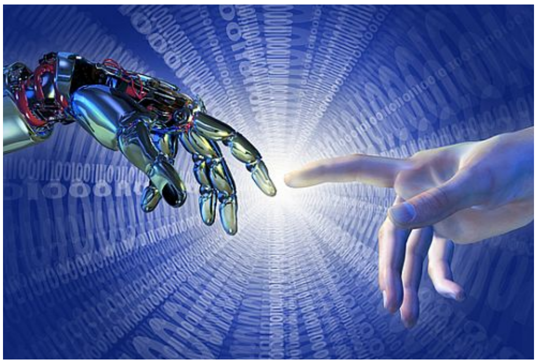
Friday, 8 March 2024

February In Review: Mid-Caps Are King

NextDC And The AI Boom



Rudi's View: Investing Is About The Future

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AUSTRALIA

The Market In Numbers - 2 Mar 2024

The Market In Numbers: Look under the bonnet and what do you see?

For most investors, whatever goes on in financial markets is experienced through their own portfolio and personal matters of interest.

The below detailed overview in raw numbers and calculations might assist with assessing trends and currents that might not be apparent from daily volatility and movements.

All index data are ex dividends. Commodities are in USD.

Australia & NZ

Index	01 Mar 2024	Week To Date	Month To Date (Mar)	Quarter To Date (Jan-Mar)	Year To Date (2024)	Financial Year To Date (FY24)
NZ50	11744.390	0.21%	0.02%	-0.22%	-0.22%	-1.44%
All Ordinaries	8007.10	1.37%	0.60%	2.27%	2.27%	8.18%
S&P ASX 200	7745.60	1.33%	0.61%	2.04%	2.04%	7.53%
S&P ASX 300	7697.40	1.38%	0.60%	2.14%	2.14%	7.54%
Communication Services	1585.60	-0.54%	-0.66%	-0.16%	-0.16%	3.14%
Consumer Discretionary	3578.70	2.24%	-0.32%	10.45%	10.45%	21.57%
Consumer Staples	12223.00	2.59%	0.48%	-0.71%	-0.71%	-8.06%
Energy	10519.60	0.40%	0.94%	-0.97%	-0.97%	-2.85%
Financials	7287.20	1.37%	0.53%	8.47%	8.47%	17.16%
Health Care	42296.30	-0.79%	-1.52%	-0.11%	-0.11%	2.44%
Industrials	7049.20	0.53%	0.33%	2.67%	2.67%	3.72%
Info Technology	2257.40	7.97%	1.87%	23.16%	23.16%	23.39%
Materials	17909.20	1.52%	1.99%	-8.11%	-8.11%	-0.68%
Real Estate	3541.50	2.34%	0.76%	5.79%	5.79%	16.35%
Utilities	8071.60	-1.04%	0.55%	-1.32%	-1.32%	-7.59%
A-REITs	1604.80	2.26%	0.86%	6.82%	6.82%	18.46%
All Technology Index	3087.10	4.57%	0.41%	14.59%	14.59%	27.75%
Banks	3027.00	1.65%	0.70%	8.90%	8.90%	21.24%
Gold Index	6354.90	2.87%	1.84%	-13.75%	-13.75%	-3.98%
Metals & Mining	5830.80	1.33%	2.04%	-9.83%	-9.83%	-3.74%

The World

Index	01 Mar 2024	Week To Date	Month To Date (Mar)	Quarter To Date (Jan-Mar)	Year To Date (2024)	Financial Year To Date (FY24)
FTSE100	7682.50	-0.31%	0.69%	-0.66%	-0.66%	2.00%
DAX30	17735.07	1.81%	0.32%	5.87%	5.87%	9.83%
Hang Seng	16589.44	-0.82%	0.47%	-2.69%	-2.69%	-12.30%
Nikkei 225	39910.82	2.08%	1.90%	19.26%	19.26%	20.25%
DJIA	39087.38	-0.11%	0.23%	3.71%	3.71%	13.60%
S&P500	5137.08	0.95%	0.80%	7.70%	7.70%	15.43%
Nasdaq Comp	16274.94	1.74%	1.14%	8.42%	8.42%	18.04%

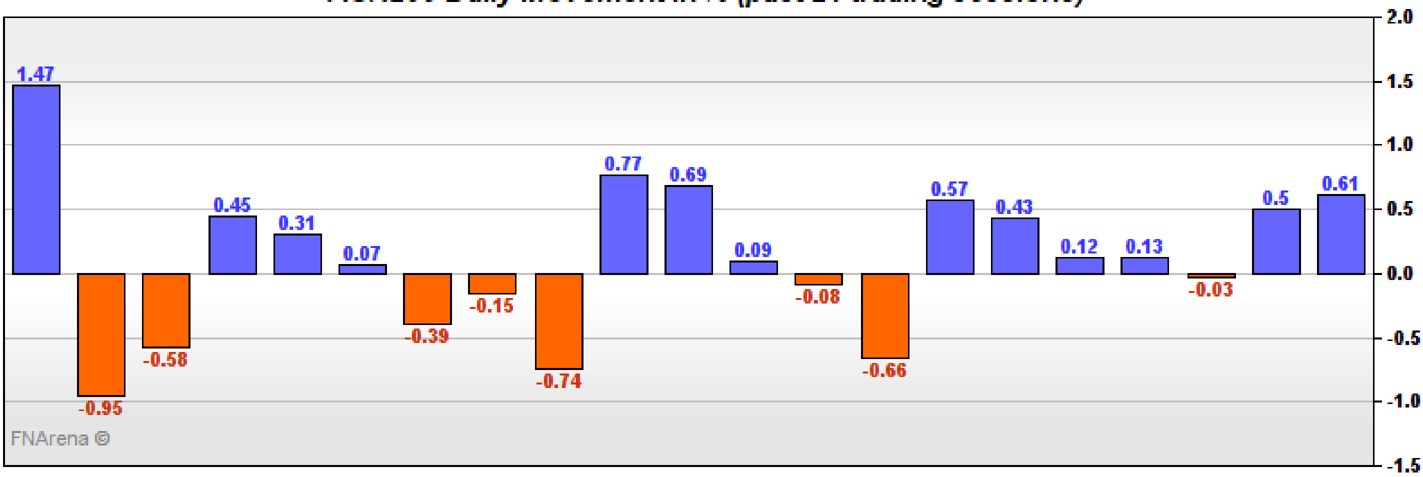
Metals & Minerals

Index	01 Mar 2024	Week To Date	Month To Date (Mar)	Quarter To Date (Jan-Mar)	Year To Date (2024)	Financial Year To Date (FY24)
Gold (oz)	2043.50	1.04%	0.49%	-0.05%	-0.05%	7.10%
Silver (oz)	22.61	-0.53%	0.89%	-7.26%	-7.26%	0.36%
Copper (lb)	3.8178	-1.45%	0.28%	0.26%	0.26%	2.71%
Aluminium (lb)	1.0008	1.05%	1.46%	2.93%	2.93%	4.49%
Nickel (lb)	8.0415	2.72%	0.90%	8.13%	8.13%	-9.64%
Zinc (lb)	1.0903	1.38%	0.33%	-3.05%	-3.05%	3.98%
Uranium (lb) weekly	95.00	-6.86%	0.00%	10.47%	10.47%	69.04%
Iron Ore (t)	114.57	-5.40%	0.61%	-17.12%	-17.12%	0.58%

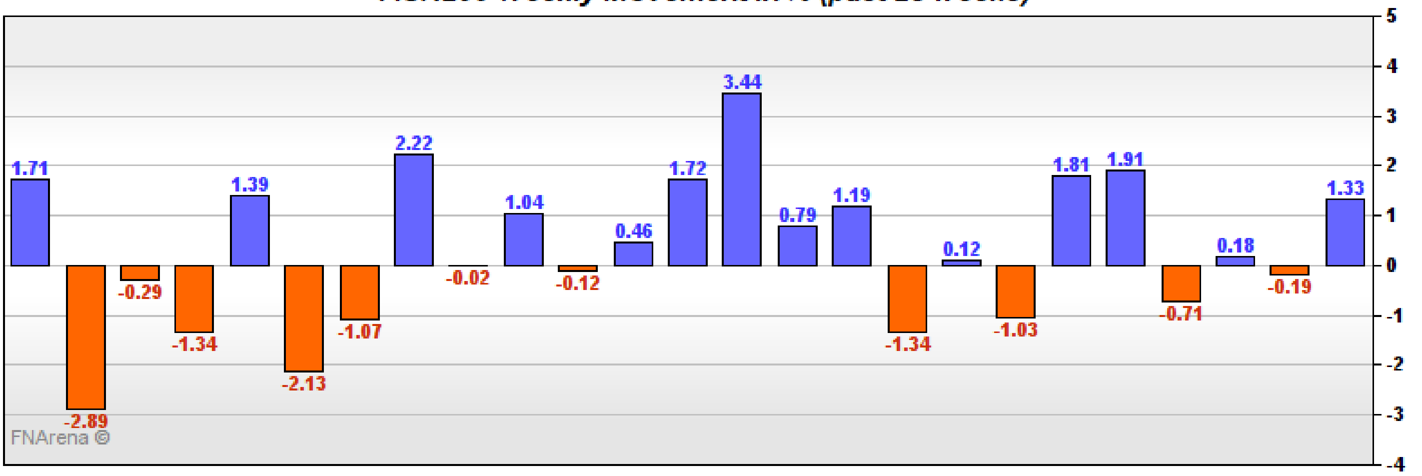
Energy

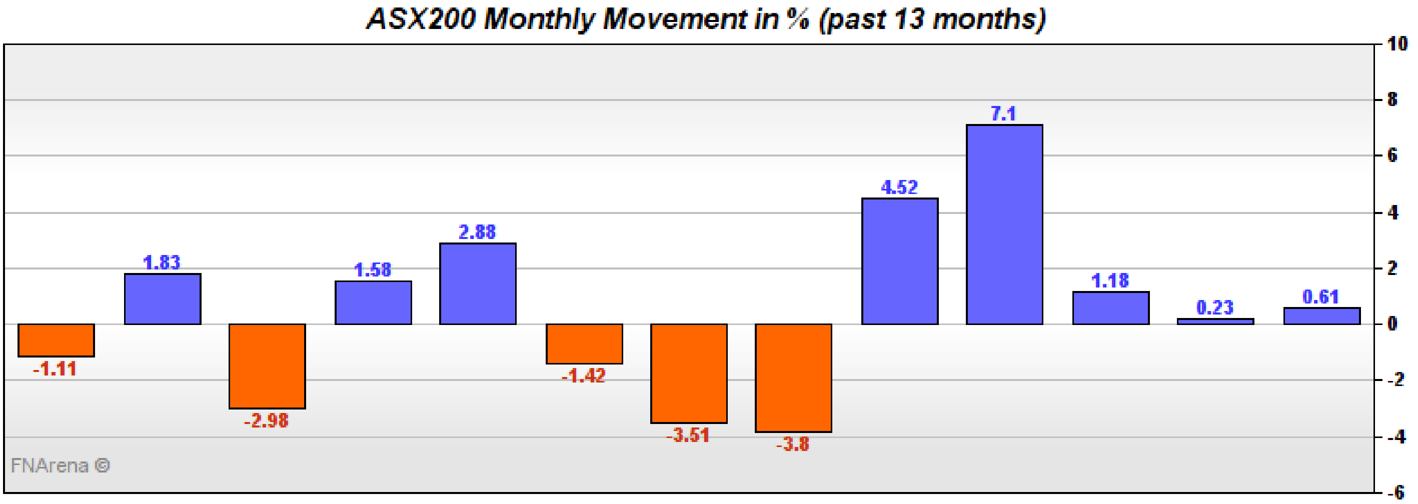
Index	01 Mar 2024	Week To Date	Month To Date (Mar)	Quarter To Date (Jan-Mar)	Year To Date (2024)	Financial Year To Date (FY24)
West Texas Crude	78.00	-0.66%	-0.47%	5.68%	5.68%	11.65%
Brent Crude	83.62	0.02%	0.19%	5.50%	5.50%	12.53%

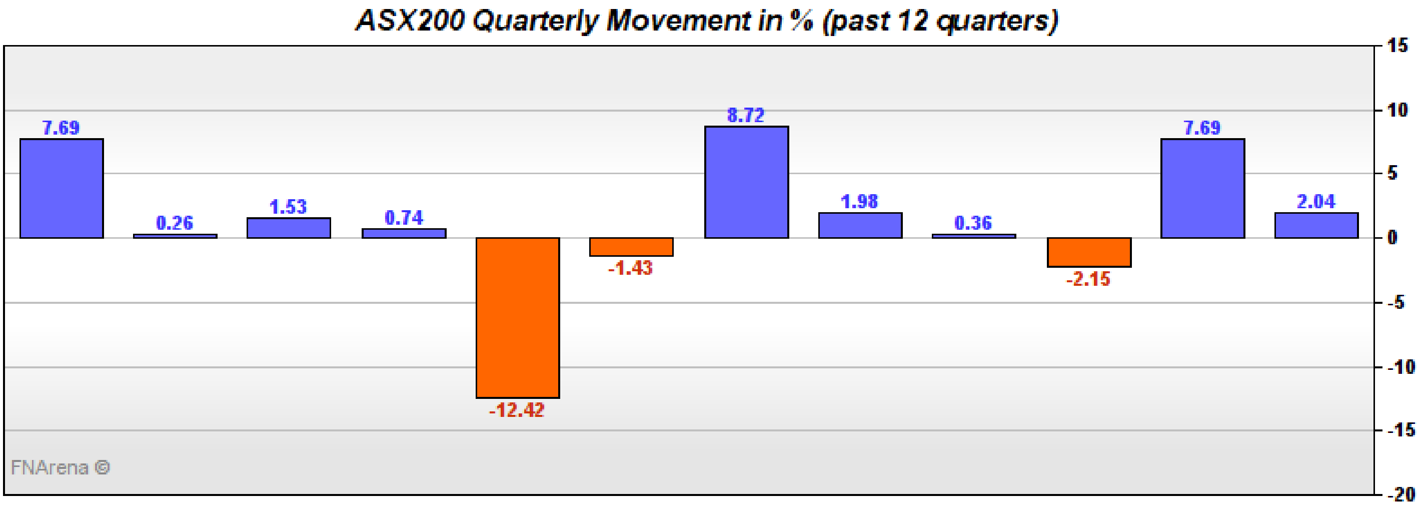
ASX200 Daily Movement in % (past 21 trading sessions)



ASX200 Weekly Movement in % (past 25 weeks)







The composition of above rankings and calculations is fully automated, based on raw data. Investors are advised to find context, interpretation and background elsewhere.

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AUSTRALIA

February In Review: Mid-Caps Are King

The ASX200 gained 0.8% in February on a better-than-feared reporting season and prospects for declining interest rates and tax. Mid caps and small caps outperformed.

-The ASX200 gained 0.8% (total return) in February
-Technology and Discretionary gained, while Gold and Energy lagged
-Growth outperformed Value, mid caps fared best
-Results season helped form an earnings base, in Morgan Stanley's view

By Mark Woodruff

The ASX200 gained 0.8% (including dividends) in February and closed the month at a new record high, as inflation in January remained steady at the lowest level since November 2021.

Not only are investors said to be looking forward to cuts for domestic interest rates and government tax, the results season generally might be categorised as better-than-feared.

Still, Australia's sharemarket underperformed relative to overseas indices. In a broad measure of global equity market performances for February, the MSCI All Country World Index (ACWI) rose by 4.7%. The S&P500 in the US gained 5.34%, bringing the year-to-date gain to 7.1%, behind Japan which has gained 14.4% so far in 2024.

Combining a sluggish economy plus a lagging macroeconomic policy response with stretched valuations makes Australian equities unappealing in relative terms versus other key developed markets, in Morgan Stanley's view.

Australian 10-year bond yields rose by 12bps over February to 4.14% and the US 10-year treasury yield lifted by 34bps to 4.25%.

The Technology and Discretionary sectors on the ASX gained 19.7% and 9.7%, respectively, with the Technology sector taking its lead from offshore returns, suggests Morgan Stanley. The Nasdaq100 index in the US gained 5.4% in February for a total return of 51.1% over the last twelve months.

Resources trailed Industrials across all size-based indices on the ASX. The Gold sector lost -7.1% due to rising yields and a stronger US dollar, explains Macquarie, while Energy lost -6% despite a higher oil price in February.

The ASX20 large caps fell by -0.4%, notes Morgans, as shares in heavyweights BHP Group ((BHP)), Woodside Energy ((WDS)), CSL ((CSL)), Telstra Group ((TLS)) and Woolworths Group ((WOW)) fell between -5-9%. The broker attributes the sluggish performance by this index to political risks for Supermarkets, a tepid growth outlook for Banks, and above-average valuations (ex-Resources).

The bigger story in February occurred outside the larger stocks. **Small caps outperformed large caps, yet mid caps proved the superior performers in gaining 5.3% during the month.**

The Small Ordinaries Index in Australia gained 1.7% in February, led by strong returns within Discretionary, Technology and Industrials, while performance was weighed down by Energy and Materials

In terms of contribution at a sector level, Morgan Stanley notes Financials covered losses within Resources, with some help from Discretionary and Technology.

Growth outperformed Value in February due to stronger results for Growth-style companies in the reporting season, explains Macquarie.

BHP Group was the largest detractor from broader market returns in February. Wesfarmers ((WES)) added the most value, notes Morgan Stanley, followed by Westpac ((WBC)), Goodman Group ((GMG)), ANZ Bank ((ANZ)) and National Australia Bank ((NAB)). Technology was supported by the performances of WiseTech Global ((WTC)) and Xero ((XRO)).

Since announcing results, Morgan Stanley highlights the top three performing stock prices relative to the market were Audinate Group ((AD8)), Appen ((APX)) and Lovisa Holdings ((LOV)), while the bottom three were

Seven West Media ((SWM)), Healius ((HLS)) and Corporate Travel Management ((CTD)).

The CRB Index rose by 1% to 275 over February, with Brent crude oil rising by 3.1% to US$83.6/bbl, while the iron ore price fell by -11.7% to US$117/t.

The price of gold rose by 0.2% in February to around US$2044.3/oz.

The US dollar Index (DXY), a measure of the value of the US dollar relative to a basket of foreign currencies, increased by 0.9% to 104.15, and the Australian dollar fell by -1.1% to US$0.6500.

Morgan Stanley observes market earnings have been revised modestly lower during February, though believes **a base is being formed for earnings and the result season was a catalyst in that foundation.**

The trend to guidance upgrades that began during the AGM season continued in February results, notes Macquarie, and may extend to the August reporting season.

This broker, however, points out aggregate EPS forecasts are broadly similar to when reporting season commenced (for no net change overall, which is a positive as earnings forecasts tend to fall during reporting seasons in Australia).

Based on inflation trends, Macquarie expects interest rate cuts will occur in the US before being enacted in Australia, where ASX cash rate futures currently assign a 10% chance the Reserve Bank of Australia will cut the cash rate to 4.10% from 4.35% in March.

ASX100 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
ALU - ALTIUM	30.41	WHC - WHITEHAVEN COAL LIMITED	-17.91
WTC - WISETECH GLOBAL LIMITED	29.44	LLC - LENDLEASE GROUP	-13.36
RWC - RELIANCE WORLDWIDE CORP. LIMITED	29.25	FMG - FORTESCUE LIMITED	-13.22
NXT - NEXTDC LIMITED	25.89	NEC - NINE ENTERTAINMENT CO. HOLDINGS LIMITED	-13.13
LTR - LIONTOWN RESOURCES LIMITED	19.90	NEM - NEWMONT CORPORATION REGISTERED	-12.77

ASX200 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
LOV - LOVISA HOLDINGS LIMITED	40.92	CTD - CORPORATE TRAVEL MANAGEMENT LIMITED	-22.56
ALU - ALTIUM	30.41	HLS - HEALIUS LIMITED	-19.86
WTC - WISETECH GLOBAL LIMITED	29.44	NEU - NEUREN PHARMACEUTICALS LIMITED	-18.04
RWC - RELIANCE WORLDWIDE CORP. LIMITED	29.25	WHC - WHITEHAVEN COAL LIMITED	-17.91
CSR - CSR LIMITED	27.23	EMD - EMYRIA LIMITED	-17.65

ASX300 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
BRN - BRAINCHIP HOLDINGS LIMITED	140.63	SSR - SSR MINING INC	-55.46

APM - APM HUMAN SERVICES INTERNATIONAL LIMITED	121.62	STX - STRIKE ENERGY LIMITED	-50.00
APX - APPEN LIMITED	73.85	CTD - CORPORATE TRAVEL MANAGEMENT LIMITED	-22.56
CTT - CETTIRE LIMITED	52.06	RSG - RESOLUTE MINING LIMITED	-22.09
SYR - SYRAH RESOURCES LIMITED	45.24	TER - TERRACOM LIMITED	-20.97

ALL-TECH Best and Worst Performers of the month (in %)

Company	Change	Company	Change
BRN - BRAINCHIP HOLDINGS LIMITED	140.63	FCL - FINEOS CORPORATION HOLDINGS PLC	-19.27
APX - APPEN LIMITED	73.85	DTL - DATA#3 LIMITED.	-14.01
BVS - BRAVURA SOLUTIONS LIMITED	50.30	SYM - SYMBIO HOLDINGS LIMITED	-11.74
NVX - NOVONIX LIMITED	45.13	HSN - HANSEN TECHNOLOGIES LIMITED	-6.80
AD8 - AUDINATE GROUP LIMITED	40.40	IRE - IRESS LIMITED	-4.27

All index data are ex dividends. Commodities are in USD.

Australia & NZ

Index	29 Feb 2024	Month Of Feb	Quarter To Date (Jan-Mar)	Year To Date (2024)
NZ50	11741.470	-1.10%	-0.25%	-0.25%
All Ordinaries	7959.50	0.59%	1.66%	1.66%
S&P ASX 200	7698.70	0.23%	1.42%	1.42%
S&P ASX 300	7651.60	0.43%	1.54%	1.54%
Communication Services	1596.20	-1.14%	0.50%	0.50%
Consumer Discretionary	3590.20	8.17%	10.80%	10.80%
Consumer Staples	12165.20	-1.17%	-1.18%	-1.18%
Energy	10421.80	-6.76%	-1.89%	-1.89%
Financials	7248.50	2.79%	7.89%	7.89%
Health Care	42949.40	-2.73%	1.44%	1.44%
Industrials	7026.20	2.33%	2.33%	2.33%
Info Technology	2215.90	19.48%	20.90%	20.90%
Materials	17559.90	-5.37%	-9.90%	-9.90%
Real Estate	3514.70	3.71%	4.99%	4.99%
Utilities	8027.20	-0.37%	-1.86%	-1.86%
A-REITs	1591.10	4.54%	5.90%	5.90%
All Technology Index	3074.50	12.83%	14.12%	14.12%
Banks	3006.00	2.74%	8.15%	8.15%
Gold Index	6240.30	-7.13%	-15.30%	-15.30%
Metals & Mining	5714.30	-6.33%	-11.63%	-11.63%

The World

Index	29 Feb 2024	Month Of Feb	Quarter To Date (Jan-Mar)	Year To Date (2024)
FTSE100	7630.02	-0.01%	-1.33%	-1.33%
DAX30	17678.19	4.58%	5.53%	5.53%
Hang Seng	16511.44	6.63%	-3.14%	-3.14%
Nikkei 225	39166.19	7.94%	17.04%	17.04%
DJIA	38996.39	2.22%	3.47%	3.47%
S&P500	5096.27	5.17%	6.84%	6.84%
Nasdaq Comp	16091.92	6.12%	7.20%	7.20%

Metals & Minerals

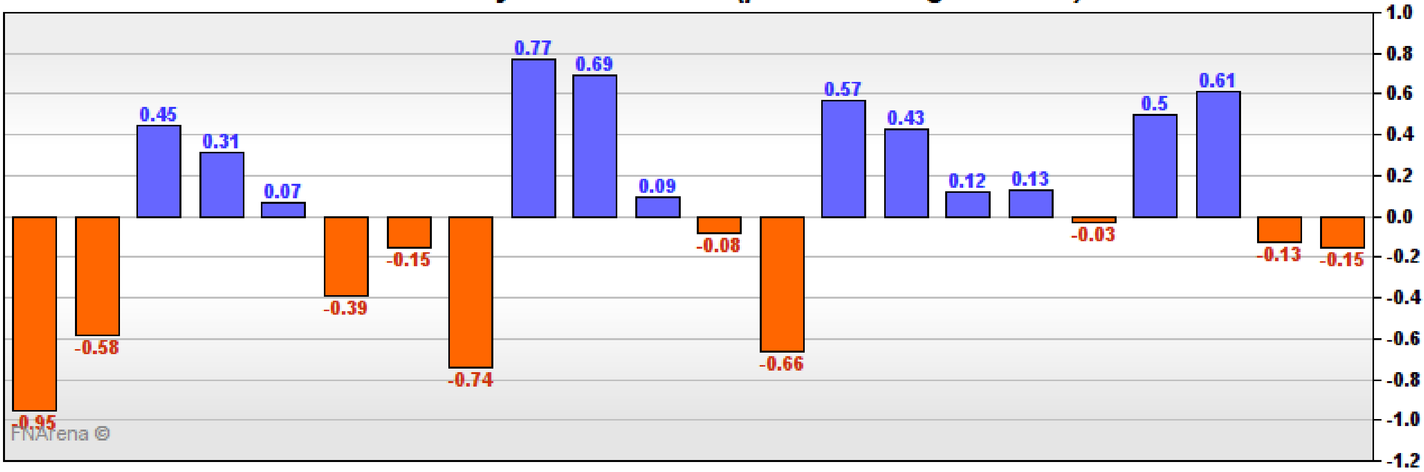
Index	29 Feb 2024	Month Of Feb	Quarter To Date (Jan-Mar)	Year To Date (2024)
Gold (oz)	2033.50	-0.13%	-0.54%	-0.54%
Silver (oz)	22.41	-3.20%	-8.08%	-8.08%
Copper (lb)	3.8070	-2.15%	-0.03%	-0.03%
Aluminium (lb)	0.9864	-3.57%	1.45%	1.45%

Nickel (lb)	7.9695	7.25%	7.16%	7.16%
Zinc (lb)	1.0867	-6.04%	-3.37%	-3.37%
Uranium (lb) weekly	95.00	-5.00%	10.47%	10.47%
Iron Ore (t)	113.88	-15.15%	-17.62%	-17.62%

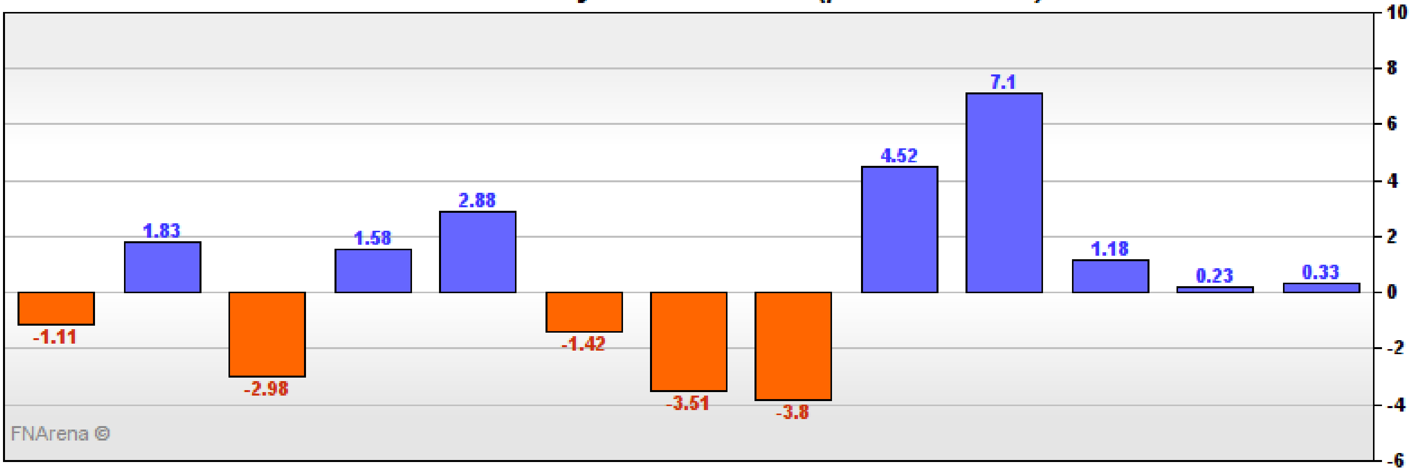
Energy

Index	29 Feb 2024	Month Of Feb	Quarter To Date (Jan-Mar)	Year To Date (2024)
West Texas Crude	78.37	0.56%	6.18%	6.18%
Brent Crude	83.46	0.69%	5.30%	5.30%

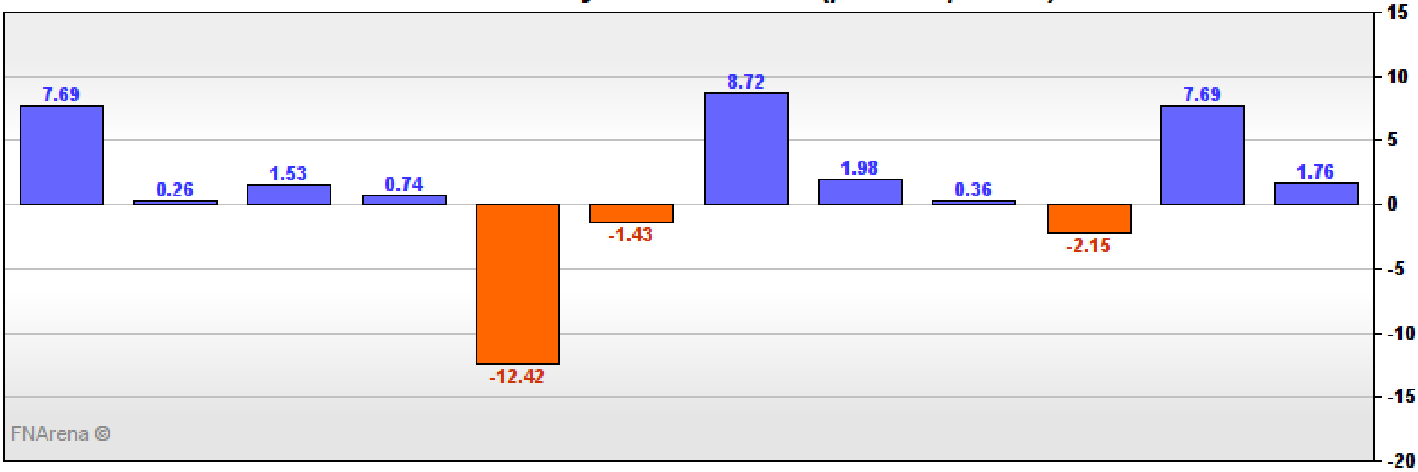
ASX200 Daily Movement in % (past 22 trading sessions)



ASX200 Monthly Movement in % (past 13 months)



ASX200 Quarterly Movement in % (past 12 quarters)



REITs

Jarden notes FY24 guidance across the REIT sector is largely unchanged after the February reporting season, but earnings momentum is set to improve with interest rates close(r) to cycle peaks.

The Australian 10-year bond yield and the bank bill swap rate (BBSW) curves have stabilised in recent months, points out the broker, though cap rates may still have further to rise after moving up by 61bps for the sector (from the trough) driving downward pressure on asset values.

The analysts assume a further 20-50bps of cap rate expansion and note every 50bps rise impacts net asset values (NAVs) by around -10%.

The strongest growth momentum is in the manufactured housing estates (MHE)/land lease communities (LLC) asset class, according to Jarden, while growth for the asset fund managers is mixed and difficult to forecast.

For passive REITs, the broker sees the strongest growth momentum in storage and childcare.

In recent years, most REITs have been more focused on balance sheet management and protecting earnings, rather than a more proactive growth strategy, explains Jarden. Now, some management teams can take back control of their strategy and execute on growth initiatives.

The top four REITS in a position to proactively drive growth, from those under coverage by the broker, are National Storage REIT ((NSR)), HMC Capital ((HMC)), Lifestyle Communities ((LIC)) and Goodman Group ((GMG)).

Australian Banks

The average major bank total shareholder return of 4.6% in February outperformed the 0.8% return from the ASX200.

While CommBank ((CBA)) shares performed in line with the ASX200, Westpac, National Australia Bank and ANZ Bank gained 9%, 4.6% and 3.8%, respectively.

Among the smaller banks, Judo Capital ((JDO)) outperformed with a 5.5% gain. Bendigo & Adelaide Bank ((BEN)) gained 1.5%, while Bank of Queensland ((BOQ)) lost -2.8%.

Relative to the ASX Industrials ex Banks, and relative to bonds, Morgan Stanley considers the major banks are expensive compared to the sector average valuation since 2010.

Australian Financials Ex-Banks

Morgan Stanley notes Financials Ex-Banks only slightly outperformed the 0.8% gain for the ASX200.

Both AMP ((AMP)) and Insignia Financial ((IFL)) beat the broker's forecasts for costs during the reporting season and shares rose by 20% and 11%, respectively.

Suncorp Group's ((SUN)) shares also rose by 10%, highlight the analysts, after management noted progress for the sale of the bank operations, and delivered on pricing and volumes in first half results. It's felt QBE Insurance ((QBE)) displayed ongoing reporting consistency and shares rallied by 9%.

On the whole, Asset Managers underperformed, but GQG Partners ((GQG)) shares jumped by 19% in February on a strong FY23 performance, according to Morgan Stanley.

New Zealand

Across the Tasman Sea, the NZX50 in New Zealand fell by -1.1%.

S&P Global notes small caps continued to struggle.

Technical limitations

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AUSTRALIA

NextDC And The AI Boom

NextDC reported a beat on earnings, and its outlook is little more than gobsmacking, driven by AI demand. Can the company pull it off?

-NextDC notes overwhelming AI-based data centre demand
-Expansion plans considerable
-Cost, time, and return on investment in the spotlight
-Not the only player in town

By Greg Peel

NextDC ((NXT)) builds and operates data centres in Australia, but is also in the process of expanding to New Zealand and South East Asia.

In Australia, the company currently operates three centres In Sydney, with two more in planning (known as S1, S2, S3, etc.), three in Melbourne (M1, etc), with fourth in planning, two in Brisbane, two in Perth and plans for Port Hedland, Adelaide, Darwin, and the Sunshine Coast.

In technical terms, a data centre is a big building housing rows and rows of bloody big computers that suck loads of power and generate loads of heat, thus needing to be cooled with more power. The centres store and crunch data – loads of it.

There are different kings of data centres.

Enterprise centres serve the IT infrastructure requirements of corporations and are tailored to that corporation's needs.

Colocation centres are used by multiple corporations to house computing hardware, servers, and supporting infrastructure, such as power, cooling, and networking equipment, in an off-site location.

Edge centres, are smaller, decentralised facilities that provide compute and storage in a location closer to where data are being generated and used. They are situated near their intended users, allowing for real-time data processing and analysis.

The biggie, however, is hyperscale centres. Hyperscale centres, also known as cloud data centres, are massive, centralised, and custom-built facilities which support primarily cloud service providers and large internet companies with enormous compute, storage, and networking requirements.

Hyperscale centres provide the capacity for AI. That's why there's a lot of excitement surrounding them, and why the rush is to build more.

The problem for data centre developers is first you have to buy the land, then the centres take a long time to build and cost an awful lot of money. Once built, capacity is typically leased on long term contracts, particularly for hyperscale, maybe ten to fifteen years, thus it takes a while for return on investment to convert into earnings.

Is it all just hype?

That’s what many thought when Microsoft launched ChatGPT and it seemed science fiction had caught up with reality, driving an AI frenzy on Wall Street, and leading to sceptical comparisons with the dotcom bubble/burst of 1999-2000.

But leading AI chipmaker Nvidia has silenced the critics, posting quarter upon quarter of significant earnings “beats” and blow-away guidance for the next quarter, all driven by demand for its AI chips. That story parlays into a need for data centres.

Perhaps the greatest takeaway for analysts following NextDC’s first half result release, which featured beats on revenue and earnings, was management’s upbeat commentary at the post-result conference call. Barrenjoey was compelled to describe it as “potentially one of the most upbeat calls we’ve attended this reporting season”.

NextDC’s cloud-driven assets have grown at an order of magnitude of some 2.5x each generation, note analysts.

Generative AI demand, however, goes a step further still, with NextDC suggesting GenAI demand will be 3-5x the cloud market. This could see the company fielding orders in the hundreds of megawatts, ie *really big*, which they could aim to satisfy with colocation or pure hyperscale data centres, or “AI Factories” -- AI-dedicated assets, customised to AI’s needs.

As an example, management noted demand is such that one customer alone could account for all of S4’s planned 300MW capacity, if management was happy to take that concentration risk.

But to recap on what was noted above, Wilsons points out any material contract win would be multi-year, with any scalable earnings contribution many years off.

And there’s the matter of return on that investment. It would make sense that as the data centre market reaches scale, like any new technology, equivalent revenues per contract would diminish over time as prices come down.

Barrenjoey had assumed exactly that in its valuation of NextDC, but management has suggested second and third generation data centre returns could potentially match or even exceed first generation. The company is expecting, for example, M2-M3 returns could meet or exceed M1, with Barrenjoey noting the land for M1 was acquired at premium, perhaps future builds will be more efficient given scale, and the pricing environment remains favourable.

If you build it they will come. Management noted because demand still significantly exceeds supply, it had seen significant improvement in unit pricing for both enterprise and hyperscale customers. Management also noted NextDC has never had a pipeline of size and scale it has now.

Funding?

It all costs money – lots of it – and time. Can NextDC find the funding to satisfy demand and still make a solid return on investment?

Management reiterated FY24 guidance at its result, implying fixed cost growth increasing to ~$14m in the second half from ~$6m in the first, Goldman Sachs notes.

As at the end of December, the company had liquidity of $2.09bn, including an undrawn debt facility of $1.5bn and $589m in cash. But that won't cover the cost of planned expansion.

Due to higher density, a smaller AAA-rated customer base and earlier positive cash flow profile, NextDC may be able to borrow against these contracts and lower its cost of capital, Macquarie suggests. This broker would expect the terminal return on capital invested and revenue per megawatt for this capacity to be lower than the current asset base, but with a higher internal rate of return. This would increase cash flow.

There is also the possibility of joint ventures, Macquarie suggests, but structure and return profile is unclear. This would nevertheless reduce the risk of a capital raise in a scenario in which a large amount of capacity is brought forward.

At its result release, NextDC reported over 50MW of build capacity under development with a further 50MW-plus of additional developments in plan, including accelerated expansions for S3 and M2. Additional capacity is also planned at M2, M3, S3, P2, B2 and SC1 (Sunshine Coast) in line with record pipeline and strong growth in enterprise, cloud and AI demand.

So no mucking around.

Surely it's a winner?

Wilsons, Barrenjoey and Goldman Sachs each have a Buy or equivalent rating for NextDC. Among brokers monitored daily by FNArena, Macquarie, Citi, UBS and Morgans also have Buy-equivalents.

Post-result, Wilsons lifted its price target by 32% to $20.07, Goldmans by 13% to $18.80, and Barrenjoey went to $18.00 from $13.80. The consensus target among the other aforementioned brokers is $18.77, up from $15.23 prior. We note the share price has appreciated some 10% (last $16.75) since the result release.

Ord Minnet, nevertheless, lifted its target to $14.00 from $12.00, which looks a bit out of place. Ord Minnett also stands out with a Lighten rating. This broker has a five-step system, so Lighten sits between Hold and Sell.

Ord Minnett white-labels some of its research from Morningstar, including NextDC, and Morningstar is very big on "moats" – basically barriers to entry – and suggests NextDC doesn't have one.

Morningstar thinks the company lacks sufficient network effect, cost advantage, or switching costs to warrant an economic moat. The Australian data centre industry is rapidly growing, the research house notes, and there are many players investing heavily to capture demand, including the world's leading colocation provider Equinix.

The issue with such a robust, long term demand outlook is that earnings and cash flow in the short term will be negatively affected, Morningstar notes, because spending on new capacity takes time to plan, build, fit out and fill with customers.

DataCentre magazine has rated the top ten data centre companies operating in Australia, with NextDC currently second behind Equinix.

COMMODITIES

Material Matters: Copper; Iron Ore; Chinese Property

A glance through the latest expert views and predictions about commodities: the potential for a copper price rally; iron ore unlikely to fall meaningfully; Chinese property market dynamics remain grim.

By Greg Peel

Copper's Pending Rally

Since mid-2023, UBS analysts have been pivoting towards a more constructive view on copper, believing the market is closer to a fundamental inflection point.

In early 2024 industrial metals have faced top-down (macroeconomic) headwinds, UBS notes, including limited signs of improvement in China's macroeconomic or property market data, no clear signals of sustained restocking or metals demand improvement in Europe and the US, and a stronger US dollar due to expectations for Fed rates cuts being pushed out further into 2024.

In contrast, bottom-up (industry specific) developments for copper mine supply have been unambiguously positive, UBS suggests, with material downgrades to 2024 mine production guidance pointing to limited supply growth. But copper price upside has been capped by weak physical markets due to strong refined output and lacklustre demand.

The analysts believe refined supply will come under pressure in the next three to six months as shortages of concentrate bite and "traditional" drivers of copper demand begin to improve, supported by restocking.

UBS forecasts a meaningful deficit in 2024, in excess of -300kt, driven by a sharp slowdown in supply that more than offsets the expected deceleration in global copper demand growth.

The copper project pipeline is getting smaller, the analysts note, executing on projects and/or sustaining output appears to be getting harder, and in recent years the market has been far too optimistic on supply growth.

In UBS's view, the probability of a rebound in mine supply of more than 5% in 2025 is low, and if/when the market moves into deficit in the second half of 2024, tightness is likely to persist for an extended period.

UBS has lifted its copper price forecasts to US$4.50/lb (US$9900/t) in 2025 and US$4.75/lb (US$10500/t) in 2026. Copper last traded (spot) at US$3.84/lb (US$8526/t).

UBS includes Sandfire Resources ((SFR)) in its list of preferred global copper pure-plays.

Whereto for Iron Ore?

The iron ore price confounded analysts for most of 2023, with a price pullback seen as inevitable in the midst of China's property crisis and a lack of implicit demand for steel in further construction. But this has not come to pass.

The spot price has come off its peak above US$120/t but despite the odd stumble, has not fallen below US$100/t, let alone down to the lower prices some analysts were assuming.

The last couple of weeks have seen the price gradually dipping, Morgan Stanley notes, on concerns of rising inventories at Chinese mills, as post Chinese New Year restocking has not appeared as it normally would.

The down-swing has naturally added fuel to the negativity already surrounding China's demand story, Morgan Stanley suggests. These concerns continue to centre on property, with the latest data points not yet showing any sparks of life and persisting deflation. Sales value of the top 100 Chinese property developers fell -51.6% year on year in February, the analysts note.

But looking beyond the headlines at the core indicators gives Morgan Stanley comfort that nothing appears to have fundamentally deteriorated on the demand side, and a longer-term view of the iron ore price indicates that this correction should be seen in the context of mini-cycles around a long-term rising trend line, pointing to opportunities to buy the dip, which was found at around US$100-110/t in the last trough.

For now, there seems little to threaten this long-term trend, the analysts suggest, with the major producers needing to spend more to stand still. Commitments to dividend pay-outs and more stringent environmental targets add to the fully loaded costs the iron ore price needs to account for in through-cycles.

Chinese inventories at ports and mills are often looked to as a barometer for the health of iron ore's fundamentals, but Morgan Stanley can't see evidence of concerning shifts here. The stock build that was seen over January and early February, although stronger than in 2023, does not seem unusual relative to the seasonal patterns established in prior years.

The Elephant in the Room

What the above two articles have in common is the **Chinese property market**.

ANZ Bank economists estimate China's unsold residential property had surpassed 3bn square meters by year-end 2023. It would take 3.6 years to digest the inventory, they suggest, much longer than the previous downturn of 2.3 years in 2014.

Beijing's financial bailout will help improve project activity, ANZ suggests, but the increase in future supply and persistently weak demand will push the inventory level even higher. Home price will be under sustained downward pressure.

The Chinese government has quietly announced a two-tier housing policy for 2026-30 with affordable housing dominating future supply. But the private property market will likely be structurally weak going forward, ANZ believes.

ANZ Bank does not believe interest rate cuts can lift home sales in 2024. The savings from less mortgage interest will likely be diverted to household deposits or affordable spending instead.

We recall that the downfall of Chinese property giants such as Evergrande were exacerbated by off-the-plan buyers refusing to make further partial payments on apartments that were no longer progressing to completion, due to the company's perilous debt situations. Why would you?

How could one small cut to mortgage rates lead to Chinese buyers being again happily willing to enter a fraught market?

ESG FOCUS

ESG Focus: The Little Big Things - 06-03-2024

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:
https://fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/

Little Big Things - 06-03-2024

The drums of war are beating and ESG is finding it harder to attract funding in a tighter capital market as big capital's focus shifts to onshoring, restructuring of supply relationships, military investments, global elections and AI; but it's full steam ahead for decarbonisation.

-Geopolitics muscling out ESG
-So where will the ESG money go?
-Sustainability is the new ESG
-COP28 backpedals on ESG
-Morgan Stanley lays its bets
-Westpac's five themes for Australia
-Macquarie goes local

Compiled by Sarah Mills

"There is now a 50% chance of WWIII as the Israel Hamas conflict threatens to spread."

Ray Dalio, founder of Bridgewater Associates, the world's largest hedge fund

"This is the most dangerous time that the world has seen in decades."

Jamie Dimon, chairman and CEO of JPMorgan Chase at the NYT DealBook Summit 2023

These two quotes are possibly the most apt description of the mood towards ESG in 2024.

With more than 50 elections scheduled for 2024, including the US, ESG is likely to be relatively sidelined in 2024 as big capital shifts its sights to the geopolitical stage.

Conflicts in the Middle East and Ukraine are likely to continue to underpin inflation and interest rates (both the Suez Canal and Panama Canals have been closed), and as tighter capital policies hold sway, funds are parsed.

The world has been moving to onshoring and restructuring of trade relationships (also inflationary) for a few years and these imprimaturs are likely to continue to attract a large chunk of available capital.

Governments are showing no appetite to retreat from conflicts, suggesting inflation might be engineered higher for longer, regardless of movements in the economy or a retreat in EV rollouts.

There is likely to be some areas of strong growth, as we discuss below, but all save the most "essential" investments (such as renewables, critical minerals and green steel) are likely to struggle.

Jamie Dimon's final tip: If China invades Taiwan, "it's all bets off".

Global Shift Out of ESG Funds

The smart money was already shifting out of ESG in 2023, according to Calstone's Global Funds Report.

"After a three-year boom from 2020 to 2022 that attracted US$51.2bn, six times more than non-ESG funds, ESG funds shed US$10.2bn last year," says the report

Europe led the charge, followed by global peers.

"Our data shows a determined focus on selling, given sizeable redemptions from smaller pools of ESG funds relative to non-ESG.

A plethora of other reports expect ESG to remain sidelined (temporarily) in 2024.

Calstone's Report also revealed a massive shift over 2023 into fixed income from equity and Australia became net sellers of equities for the first time in the Report's history.

<u>So Where Will The Straitened ESG Money Go</u>

Given ESG appears likely to emerge as the runt of litter in the battle for capital in a capital-constrained world, but destined to survive none-the-less, where will its reduced funding go?

Research suggests proven renewable energy and battery technologies will be the major beneficiaries, while new investments in low-prospective carbon capture storage projects are likely to be put on ice. Prospective carbon capture projects appear to exist in the construction and building materials sector.

A report by Oxford Economics says rolling out energy CCS through the economy doesn't make financial sense (it would cost -US$1trn a year out to 2050) and that it should be contained to a handful of essential sectors. The analysis states the cost of CCS has not fallen in 40 years.

EVs appear set to take a breather (but still find reasonable sales), beset by geological trade tensions; and investments are likely to roll into EV-supportive projects such as charging infrastructure.

All this suggests demand for critical minerals will continue, although certain commodities such as lithium and nickel are likely to struggle until the supply overhang clears. As was the case in 2023, established, large, low-cost producers are likely to win the day.

Decarbonisation of steel, building and construction is also likely to continue, and green (even just clean) hydrogen (to replace grey hydrogen) and possibly biofuels, should find support.

Overall, investors are expected to take a tough approach, pruning ESG portfolios, culling the weak and reinforcing the strong, and opportunistically buying attractive companies.

Technologies supporting distributed energy are also forecast to gain ground as big capital uses the year to improve the capacity of existing renewables infrastructure.

Otherwise, the focus is likely to be on emissions standards, disclosure nets, industry guidelines and accounting standards.

<u>"Sustainability Is The New ESG"</u>

There have also been rumblings the term ESG is itself on the nose (particularly in the US) and may be shouldered out for temporarily by the vaguer term of "sustainability".

Morgan Stanley reports while ESG investment is down, sustainable investing is up.

"The Energy Transition has clearly suffered something of a crisis of confidence in 2023," says Morgan Stanley.

The analyst cites writedowns and/or downgrades from sustainability darlings such as Orsted, Siemens and NextEra Energy Partners; destocking for US residential solar companies; project delays; and balance sheet concerns for Plug Power.

The S&P Global Clean Energy Index fell -20% in 2023.

But the energy transition is far from dead. In fact, it is full steam ahead and decarbonisation is likely to gain the lion's share of ESG funding given the deflationary impact of green solar.

The amount of planned renewables installations planned for 2024 is breathtaking and follows on from an equally impressive 2023. It's a race.

Unfortunately, save for critical minerals, which are a bit hit and miss at the moment, Australian public investors have few opportunities to invest in the boom.

The only listed renewables company Genex Power ((GNX)) recently received a takeover bid from the Japanese-owned Electric Power Development Co. (J-Power), a common fate for prospective ASX-listed companies at the moment.

<u>Morgan Stanley Identifies Green Growth Areas</u>

Within renewables, Morgan Stanley says the decarbonisation focus has shifted from buying darlings to "identifying high quality, highly profitable business models generating healthy cash flows and solid balance sheets".

The analyst identifies its favourite “Green and Lean” stocks (mostly international), which include Acerinox, Ashtead, Norsk Hydro ASA, Outokupu Oyj, Stellantis, Total Energies, Technip Energies and Vinci.

Morgan Stanley says the main headwinds for renewables include interest rates and project financing (but observes the demand path remains clear); supply chain disruptions, which are likely to have a disproportionate affect on wind investments; and "friendly shoring".

Cash flow constrained companies and/or those exposed to significant execution risks will struggle, says the analyst.

Permitting and interconnections, it says, are likely to be fast-tracked.

Morgan Stanley Optimistic On CCS And Nuclear Energy

Along with the standard contenders for funding dollars, Morgan Stanley includes carbon capture storage (CCS) as a winner.

This seems anti-intuitive in a capital constrained environment given the exorbitant cost and low effectiveness.

My guess is most investment in carbon capture storage will likely be for “low-hanging fruit” in areas such as construction materials.

Morgan Stanley is also backing nuclear energy, citing developments at COP28.

COP28 Backpedals

If any event supported a backpedalling from ESG, it was COP28, late last year.

The only truly green agreement was the COP‘s pledge to triple renewable energy capacity by 2030.

Otherwise, the read-between-the-lines was business as usual.

The countries agreed to phase out fossil fuels in a just and orderly and equitable manner and that “transitional fuels” such as natural gas “can play a role”. For how long remains the big question.

All up, 22 nations committed to triple nuclear power by 2050.

Macquarie expects this will particularly be the case in the US should the presidential election result in the rollback of the Inflation Reduction Act.

In this humble journo’s opinion, nuclear energy does not make economic sense and makes even less so in a capital constrained environment.

To illustrate, cloudy old Brussels recently made an announcement it plans this year to roll out an ambitious 320GW solar grid and rooftop project that will yield as much energy as one nuclear plant – a project that is likely to experience relatively limited time blowouts (one year is budgeted) and at a fraction of the cost of nuclear energy.

This is breathtaking. How can nuclear possibly compete? Politics at the cost of taxpayers would be the most likely answer.

Goldman Sachs, meanwhile, doubts the geopolitical uncertainty will disrupt secular trends such as green capital expenditure or the move from aspiration to action.

Rather, the analyst predicts the rollout of more refined and transparent sustainable investors strategies and a refocus on stock performance.

Macquarie’s Observations

Renewables are alive and well in Australia, observes Macquarie.

AEMO’s 2024 Integrated System Plan calls for a tripling of grid-scale variable renewable energy by 2030 and to meet demand and retiring coal capacity.

The organisation also identifies the need for 10,000km of new transmission lines to facilitate the transition – this column has been placing its bets on transmission technology for solar and batteries for some time.

Macquarie predicts fast-tracking of environmental approvals.

This journalist suspects this could prove problematic for proposals with strong public and environmental impacts, such as wind farms in Port Stephens and in other areas of NSW's spectacular and largely pristine coast.

Why wind farms are being placed on some of the world's most spectacular natural coastal resources in a land overflowing with solar power just as batteries are about to hit on scale is puzzling.

On the critical minerals front, the US Inflation Reduction Act has introduced Foreign Entity of Concern prohibitions associated with the Clean Vehicle Tax Credit.

From 2024 any vehicles manufactured by an FEOC will not qualify for a subsidy. The same applies to battery critical minerals.

Aussie producers may have to wait. To qualify for the tax credit, manufacturers will be required to conduct due diligence starting in 2024 for components and 2025 for critical minerals.

On top of that, Macquarie expects this will have a limited affect on upstream lithium production in Australia and South America.

The broker suspects IGO Ltd's ((IGO)) and Mineral Resources' ((MIN)) projects and other others could be ineligible for IRA credits during processing through FEOC refineries, but observes large markets remain outside of the US.

The analyst also observes downstream processing diversification is well under way by miners in both countries, although no miracles are expected in 2024.

Foreign entities of concern include China, Russia, North Korea, and Iran.

<u>Westpac's Five ESG Themes for Australia in 2024</u>

Westpac's newsletter *ESG Impact: 5 themes and developments to watch in 2024* nominates five ESG focus areas for 2024 which revolve around policy, legislation and disclosure rather than investment, but which perhaps presage a return to investment in 2025:

-Climate reporting: The Australian government is publishing draft legislation on climate reporting; and the Australian Accounting Standards Board (AASB) released its exposure draft on Australian Sustainability Reporting Standards last year (comments were due by March 1).

-The government is likely to finalise **sector-specific decarbonisation guidelines** for: Electricity and Energy; Industry (including waste); the built environment; Agriculture and Land; Transport; and Resources – to be delivered by August 1 to stimulate investment (suggesting investment will be stimulated after this date?).

-Work towards the introduction of a **Carbon Border Adjustment Mechanism** to support the Safeguard Mechanism (focusing mainly on steel and cement – think Boral ((BLD)) and BlueScope Steel ((BSL))), with a Carbon Leakage Review due in September.

-Standards for Australian vehicles (on the drawing board with a draft of new fuel efficiency standards and Westpac says EV drivers are likely to be delivered more charging opportunities via the Driving the Nation Fund which has allocated $39.3m for 117 chargers on major highway at intervals of 160km. Another $80m has been co-invested with governments to roll out hydrogen refuelling networks on key freight routes, suggesting hydrogen is far from dead in the water.

-An **Australian sustainable finance taxonomy** is in the making following the publication of two methodology papers in December.

While not immediately impactful, investors are likely to be taking notes for later decisions.

<u>Macquarie's Top ESG Themes For 2024</u>

Macquarie in its February Australian Equity Strategy expects the key ESG themes for 2024 to be:

-A ramp-up of renewable and grid investment to meet the government's 82% ASX100 net zero target. This would require fast-tracking of environmental approvals for clean energy projects posits the broker.

Macquarie identifies AGL Energy ((AGL)), APA Group ((APA)), Incitec Pivot ((IPL)), Origin Energy ((ORG)), Orica ((ORI)) and Worley ((WOR)) in this respect.

-Cybersecurity budgets to rise with a focus on responsible data and generative AI for cyber defence and boards may need to watch out, advises the broker.

-Emphasis on a just transition – Macquarie predicts companies will need to spend on reskilling staff, addressing labour shortages of electricians and engineering roles, and tackling barriers to minorities.

-**Growing environmental due diligence** across operations and supply chain as regulations tighten. Macquarie expects increased Scope 3 reporting and biodiversity supply chain impacts.

- **Taskforce on Nature-related Financial Disclosures** report is due to be finalised and the analysts expects it will include a biodiversity target, kicking off the biodiversity theme.

Macquarie observes Brambles ((BXB)) GPT Group ((GPT)) Transurban ((TCL)), Telstra ((TLS)) and Vulcan Energy Resources ((VUL)) have committed to report in line with TNFD this year.

-**Deepening human rights supply chain** due diligence. The broker forecasts "enhanced" engagement with suppliers, which could possibly allude to software and other innovations.

-**Diversification of critical minerals out of China**. Macquarie identifies likely beneficiaries on these subjects, which we will save for another story.

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:
https://fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/

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FNArena is proud about its track record and past achievements: Ten Years On

RUDI'S VIEWS

Rudi's View: Investing Is About The Future

In this week's Weekly Insights:

-Investing Is About The Future
-All-Weather Model Portfolio
-Conviction Calls
-It's Your Turn

By Rudi Filapek-Vandyck, Editor FNArena

Investing Is About The Future

The local December-half results season in February had its own script in mind, as also illustrated by the interim result release from California, USA headquartered Life360 ((360)) on March 1st.

It's not often Australian investors see a sizeable earnings 'beat' being rewarded with a 38.5% rise in the share price, not to mention the double digit follow-through that occurred on the following Monday.

By the market's close 7.87% of that follow-through was left for a 46%-plus gain over two days, which neatly summarised what February 2024 was mostly about:

-both analysts and investors had been too cautious in many instances, which provided a platform for big corrections upwards

-a two-year bear market for smaller cap companies also meant share prices proved too low

-consumer spending is still fine, both locally and overseas

-management teams have a much better grip on limiting cost growth

-the sky is literally the limit for technology companies, both large and small

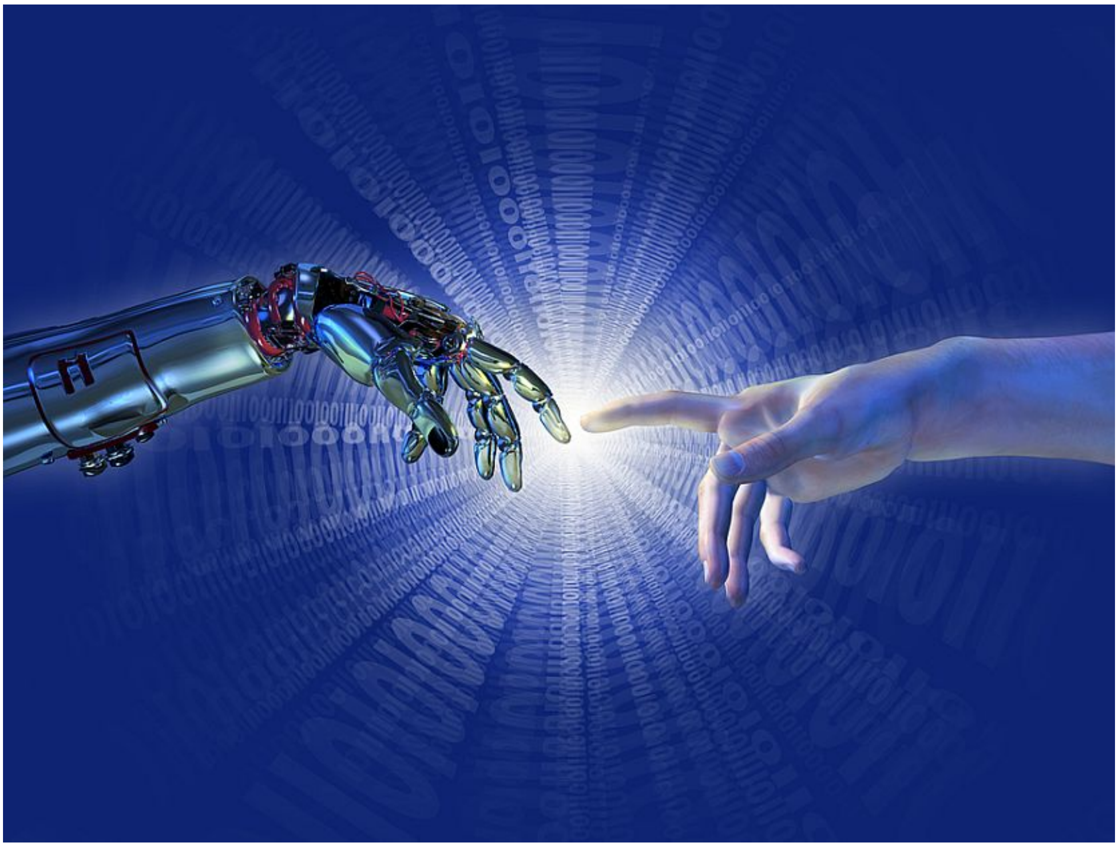
That seldom witnessed melt-up experience for shares in Life360, provider of tracking services for family members and pets, is the result of an undervalued starting point in combination with operational momentum that has forced analysts to significantly upgrade forecasts, valuations, and price targets.

According to **FNArena's The Short Report** total short positions in the stock were less than 1.5% prior to the market update.

For investors, to understand the full message emanating from the Life360 share price explosion, both items supporting the share price move are equally significant.

I would actually argue the second part is the most important factor as numerous other technology-driven companies have equally enforced significant upward corrections in operational estimates and share prices, without starting from a beaten-down, too low share price level.

Spoiler alert: it is not just a smaller cap phenomenon either.



Goodman Group ((GMG)) has been one of my personal favourites in the local share market for numerous years and with a market capitalisation of circa $57.9bn it is one of the largest index constituents on the ASX.

Yet, its financial release too put a rocket under the share price and left analysts in awe, scrambling back to the drawing board to remodel upgraded forecasts and valuations.

It wasn't that long ago when investors on my X feed were seen discussing whether Goodman Group shares at $24 were 'fair value' or 'expensive'. Now the shares are trading above $30, backed by significant increases in analyst valuations. The current high-marker is Citi with a price target of $32.50.

It goes without saying, Goodman's story did not start last month, or even last year. Australia's largest property developer has gradually transformed itself into a large funds manager and developer of mission-critical assets for key customers, such as Amazon, around the globe.

That large hyperscale warehouse with all the latest modern technologies embedded inside that is facilitating Amazon's e-commerce expansion worldwide has probably been designed and build by Goodman Group.

That operational transformation has not gone unnoticed, of course, and what was once a share price judged by the dividend yield on offer is now priced as a growth stock.

At the current share price, the forward-looking yield is no more than 1% with price-earnings (PE) ratios of 29x and 27x on forecasts for FY24 and FY25, respectively.

Those numbers look way over-the-top for what is, officially, Australia's number one REIT. Those who look at Goodman Group from a pure property-REIT perspective have been calling the shares overvalued for many years now, to no avail.

It reminds me of the long-winded discussions whether US-listed Tesla is an ordinary car manufacturer or a multi-platform technology innovator.

As it turned out, the market cares not what misguided labels are being used by dyed-in-the-wool value investors who refuse to accept that **technological disruption and innovation have become the two major driving forces** inside the global economy during the present decade.

In Goodman Group's case, the positive carry from exposure to the steady awakening of e-commerce, a process with a very long tail, is now combining with the faster-than-anticipated acceleration in demand for data centres on the back of the world's investment race into generative AI.

Industrial property development (think those warehouses) remains Goodman Group's main bread-and-butter, alongside funds management, but data centres are re-shaping the company's future.

Data centres currently make up some 37% of work-in-progress, which is circa double the percentage from pre-covid, and compares with circa 25% share in September last year.

By next financial year already that percentage is expected to exceed 50%.

The secret sauce, so to speak, is that margins on data centres are a lot higher (roughly double those on warehouses, at circa 60%), hence Goodman Group as a whole is looking towards accelerated revenues on increased margins.

That can only mean one thing: a (much) higher valuation. *Quod erat demonstrandum* in February.

Adding some extra colour to the above: Goodman Group's work-in-progress amounts to circa $13bn, so the numbers involved are large, really large.

No double-guessing why Craig Scroggie, CEO of data centres operator NextDC ((NXT)), appears at media interviews with an extra spring in his step these days.

NextDC is equally enjoying operating at the right place, with the right business model, and the right track record and client base to find itself overwhelmed with demand for more and bigger data centres.

In case anyone still had any doubts: generative AI is awakening a seldom witnessed tsunami in fresh technology and hardware investments. Investors in US equities are already familiar with the theme as the likes of Nvidia, Microsoft, ASM Lithography and AMD have been propelled into a different stratosphere on the back of enormous growth in demand.

The February results season locally has effectively communicated to investors in Australia: the new era of tomorrow's future is real and tangible, and the ASX has major beneficiaries too.

Apart from the companies mentioned, these also include Macquarie Technology ((MAQ)), Megaport ((MP1)), and Dicker Data ((DDR)), as well as Car Group ((CAR)), Cochlear ((COH)), Hub24 ((HUB)), Netwealth Group ((NWL)), REA Group ((REA)), ResMed ((RMD)), WiseTech Global ((WTC)), and others.

Companies mentioned in the second half of that sentence are not necessarily carried by the same megatrends as are Goodman Group and NextDC, but they are equally disrupting the status quo and using technology to successfully reshape the world to their advantage, enjoying the prospect of many more years of strong growth ahead.

Discretionary retailers delivered many positive surprises during the season past, predominantly because analysts' forecasts were proven too cautious despite widespread mortgage stress and a cost of living crisis, but technology has been the real outperformer in February, as also identified by analysts at Macquarie.

Share price gains of 48%, 32% and 29% respectively for Megaport, WiseTech Global and NextDC underpin that statement, but underneath the surface all have enjoyed significant increases in forecasts, which has propped up market forecasts overall throughout the season, in multiple ways.

Let's not get side-tracked by labeling or what makes a technology company or not: Goodman Group's consensus target lifted in February to $29.11 from $23.90 (up 21.70%), NextDC's price target jumped to $18.77 from $15.23 (up 23%), Life360's target is now $13.62 versus $10.44 pre-result (up 30%).

As we are in the process of finalising reviews, updates and statistics for the February season, it becomes clear early euphoria on surprises delivered by discretionary retailers has not been sustained throughout the rest of the month.

The numbers have kept on worsening with the percentage of 'beats' sliding, and sliding, and sliding to circa 33% with 27.5% disappointing and the remaining 39.5% reporting and guiding in line.

What is important in this context is the **FNArena Corporate Results Monitor** assesses on a wholistic methodology, taking into account forecasts versus actual outcome, but also qualitative items, forward guidance, dividend payout, trading updates, et cetera.

Simply reporting a slightly better-than-expected net profit on a lower tax rate and reversal of a prior provision won't cut the mustard and if you happen to report a fantastic performance with a subdued outlook, well, you're in the naughty basket too.

What is worth highlighting is the overall percentages look less attractive if we limit our assessments to the ASX50 and the ASX200. The 50 largest cap companies generated decidely more misses (41%) than beats (29.5%) while the numbers for the ASX200 can almost be summarised as one third-one third-one third.

Thanks to the small caps thus, the season overall hasn't been too bad.

Reporting seasons usually take a slice out of earnings forecasts, reducing the market's average, but this time around, Macquarie reports, the net forecast has remained unchanged, with technology and discretionary retailers the two sector stand-outs.

Also pleasing is the fact price targets on average, and in aggregate, have gained throughout the month.

Prior seasons have seen targets fall or hardly gain on a net outcome. The last time we registered notable target gains was in August 2021.

The main detractors in February have been resources, media, and healthcare, while telecommunication proved a rather weak performer too. Both materials (miners) and energy are the worst performers in share prices as well as in reductions to forecasts.

Post February, the strongest growth forecasts reside with technology (by multiple arm's lengths, see the above for explanation), with utilities second and healthcare third. The lowest forecasts are reserved for energy (worst), materials, and financials.

Among notable disappointments were Newmont Corp ((NEM)), South32 ((S32)), Whitehaven Coal ((WHC)) and even Alumina Ltd ((AWC)), which ironically serves partner Alcoa in its acquisition intention.

Also remarkable is that Altium's ((ALU)) release would have seen severe share price punishment, if the stock wasn't under a heavy premium take-over bid.

In quant terms, Mid-Cap stocks have been the place to be, with Growth coming second. Dividend payers proved a recipe for disappointment, no doubt reflecting the many dividend cuts and disappointments throughout the month.

For the latest updates: https://fnarena.com/index.php/reporting_season/

What looks expensive today might well look a whole lot more attractive in the months ahead. Share markets seldom move in an uninterrupted straight line upwards.

There will be volatility and share price weakness. Investors not yet on board with some of the strongest growth stories on the ASX should draw up their wish list and wait for opportunity to come.

Your typical value investor, of course, would rather talk about insane, hyped-up valuations and the formation of the next bubble. Horses for courses!

Always make sure you know your own investment objectives and your own risk appetite and strategy.

Investing in well-oiled growth companies trading on higher valuations is not by default a higher-risk strategy. I'd argue buying cheap looking, low quality companies when the world around them is changing rapidly is.

As they say, different narratives is what maketh the market. The world is changing right in front of our eyes.

Being part of that change is a choice, as is not being part of it.

Also, **FNArena's The Short Report**: https://fnarena.com/index.php/analysis-data/the-short-report/

All-Weather Model Portfolio

The All-Weather Model Portfolio, carried by positive share price moves for the likes of Goodman Group, NextDC and Hub24, gained 4.72% in February (of which 0.35% from dividends).

Combined with the 2.82% gained in January this takes the year-to-date return to 7.54% versus the ASX200 at circa 2%.

As a reminder, in December the Portfolio 'only' gained 5.12% against the ASX200's total return of 7.25%, but the return over the full twelve months of 2023 compares favourably; 20.24% against 12.07% for the index.

With a focus on quality & sustainable growth, the Portfolio by default always has exposure to multi-year growth paths and modern-day megatrends.

It is my view the February reporting season has further vindicated the common sense behind such strategy focus.

(See also further below).

Conviction Calls

RBC Capital updated its global best investment ideas but no matter how hard we looked for an Australian inclusion, it was not to be.

Goldman Sachs' APAC Conviction List delivered three familiar names; Lynas Rare Earths ((LYC)), Woolworths Group ((WOW)) and Xero ((XRO)).

Renesas Electronics, poised to acquire ASX-listed Altium ((ALU)), is also included.

Morningstar's selection of Best Stock Ideas has undergone a few changes, with Bapcor ((BAP)) and Pexa Group ((PXA)) both added and the departure of Westpac ((WBC)), WiseTech Global and Kogan ((KGN)).

All three removals have enjoyed strong share price performances.

Have kept their spot on the list in Australia and New Zealand:

-a2 Milk Co ((A2M))
-ASX Ltd ((ASX))
-Aurizon Holdings ((AZJ))
-Domino's Pizza Enterprises ((DMP))
-Fineos Corp ((FCL))
-Lendlease ((LLC))
-Santos ((STO))
-TPG Telecom ((TPG))
-Ventia Services ((VNT))

as well as Newmont Corp and ResMed ((RMD)).

It's Your Turn

The February results season is now gone, soon to be replaced with a motley bunch of cyclicals, banks and technology companies that report in between February and August.

As we are dotting the i's and crossing the t's internally here at FNArena to get the final conclusions and statistics right, it is now YOUR turn, as promised earlier in the year.

A reminder: I will soon produce a **Rudi Unplugged** video broadcast during which I will try to answer all questions, be they about corporate results, the Australian and global share markets, or specific companies.

Hence, start sending in your questions and suggestions. We shall take care of the rest, and keep you posted: Editor@fnarena.com

FNArena Subscription

A subscription to FNArena (6 or 12 months) comes with an archive of Special Reports (20 since 2006); examples below.

(This story was written on Monday, 4th May, 2023. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

(Do note that, in line with all my analyses, appearances and presentations, all of the above names and calculations are provided for educational purposes only. Investors should always consult with their licensed investment advisor first, before making any decisions. All views are mine and not by association FNArena's – see disclaimer on the website.

In addition, since FNArena runs a Model Portfolio based upon my research on All-Weather Performers it is more than likely that stocks mentioned are included in this Model Portfolio. For all questions about this: contact us via the direct messaging system on the website).

SMALL CAPS

Dicker Data Still PC

Dicker data shares fell -10% yesterday but it had nothing to do with the company's AI-fuelled outlook.

-Dicker Data founder sells a stake, impacting on the share price
-2023 result a bit mixed, but brokers look ahead to improving demand
-AI set to drive a return to growth for PC sales

By Greg Peel

Dicker Data ((DDR)) engages in the wholesale distribution of computer hardware, software, cloud, access control, surveillance, and technologies in Australia and New Zealand.

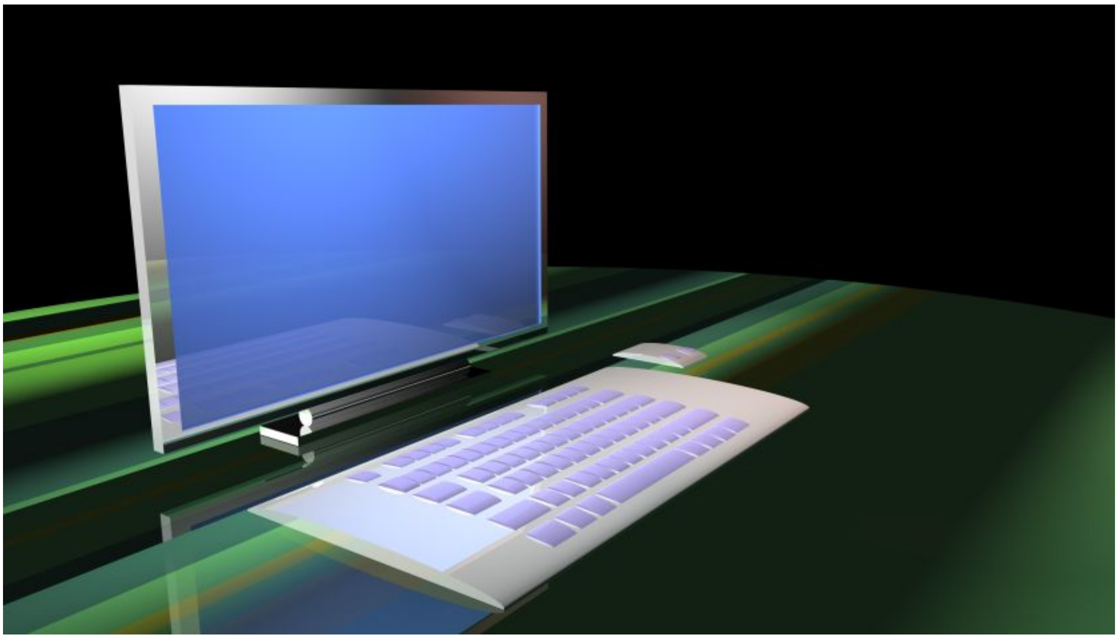
The company's product vendors include the likes of Microsoft, Samsung, LG and Hewlett Packard. "As the leading Australian distributor for many of these vendors," boasts the company's website, "Dicker Data is dedicated to helping our partners deliver industry-leading solutions built on the world's best technologies".

You may not have heard of the company, but it was founded nearly 50 years ago and listed in 2011. Shares in Dicker Data have quietly rallied around 50% since August, including a 9% pop on its result release late last month, but yesterday the shares fell -10%.

A bit of trouble at home, it seems. Yesterday founder, chairman and CEO David Dicker announced he had sold down some 8.3m shares representing around -10% of the company at a discount of a bit more than -9%. It was a single block-trade worth about $90.5m. He sold the shares due to a recent divorce settlement.

The fall in share price yesterday was thus a response to the discounted sale, rather than any issue with the company itself, and the free float has increased to 46% from 36%. Dicker has entered into a six-month escrow on his remaining stake, so for now he can't sell any more shares.

For the company itself, the outlook is all about a return to growth in sales of personal computers.



The Return of the PC

Like many a company selling things electronic, particularly those suited to a home office, Dicker Data enjoyed solid sales during covid. The share price peaked at just under $15 in December 2021.

But by that time, we'd all bought everything we needed. There followed a slow decline in PC demand, and Dicker's share price, to a low of $7.50 last July. Inflation and rising bond yields did their bit too. But from there, the outlook began to brighten.

The latest PCs will be needed to access this new fad called AI. Dicker data is a vendor of Microsoft's Copilot, and of Nvidia chips.

Citi had initiated coverage of the stock earlier in February ahead of the result release, with a Buy rating, observing, at the time, PC sales appeared to be bottoming.

Dicker Data's PC sales were down -24% in the first half of 2023 and management was expecting the decline to moderate to -15-17% in the second.

With the PC market close to its bottom, Citi expected PC revenue to grow at 7% compound annual rate between 2023-27, supported by a larger installed base from a shift to hybrid working post-covid, further acceleration in the shift to Notebooks which have shorter refresh cycles, Microsoft ending windows 10 support and the release of AI-capable PCs.

The company's 2023 result showed an increase in gross sales year on year of 5%. That was a miss to analyst forecasts of -1-2%. The surprising slowdown in software sales and the (slight) miss to expectations were nevertheless offset by stronger gross margins.

Looking Ahead

UBS had initiated coverage last July with a Neutral rating, noting Dicker Data is exposed to secular tailwinds driving technology adoption by organisations. The company can continue to outperform, the broker suggested, given its consistent track record of share gains and the ability to create/scale new categories.

With regard the recent result release, UBS suspects the first half of 2024 will represent some revenue uncertainty and sales are likely to remain soft. But the outlook is more positive going into the second half with the potential upside from the PC refresh cycle and customer uptake of AI/Copilot.

It's a common theme among analysts.

Jarden had initiated coverage back in December with an Overweight rating, suggesting Dicker Data should benefit through incremental software sales and more hardware (endpoint, network, data centre) sales.

While Microsoft Copilot is the most visible opportunity, Jarden expected it to have a modest impact medium term but expected Gen-AI to drive increased cloud, security and copilot-like software sales. While AI's impact on data centres is well understood, Jarden believed the market underappreciated AI's potential to drive higher endpoint and network sales.

In the wake of the result, Jarden considers the second half to be set up well. Dicker Data first navigated a declining gross profit margin post covid highs, then PC weakness, rising interest rates and deteriorating business confidence. Yet all the while the company has delivered earnings growth. Jarden considers this to be strong evidence of the quality of the company and the structural growth in IT spend.

Petra Capital (Hold) noted while Dicker Data delivered modest revenue growth, by its own standards, in 2023, it still managed to report net profit growth of 12% on the back of a good operating performance. This broker expects this trend to persist in the first half of 2024 ahead of a more pronounced recovery in PC sales, which represent some 20% of group sales) in the second half.

Morgan Stanley had listed Dicker Data as one of its key picks heading into result season, and has maintained an Overweight rating thereafter.

There are three brokers monitored daily by FNArena that cover the stock (Citi, UBS, Morgan Stanley) and together they have a consensus price target of $12.80, up from $12.10 pre-result.

Petra Capital set its target at $11.29, while Jarden has increased to $12.61 from $12.31.

One point of note about Dicker Data is that despite being arguably a growth company in the tech space, it has always paid a handsome dividend. The 45c paid in 2023 represented a near-100% payout of earnings and a yield of over 4%, fully franked.

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 01-03-24

Weekly update on stockbroker recommendation, target price, and earnings forecast changes.

By Mark Woodruff

Guide:

The FNArena database tabulates the views of eight major Australian and international stockbrokers: Citi, Bell Potter, Macquarie, Morgan Stanley, Morgans, Ord Minnett, Shaw and Partners and UBS.

For the purpose of broker rating correlation, Outperform and Overweight ratings are grouped as Buy, Neutral is grouped with Hold and Underperform and Underweight are grouped as Sell to provide a Buy/Hold/Sell (B/H/S) ratio.

Ratings, consensus target price and forecast earnings tables are published at the bottom of this report.

Summary

Period: Monday February 26 to Friday March 1, 2024
Total Upgrades: 14
Total Downgrades: 18
Net Ratings Breakdown: Buy 55.27%; Hold 35.59%; Sell 9.14%

In the fourth week of the reporting season ending Friday March 1, 2024, there were fourteen rating upgrades and eighteen downgrades to ASX-listed companies by brokers monitored daily by FNArena.

In a similar pattern to the past two weeks, the tables below show percentage downgrades by brokers to average earnings forecasts were broadly similar to upgrades (with a few outliers) though positive percentage adjustments to 12-month target prices were greater than negative changes.

While competition remain intense in mortgage lending, Resimac's first half results beat expectations and Bell Potter upgraded to Buy from Hold while Citi moved to Neutral from Sell.

Citi attributed the beat to lower operating costs and improved bad debts. Despite a pullback in marketing expenditure, the broker found momentum improved in the second quarter.

Bell Botter saw signs of a turnaround for new settlements, but Macquarie (Neutral) cautioned banks still retain a large funding advantage over non-banks and mortgages remain a difficult space in which to compete.

While FY23 results for TPG Telecom met broker expectations, FY24 guidance was softer-than expected due to higher opex and transformation costs. As a result, Morgans and Macquarie downgraded to Hold (or equivalent) from Buy (or equivalent).

Macquarie warned working capital from handset receivable repayments is likely to drag on cash flow and limit dividend growth in the next 12 months. It's also thought available franking credits will expire by the time of the FY24 interim payment, thereby further reducing appeal for investors. A total of 18cps will be paid out in dividends for FY23 after a 9cps final dividend was declared.

Altium also received two ratings downgrades (from Macquarie and Morgan Stanley) last week after presenting first half results and withdrawing FY24 guidance following the proposed acquisition by Renesas Electronics.

Given recommendations in favour of the acquisition scheme from both boards, Morgan Stanley expects Altium shares will trade more in line with the probability of deal completion, regulation approvals and counter proposals, rather than fundamentals.

Altium also came fourth on the table below for the largest percentage increase in average target price last week after brokers raised the average target price to $66.23, to closely align with the $68.50 bid by Renesas.

Coming first on the positive change to target list was Reece, after first half results exceeded analysts' expectations. There was higher earnings growth than Morgans expected for Australia, New Zealand and the US, but the broker (Reduce) remains cautious on the outlook for all three countries.

Citi, on the other hand, increased its earnings expectations by 26% through FY24-26 and upgraded its rating to Neutral from Sell.

Next up on the increased target price table was Adairs, followed by NextDC in the wake of their respective interim results.

Thanks to better gross margins and control over operating costs, Adairs' earnings were 19% better than Morgans expected, and the broker upgraded to Add from Hold. Gross margins increased by 220bps on the first half of FY23 to 60.2%, which the broker explained was due to lower freight rates, reduced clearance activity and generally better promotional discipline.

UBS felt the share price of Adairs looked "somewhat cheap" yet retained a Neutral rating because the sales performance was soft across the company's brands and there are downside risks to consumer expenditure.

UBS welcomed a strong result from NextDC with first half revenue and underlying earnings ahead of expectations. Demand is strong, driven by the cloud, AI and the enterprise shift to co-location, and momentum in contracted megawatts continues.

For Morgans, the symbiotic relationship between hyperscale and enterprise (cloud and corporate colocation) is the key attraction of NextDC. While cloud/hyperscale represented the majority of the record 149MW's contracted in the first half, the company also sold a record 4MW of enterprise capacity in the second quarter of FY23.

Leading the earnings upgrade table was Alumina Ltd followed by Latitude Group.

The 2023 result from the Alumina Ltd-Alcoa (AWAC) joint venture missed broker expectations and the size of the percentage earnings upgrade in FY24 for Alumina Ltd should be disregarded due to the small forecast numbers involved.

The result may prove rather incidental anyway, given Alcoa is aiming to purchase Alumina Ltd's 40%-stake in the joint venture for $3.3bn.

Latitude Group reported FY23 cash earnings in line with the guidance range, albeit at the bottom end. Citi highlighted the net interest margin stabilised in the second half following an extended period of contraction, as management has undertaken a material reshaping of the cost-base.

The broker expressed growing confidence the near-term bottom has been reached for the company and upgraded its rating to Neutral from Sell given a more supportive outlook. Citi's target was also increased to $1.15 from 95c.

After delivering in-line FY23 results, 29Metals received a material upgrade to average earnings forecasts by brokers in the FNArena database, but at the same time headed up the list for the largest percentage downgrade to average target price.

The company's -$21.2m earnings loss for the full year was 17% better than Morgan Stanley had anticipated, but Macquarie could see clouds on the horizon.

A slowing ramp-up at the Capricorn mine is in prospect, and Macquarie noted significant downside risk if permitting approvals are not granted. The analyst also allowed for a late-2024 $75m equity raise to bolster the balance sheet.

Following first half results which missed expectations, DGL Group and Nanosonics had the dubious distinction of featuring in the tables below for both negative change to average target and average earnings forecast.

DGL Group's profit declined by -41% on the previous corresponding period and fell well short of expectations held by both consensus and Morgans. Earnings missed the broker's forecast by -12% due to weak crop protection product sales, underutilisation of recycling facilities, falling commodity prices and the ongoing impact of overstocking by customers. It's felt the predictability of earnings continues to decline as they seemingly become more cyclical.

The current $2.77 share price of Nanosonics has now fallen below levels attained in 2016. Pressures on US hospital budgets are expected to continue, according to Sell-rated Citi.

The broker's FY24-26 estimates for EBIT were lowered by -66-85% and the target reduced to $2.70 from $3.90.

While Morgans suggested there was little necessity to buy shares in Nanosonics at this time, based on 1H results and management commentary, the analysts retained an Add rating given long-term value potential for patient shareholders.

Healius received the largest percentage downgrade to average earnings forecasts following first half results. Pathology was the main culprit behind a double-digit fall for underlying operating income and margin compression.

Citi downgraded to a Sell rating from Neutral given the uncertainty surrounding restructuring and limited earnings visibility.

Ord Minnett maintained a Buy rating on valuation and suggested the company's base businesses are well placed to service the current known under-diagnosis for routine healthcare services.

It should be noted impressive earnings and target price upgrades for Lovisa Holdings do not feature below as brokers in the FNArena database updated research in the period spanning last week and the week prior.

Taking both weeks into account, the average target price of seven brokers increased by 22% to $28.43, and the average FY24 and FY25 earnings forecasts rose by 5.9% and 4.6%, respectively.

The gross margin percentage rose by 40bps to 80.7% driven by price and promotion management, noted Macquarie, along with strong execution on product and inventory control. Price rises are now a source of growth, highlighted UBS, but the key driver of like-for-like revenue growth is net store growth.

A key risk, noted Ord Minnett, is a slowdown in the US store rollout, which the broker forecasts will be at 800 stores by FY30, based on an increase of 100 stores per year.

Several analysts showered Lovisa with praise.

The retailer is showing every sign of becoming a truly global brand, according to Morgans. Short-term variations in the pace of growth should not, in the broker's view, detract from the long-term potential of this business to increase store density significantly in most of its markets.

Morgan Stanley highlighted Lovisa is a unique asset within the Australia small-to mid-cap equity market given it has global growth optionality and a differentiated consumer value proposition in fast fashion jewellery. It's difficult to find a competitor with the depth and breadth of product, along with speed to market, noted the broker.

For those companies covered (and not covered) in commentary above, the reader may also refer to FNArena's daily Corporate Results Monitor (Corporate Results Monitor - FNArena.com)

The Monitor provides a summary of broker research on all companies that have reported results to-date.

Total Buy ratings in the database comprise 55.27% of the total, versus 35.59% on Neutral/Hold, while Sell ratings account for the remaining 9.14%.

Upgrade

ADAIRS LIMITED ((ADH)) Upgrade to Add from Hold by Morgans .B/H/S: 1/2/0

Morgans upgrades its rating for Adairs to Add from Hold following 1H results and raises its target to $2.40 from $1.70. Thanks to better gross margins and control over operating costs, earnings (EBIT) were 19% better than the analysts expected.

The earnings margin was 9.8%, down from 11.0% in the previous corresponding period, but better than the broker's forecast of 8.0%, while sales were broadly in line with expectations.

Gross margins increased by 220bps on the 1H of FY23 to 60.2%, which the broker explains was due to lower freight rates, reduced clearance activity and generally better promotional discipline.

In a resumption of interim payments, a 5cps dividend was declared.

AUSTRALIAN FINANCE GROUP LIMITED ((AFG)) Upgrade to Neutral from Sell by Citi .B/H/S: 0/2/0

Australian Finance Group reported earnings -17% below Citi's forecasts. While the broker had feared higher costs heading into the result, the miss was more of a function of difficult manufacturing profitability.

While management had flagged higher costs, Citi expects the -$20m investment in 1H24 and further -$20-30m surprised the market.

Given the intensity of current market competition, the broker believes it remains early days to judge whether the company will get a sufficient return on this spend.

At the least it should shore up its distribution business, which is the key enabler of growing its manufacturing business long-term. Given the significant share price pull back, Citi upgrades to Neutral from Sell. Target unchanged at $1.50.

EAGERS AUTOMOTIVE LIMITED ((APE)) Upgrade to Neutral from Sell by Citi .B/H/S: 4/3/0

Eagers Automotive has guided to $1bn of revenue growth, which looks conservative, Citi suggests, if you break down the drivers.

Unless the underlying business contracts in FY24, which given management's outlook for each segment seems unlikely, the broker
views this as a very achievable hurdle and forecasts FY24 revenue growth of 12%.

Citi upgrades FY24-25 profit forecasts by 9-11%, which reflects the increased revenue growth to reflect conservative management guidance and profit margin contraction less than previous estimates.

Target rises to $13.90 from $13.25, upgrade to Neutral from Sell.

BOSS ENERGY LIMITED ((BOE)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 2/1/0

Boss Energy has reported a $57.6m profit after tax in the first half, with Bell Potter pointing out this was impacted by a $62.3m revaluation within the company's uranium inventory.

The company continued to keep overheads tight in the period, with exploration expenditure picking up a little year-on-year to -$2.2m. It is expected the company will deploy -$45m for exploration and expansion studies, with the Honeymoon restart now complete.

The rating is upgraded to Buy from Hold and the target price decreases to $6.34 from $6.41.

CEDAR WOODS PROPERTIES LIMITED ((CWP)) Upgrade to Add from Hold by Morgans .B/H/S: 2/0/0

While 1H profit for Cedar Woods Properties missed the consensus forecast, Morgans explains this was largely a result of timing, and management issued FY24 NPAT guidance in line with the consensus estimate.

Management noted enquiries and sales levels are at two-year highs, with Western Australia (where the company is headquartered) leading the way.

Due to the company's exposure to lower priced stock in higher growth markets, the broker sees further potential to drive earnings, and upgrades its rating to Add from Hold. It's felt shares could trade at a premium if the housing cycle gains steam through FY25/26.

The target rises to $5.60 from $4.50.

LATITUDE GROUP HOLDINGS LIMITED ((LFS)) Upgrade to Neutral from Sell by Citi .B/H/S: 0/1/2

Latitude Group reported cash earnings in line with the guidance range, albeit at the bottom end, Citi notes.

The net interest margin stabilised at 9.8%. Despite further funding cost headwinds in FY24, management appears confident that intrain
repricing can offset to deliver NIM expansion.

Citi lowers FY24-25 earnings forecasts by -20% and -12%, largely on a more muted NIM recovery. The broker makes more minor changes to outer year assumptions, and forecasts a recovery back to FY22 profitability by FY26.

Target rises to $1.15 from 95c, upgrade to Neutral from Sell.

MICHAEL HILL INTERNATIONAL LIMITED ((MHJ)) Upgrade to Buy from Neutral by Citi .B/H/S: 2/0/0

Citi suspects gross margins for Michael Hill may have troughed and, with a positive outlook for retail sales, could improve from here on. Sales trends could improve from FY25 as Citi's forecast for a rebound in retail expenditure materialises.

A recovery in diamond sales is anticipated and this represents 73% of the company sales from March 2022 to February 2023. There are also several growth levers including the roll-out of Bevilles and TenSevenSeven.

Rating is upgraded to Buy from Neutral and the target lifted to $0.92 from $0.86.

POLYNOVO LIMITED ((PNV)) Upgrade to Add from Hold by Morgans .B/H/S: 2/1/1

While PolyNovo's 1H results were in line, Morgans upgrades its forecasts due to ongoing sales momentum across all regions, which is expected to result in average sales growth of 32% per year for the next three years.

Headline results had been pre-released. Sales growth in the 1H for the US (the most established region) and the rest of the world (ROW) was 41.7% and 122%, respectively.

The broker's target rises to $2.22 from $1.95 and the rating is upgraded to Add from Hold.

See also PNV downgrade.

PEPPER MONEY LIMITED ((PPM)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 1/1/0

Pepper Money has experienced significant funding cost headwinds, Macquarie observes, and as this normalises the revenue outlook should improve.

Results in the second half were weighed down by margin headwinds, front-to-back book competition, and the mix shift in the asset finance book.

The broker assesses, while mortgage volumes continue to shrink and banks face deposit competition, this may open up the opportunity for non-banks to return to growth.

As the stock is trading at only 7x PE, the broker suggests the downside risks are factored in and upgrades to Outperform from Neutral. Target is raised to $1.70 from $1.35.

REECE LIMITED ((REH)) Upgrade to Neutral from Sell by Citi .B/H/S: 0/1/4

Citi observes Reece had conditioned the market to expect a soft first half and instead delivered a "resilient" result. The broker was impressed with revenue being largely in line and gross profit 5% ahead of expectations.

No guidance was provided as is the usual case while management pointed out Australasian conditions will get harder. The US beat came because of positive volumes, compared with consensus expectations that had priced in falls.

Following the result, Citi increases EBIT expectations materially, by 26% through FY24-26. The valuation methodology has also changed to just a DCF from a blended average.

As a result the rating is upgraded to Neutral from Sell and the target increases to $28.90 from $14.20.

RESIMAC GROUP LIMITED ((RMC)) Upgrade to Neutral from Sell by Citi and Upgrade to Buy from Hold by Bell Potter .B/H/S: 1/2/0

First half results from Resimac Group were ahead of market expectations with Citi noting the beat was attributable to lower operating costs and improved bad debts. Despite a pullback in marketing expenditure the broker found momentum improved in the second quarter.

Settlements trended higher and applications were up 79% which signals to Citi that management was successful in moving products within residential at the right price. Rating is upgraded to Neutral from Sell amid better visibility and the target lifted to $1.00 from $0.95.

As expected, says Bell Potter, Resimac Group's half year results were down, but more positively the broker sees signs of a turnaround in new settlements. First half net profits were down -48% year-on-year to $20.1m, with loan book growth anticipated in the second half.

Resimac Group's asset finance business has continued to grow, now having surpassed $1bn, spurred on by tight cost control. The broker feels forward-looking indicators appear good, but the company is not yet out of the woods.

The rating is upgraded to Buy from Hold and the target price increases to $1.30 from $1.19.

SERVICE STREAM LIMITED ((SSM)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/0/0

Service Stream earnings beat Macquarie's estimates in the first half with telco revenue up 30% across both fixed line and wireless operations. Second half underlying EBITDA is expected to be similar to the first half's $63.3m.

Macquarie observes the company has re-focused the business since the Lendlease Services acquisition, reducing the risk exposure to deliver more sustainable growth.

The stock is now trading at a material discount to peers and the broker upgrades to Outperform from Neutral. Target is raised to $1.25 from $0.91.

WAGNERS HOLDING CO. LIMITED ((WGN)) Add by Morgans .B/H/S: 1/0/0

Wagners Holding Co's 1H result highlights to Morgans the cyclical nature of the industry and the company's leverage to an improving cycle.

The construction materials division was largely behind underlying earnings of $20m in the 1H, up from $4.4m in the previous corresponding period.

Due to better prices and volumes along with cost control, the EBIT margin for the construction materials division increased to 11.8% from 7.4%.

The rating is upgraded to Add from Speculative Buy to reflect lower valuation and earnings risk, as well as the positive operating environment and ongoing M&A across the industry. The $1.15 target is maintained.

Downgrade

PENTANET LIMITED ((5GG)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 1/1/0

Pentanet reported a 7% year-on-year revenue increase over the first half to $10.4m, comprised of a 3% increase in network revenue and a 91% increase in cloud gaming revenue. An earnings loss of -$0.2m was a modest beat to Bell Potter's forecasts.

The company reported 190 on-net adds during the half, with network capacity constraints restricting the company to 345 on-net subscribers since the start of FY23. The broker's forecast requires an acceleration of monthly adds to 105, from a current 30, in the second half.

The rating is downgraded to Hold from Buy and the target price decreases to 7 cents from 8 cents.

ALTIUM ((ALU)) Downgrade to Neutral from Outperform by Macquarie and Downgrade to Equal-weight from Overweight by Morgan Stanley.B/H/S: 1/5/0

Altium's first half earnings result proved a -13% miss to Macquarie's forecasts, with the broker pointing out earnings margins were weak over the half at 33.4%, underpinned by reinvestment in mid-market, cloud and enterprise.

Notably, the company has withdrawn full year guidance off the back of the first half.

More positively, annual recurring revenue growth was strong, up 30% year-on-year.

The rating is downgraded to Neutral from Outperform and the target price increases to $68.50 from $49.70.

Given recommendations in favour of the scheme for Renesas to acquire Altium from both boards, Morgan Stanley expects Altium shares will trade more in line with the probability of deal completion, regulation approvals and counter proposals, rather than fundamentals.

Target rises to $68.50 from $50.00. Downgrade to Equal-weight from Overweight.

The company's first half results missed Morgan Stanley on all of revenue, earnings and profit, driven by Octopart weakness and higher R&D for ALU365.

However, the result was not weak enough to trigger a get-out clause, and the enterprise performance was robust, the broker suggests, which will please Renesas.

Industry view: Attractive.

COLLINS FOODS LIMITED ((CKF)) Downgrade to Sell from Neutral by Citi .B/H/S: 3/2/1

As Citi believes there is a greater risk that same store sales (SSS) growth in Australia slows for Collins Foods over the remainder of the 2H, the rating is downgraded to Sell from Neutral and the target reduced to $10.60 from $11.93.

The broker points out Inghams Group ((ING)), which is one of Collins Foods' four chicken suppliers, recently revealed a decline in poultry volumes sold in the quick service (QSR) channel in Australia.

Other data points suggest to the analysts softer trading in Australia driven by higher cost-of-living pressures, while other cost pressures also remain elevated.

CROMWELL PROPERTY GROUP ((CMW)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 0/2/0

The potential buyer of Cromwell Property's Polish assets has reduced its offer by -8% following due diligence, but has laid out a significant deposit. This latter point encourages Ord Minnett to consider it likely that the sale will proceed.

The company has suggested look-through gearing could reduce to 41.9% if the sale of its Polish assets, alongside some Australian assets contracted for sale, goes ahead.

The rating is downgraded to Hold from Accumulate and the target price of 70 cents is retained.

DRONESHIELD LIMITED ((DRO)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 0/1/0

DroneShield's full year result was largely in-line with Bell Potter's expectations, but with a significant net profit beat. Net profits of $9.3m were helped by a better than expected tax benefit of $6.2m. The company reported full year revenue of $55.1m and earnings of $3.8m.

The broker was particularly interested in the greater insight provided into the company's increased pipeline. The current sales pipeline totals $510m, with $338m related to 2024.

The company also has a $29m contracted order book, and a further $57m in potential contracts.

The rating is downgraded to Hold from Buy and the target price increases to 90 cents from 50 cents.

HEALIUS LIMITED ((HLS)) Downgrade to Sell from Neutral by Citi .B/H/S: 1/2/2

Citi observes subdued growth in community pathology volumes is still having a negative effect on Healius, which remains heavily exposed to this market.

The company is expecting 1-3% volume growth in pathology in the second half and is instigating a fresh round of cost reductions to offset labour and rental increases. Citi suspects the new guidance will be difficult to achieve.

Embedded in the guidance is -$15m in cost savings that was already announced back in November along with the contribution from the new restructuring program which started in the third quarter.

The broker reduces the target to $1.10 from $1.25 and downgrades to Sell from Neutral given the uncertainty surrounding restructuring and limited earnings visibility.

HARVEY NORMAN HOLDINGS LIMITED ((HVN)) Downgrade to Lighten from Hold by Ord Minnett .B/H/S: 2/1/1

A -7% first half sales decline from Harvey Norman over the first half tracks with Ord Minnett's expectations for the retailer. The company reported a profits after tax decline of -29% year-on-year to $214m.

The broker retains its expectations of a rebound in sales and earnings from FY25, anticipating a strengthening in global consumer demand.

The rating is downgraded to Lighten from Hold and the target price increases to $4.00 from $3.90.

NIB HOLDINGS LIMITED ((NHF)) Downgrade to Hold from Add by Morgans .B/H/S: 2/4/0

While nib Holdings' 1H underlying operating profit beat the consensus estimate by 13%, Morgans assesses the outperformance was of low quality. The main driver, notes the analyst, was a covid provision release in the Australia Residents Health insurance (ARHI) business.

The broker forecasts slightly softer earnings for all key divisions and reduces its target to $8 from $8.47. As share price upside to valuation is reduced, the rating for nib Holdings is downgraded to Hold from Add.

It's also difficult for the broker to judge how long claims tailwinds (linked to covid) will continue to support ARHI super profits.

Management lowered New Zealand net margin guidance to 7-8% from 8-9%.

An interim dividend of 15cps was declared compared to the 14cps expected by consensus.

ORICA LIMITED ((ORI)) Downgrade to Neutral from Buy by Citi .B/H/S: 3/3/0

Following the earnings accretive -US$640m Cyanco acquisition, to be funded from Orica's existing cash and debt facilities alongside a now completed $400m institutional placement, Citi raises its target to $18.50 from $17.00.

Retail investors can also participate via a share purchase plan capped at $65m.

As the Orica share price has rallied by 15% since the end of last-October, the broker's rating is downgraded to Neutral from Buy.

PILBARA MINERALS LIMITED ((PLS)) Downgrade to Sell from Neutral by Citi .B/H/S: 2/1/3

Following the recent rally in the share price, Citi has downgraded Pilbara Minerals to Sell from Neutral. The broker notes the shares are trading above its $3.60 target price, which remains unchanged.

No further changes have been made.

POLYNOVO LIMITED ((PNV)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 2/1/1

First half revenue and earnings were pre-released and Bell Potter gleaned little from the official reporting of the PolyNovo numbers.

The clinical trial to support an upgrade in the US registration to a PMA is nearing completion and this will support label expansion to include full thickness burns, allowing the company to market the product for that indication.

Recruitment of a trial in diabetic foot ulcers has been suspended, with too much variability cited in outcomes among the outpatient setting. Bell Potter reduces FY24 revenue forecasts by -7% and downgrades to Hold from Buy on valuation. Target is raised to $2.05 from $1.80.

See also PNV upgrade.

PEOPLEIN LIMITED ((PPE)) Downgrade to Hold from Add by Morgans .B/H/S: 1/1/0

Margins continue to decline in the 1H for PeopleIN due to a challenging economic environment, explains Morgans. By way of explanation, management noted a decline in contract rates, permanent recruitment fees and government subsidies.

While these explanations are not new to the broker, the level of margin degradation quarter-on-quarter has surprised, largely due to the declining contract rate. As conditions are unlikely to improve in the next year, the rating is downgraded to Hold from Add.

While in line with the consensus forecast, earnings (EBITDA) for the half fell by -38% on the previous corresponding period. No quantitative guidance was provided.

The target falls to $1.05 from $1.85.

PWR HOLDINGS LIMITED ((PWH)) Downgrade to Neutral from Buy by Citi .B/H/S: 1/3/0

Citi has downgraded to Neutral from Buy on a combination of share price and risks to contracts entering production, volume adjustments or contracts being pushed further out.

EVs are not yet ready to take off, the broker suggests. PWR Holdings' expansion into A&D looks set to really accelerate in FY25 and FY26, with more programs entering production stage and potentially a couple of material programs in the EVTOL sector, the broker highlights.

It seems Citi analysts are less sanguine about revenue growth for the Motorsports division, with the broker essentially worrying about a dip in FY25, before sharp acceleration again in FY26.

Forecasts have been increased by some 3% for FY24, but they have reduced by -5% for FY25. Price target lifts by 26% to $13.15.

SUNCORP GROUP LIMITED ((SUN)) Downgrade to Neutral from Buy by Citi .B/H/S: 4/2/0

The Suncorp Group general insurance business has significant momentum, as Citi highlights 16% gross written premium growth. FY24 gross written premium growth guidance has been upgraded to "low to mid teens" and the broker currently forecasts 14.4%.

The quality of the underlying margin is also improving amid less reliance on reserve releases.

Following a strong rally in the share price and the EPS dilution from the bank sale, the broker struggles to find enough upside to justify a Buy rating and downgrades to Neutral. Target is raised to $16.60 from $15.55.

TPG TELECOM LIMITED ((TPG)) Downgrade to Neutral from Outperform by Macquarie and Downgrade to Hold from Add by Morgans.B/H/S: 1/3/1

While TPG Telecom's result was in line with Macquarie, maiden FY24 guidance is softer than expected due to higher opex and transformation costs.

Working capital from handset receivable repayments is likely to drag on cash flow and limit dividend growth in the next 12 months, the broker warns.

Furthermore, with the group not paying tax due to the Vodafone losses, Macquarie estimates the group will run out of franking credits by the 1H24 dividend, further reducing appeal for investors.

With limited upside surprises expected, the broker downgrades to Neutral from Outperform. Target falls to $5.10 from $5.40.

While FY23 results for TPG Telecom were in line with guidance and Morgans expectations, the broker downgrades its rating to Hold from Add to align with weaker outlook commentary by management.

The analyst increases forecasts for opex, as well as D&A and interest expenses, and the target is reduced to $5.10 from $5.50. As net debt for FY25 is now increased as a result of these new forecasts, Morgans considers the company's overall financials less attractive.

A total of 18cps will be paid out in dividends for FY23 after a 9cps final dividend was declared. Management has confidence in an improvement in cash earnings over the next few years.

WAYPOINT REIT LIMITED ((WPR)) Downgrade to Hold from Add by Morgans .B/H/S: 1/1/1

Waypoint REIT's FY23 result was in line with guidance, notes Morgans, and management noted that transactional markets are showing tentative signs of improvement.

Distributable earnings of $110.7m in FY23 were lower compared to $116.1m in FY22, mainly due to higher interest costs, explains the broker.

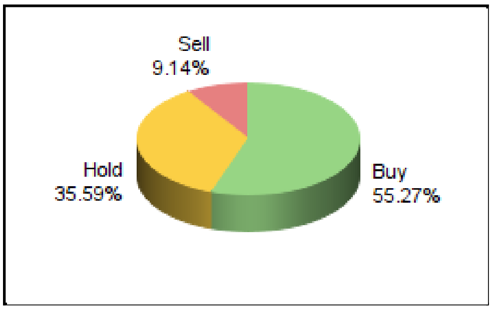
FY24 distributable EPS guidance is for between 16.32-16.48cpu, compared to the analyst's prior 16.67cpu forecast.

The portfolio is valued at $2.7bn across 402 properties.

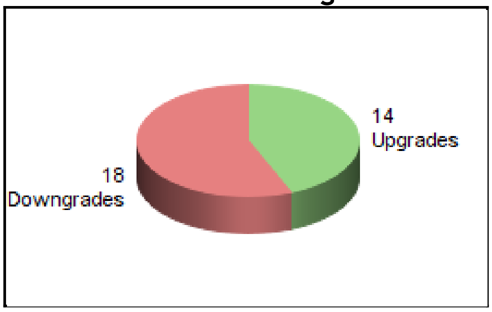
The FY23 distribution of 16.48cpu was flat on the previous corresponding period.

Morgans' target falls to $2.57 from $2.78 and the rating is downgraded to Hold from Add. It's felt the REIT remains suited to income investors.

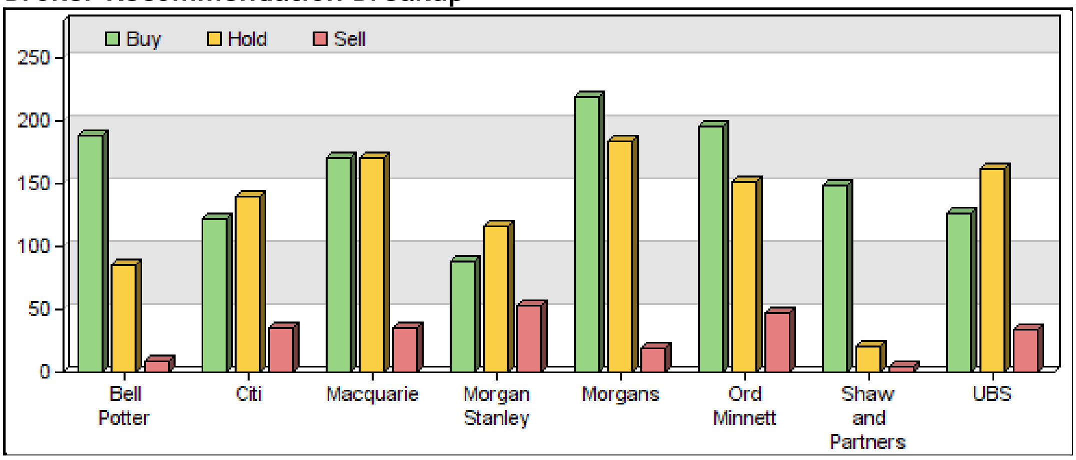
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ADAIRS LIMITED	Buy	Neutral	Morgans
2	AUSTRALIAN FINANCE GROUP LIMITED	Neutral	Neutral	Citi

3	BOSS ENERGY LIMITED	Buy	Neutral	Bell Potter
4	CEDAR WOODS PROPERTIES LIMITED	Buy	Neutral	Morgans
5	EAGERS AUTOMOTIVE LIMITED	Neutral	Neutral	Citi
6	LATITUDE GROUP HOLDINGS LIMITED	Neutral	Sell	Citi
7	MICHAEL HILL INTERNATIONAL LIMITED	Buy	Neutral	Citi
8	PEPPER MONEY LIMITED	Buy	Neutral	Macquarie
9	POLYNOVO LIMITED	Buy	Neutral	Morgans
10	REECE LIMITED	Neutral	Sell	Citi
11	RESIMAC GROUP LIMITED	Neutral	Neutral	Citi
12	RESIMAC GROUP LIMITED	Buy	Neutral	Bell Potter
13	SERVICE STREAM LIMITED	Buy	Neutral	Macquarie
14	WAGNERS HOLDING CO. LIMITED	Buy	Buy	Morgans
Downgrade				
15	ALTIUM	Neutral	Buy	Macquarie
16	ALTIUM	Neutral	Buy	Morgan Stanley
17	COLLINS FOODS LIMITED	Sell	Neutral	Citi
18	CROMWELL PROPERTY GROUP	Neutral	Buy	Ord Minnett
19	DRONESHIELD LIMITED	Neutral	Buy	Bell Potter
20	HARVEY NORMAN HOLDINGS LIMITED	Sell	Neutral	Ord Minnett
21	HEALIUS LIMITED	Sell	Neutral	Citi
22	NIB HOLDINGS LIMITED	Neutral	Buy	Morgans
23	ORICA LIMITED	Neutral	Buy	Citi
24	PENTANET LIMITED	Neutral	Buy	Bell Potter
25	PEOPLEIN LIMITED	Neutral	Buy	Morgans
26	PILBARA MINERALS LIMITED	Sell	Neutral	Citi
27	POLYNOVO LIMITED	Neutral	Buy	Bell Potter
28	PWR HOLDINGS LIMITED	Neutral	Buy	Citi
29	SUNCORP GROUP LIMITED	Neutral	Buy	Citi
30	TPG TELECOM LIMITED	Neutral	Buy	Morgans
31	TPG TELECOM LIMITED	Neutral	Buy	Macquarie
32	WAYPOINT REIT LIMITED	Neutral	Buy	Morgans

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	REH	REECE LIMITED	21.367	14.567	46.68%	6
2	ADH	ADAIRS LIMITED	2.200	1.650	33.33%	3
3	NXT	NEXTDC LIMITED	18.770	15.230	23.24%	5
4	ALU	ALTIUM	66.225	55.358	19.63%	6
5	ABY	ADORE BEAUTY GROUP LIMITED	1.383	1.183	16.91%	3
6	KGN	KOGAN.COM LIMITED	7.733	6.633	16.58%	3
7	HVN	HARVEY NORMAN HOLDINGS LIMITED	4.720	4.110	14.84%	5
8	CSR	CSR LIMITED	7.371	6.557	12.41%	7
9	COE	COOPER ENERGY LIMITED	0.220	0.197	11.68%	3
10	SSM	SERVICE STREAM LIMITED	1.220	1.107	10.21%	3

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	29M	29METALS LIMITED	0.430	0.600	-28.33%	3
2	DGL	DGL GROUP LIMITED	0.813	1.057	-23.08%	3
3	SGR	STAR ENTERTAINMENT GROUP LIMITED	0.718	0.900	-20.22%	4
4	STX	STRIKE ENERGY LIMITED	0.343	0.393	-12.72%	3
5	NAN	NANOSONICS LIMITED	3.300	3.745	-11.88%	4
6	TYR	TYRO PAYMENTS LIMITED	1.537	1.668	-7.85%	6
7	ACL	AUSTRALIAN CLINICAL LABS LIMITED	3.133	3.367	-6.95%	3
8	TPG	TPG TELECOM LIMITED	5.310	5.630	-5.68%	5
9	TAH	TABCORP HOLDINGS LIMITED	0.940	0.994	-5.43%	5
10	MAF	MA FINANCIAL GROUP LIMITED	6.223	6.557	-5.09%	3

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	AWC	ALUMINA LIMITED	4.411	-1.366	422.91%	4
2	LFS	LATITUDE GROUP HOLDINGS LIMITED	7.107	1.857	282.71%	3
3	BOE	BOSS ENERGY LIMITED	4.733	2.800	69.04%	3
4	NEM	NEWMONT CORPORATION REGISTERED	256.867	181.233	41.73%	3
5	29M	29METALS LIMITED	-13.700	-23.233	41.03%	3
6	PNV	POLYNOVO LIMITED	0.725	0.525	38.10%	4
7	LTM	ARCADIUM LITHIUM PLC	48.820	36.066	35.36%	4
8	ABY	ADORE BEAUTY GROUP LIMITED	2.000	1.500	33.33%	3
9	AVH	AVITA MEDICAL INC	-66.695	-98.873	32.54%	3
10	ADH	ADAIRS LIMITED	19.067	15.333	24.35%	3

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	HLS	HEALIUS LIMITED	0.120	1.480	-91.89%	5
2	COE	COOPER ENERGY LIMITED	0.300	0.733	-59.07%	3
3	CNU	CHORUS LIMITED	3.704	8.314	-55.45%	3
4	NAN	NANOSONICS LIMITED	2.525	3.475	-27.34%	4
5	SXL	SOUTHERN CROSS MEDIA GROUP LIMITED	6.150	8.375	-26.57%	4
6	WDS	WOODSIDE ENERGY GROUP LIMITED	189.087	250.936	-24.65%	6
7	PXA	PEXA GROUP LIMITED	16.540	21.680	-23.71%	5
8	CCX	CITY CHIC COLLECTIVE LIMITED	-7.620	-6.220	-22.51%	5
9	LIC	LIFESTYLE COMMUNITIES LIMITED	65.367	80.567	-18.87%	3
10	DGL	DGL GROUP LIMITED	6.900	8.400	-17.86%	3

Technical limitations

If you are reading this story through a third party distribution channel and you cannot see charts included, we apologise, but technical limitations are to blame.

WEEKLY REPORTS

Uranium Week: Spot Price Eases Further

Amidst ongoing supply uncertainty, uranium speculators have been cashing in.

-Uranium spot price down -US$7/lb in February
-Uncertainty over US bans of Russian imports ongoing
-Canada issues nuclear-related green bonds
-BHP considering increasing uranium production

By Greg Peel

After a very volatile February for uranium spot prices, triggered by the price rise to over US$100/lb, the month ended with further easing from that mark. Industry consultant TradeTech's weekly price indicator fell -US$1.50 to US$93.50/lb.

That's down from US$100.50/lb at end-January, but the indicator is nevertheless up 87% year on year and 55% above the 2023 average price.

TradeTech notes much of the selling has come from financial entities, that first kicked off the uranium rally a few years ago, trimming positions and booking what would be considerable profits at prices over US$100/lb.

Meanwhile, uncertainty continues to overhang the market as to whether US Congress will ban Russian imports or not. A bill to that end did pass the Senate in December but was later blocked by the Republican-led House.

Separately, the US House Foreign Affairs Committee was scheduled to hold hearings on February 15 related to enacting possible sanctions on Rosatom and Russian uranium imports. However, that hearing was postponed and is expected to be rescheduled in the coming weeks. The Republican Speaker called a two-week holiday to the end of February.

Elsewhere in the not so crazy world…

The Canadian government sold CA$4bn of debt last week, marking the first issue under an amended framework for "green" bonds that allow the country to raise funds to support nuclear power. The new framework makes Canada the first country to be involved in nuclear power finance through green bond sales, TradeTech reports.

EU lawmakers have voted to label certain nuclear projects as sustainable, although the European Parliament remains divided amid proliferation concerns and unresolved waste disposal issues.

But the guardrails around financing for nuclear power are evolving in the EU, as evidenced this week with the European Investment Bank, which is the EU's financial branch, voicing an interest in advancing investments in nuclear power and defence projects.

Australia's BHP Group ((BHP)), the world's largest miner, reported at last month's earnings result release it has initiated a major restructuring of its global business, which will affect units from mine planning to decarbonisation and heritage (indigenous) protection.

BHP is considering again expanding its polymetallic Olympic Dam mine in South Australia, which is a major global source of uranium, along with a mix of metals. A decision is expected to be made in FY26-27.

Term Markets

Anticipation around sanctions on Russian nuclear fuel and higher spot uranium prices have resulted in a broader shift toward term contracting, TradeTech reports. While utility buyers have largely avoided the spot uranium market due to high prices, they have remained actively engaged in the term uranium market.

For several months, sellers have tested the willingness of buyers to accept higher prices in long-term contracts. Concerns around geopolitical issues, combined with a desire for increased diversification in their supply portfolios, have led several utilities to agree to higher base prices and higher floor-and-ceiling prices in market-related pricing components.

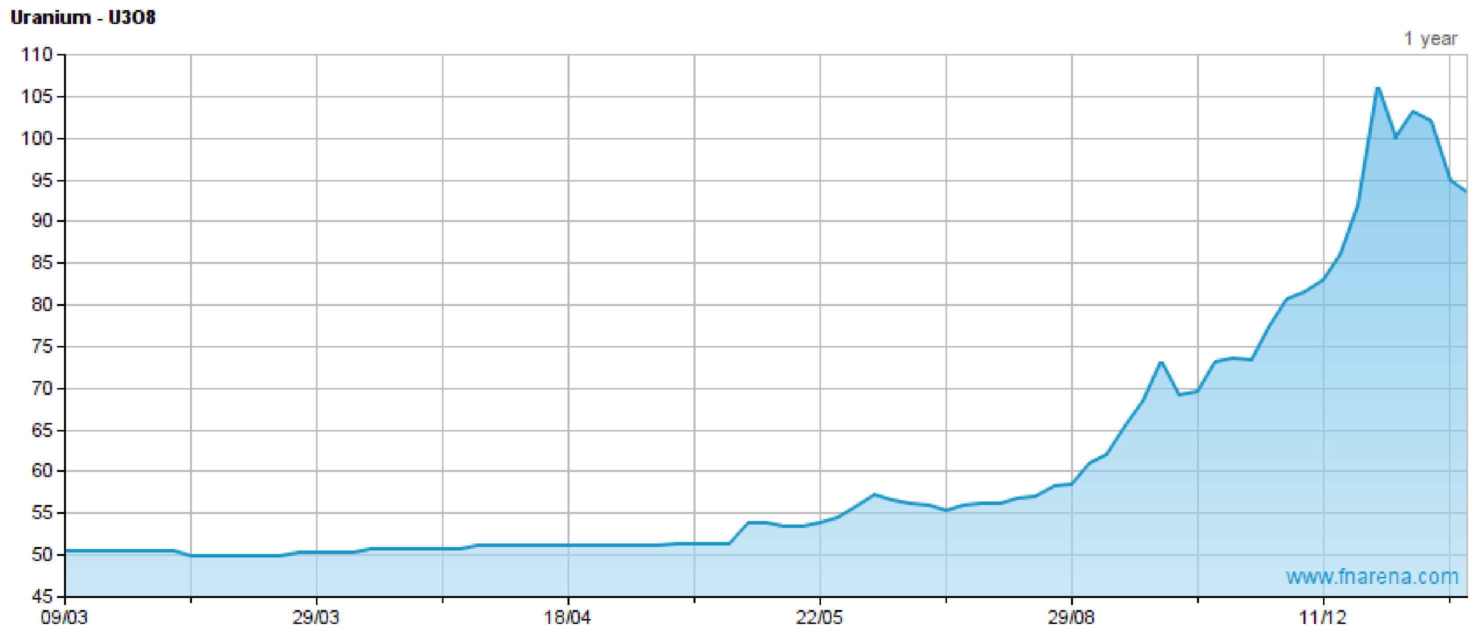
In addition to accepting higher price terms, utilities are demonstrating their support for new or re-emerging supply by agreeing to terms and conditions that are more favorable to the seller.

TradeTech's mid-term price indicator is US$100/lb at end-February, down from US$103/lb at end-January. The mid-term indicator continues to reflect the fluctuating price level of recent transactions and higher financing costs associated with buying and carrying material for delivery in the mid-term delivery window.

The long-term indicator has risen to US$75/lb, up from US$72/lb. The long-term price has more than doubled since early 2020, and currently sits around 24% above TradeTech's Production Cost Indicator (the estimated cost per pound of new production).

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	04/03/2024	0.1200	0.00%	$0.19	$0.05			
AGE	04/03/2024	0.0570	0.00%	$0.08	$0.03		$0.100	▲75.4%
BKY	04/03/2024	0.3000	▼- 3.23%	$0.80	$0.26			
BMN	04/03/2024	3.1600	▲ 4.64%	$3.99	$1.19		$7.040	▲122.8%
BOE	04/03/2024	4.9300	▲ 4.89%	$6.12	$2.02	104.8	$5.697	▲15.6%
DYL	04/03/2024	1.3200	▲ 5.60%	$1.76	$0.48		$1.725	▲30.7%
EL8	04/03/2024	0.5000	▲ 8.70%	$0.68	$0.27			
ERA	04/03/2024	0.0510	▲ 4.08%	$0.23	$0.03			
LOT	04/03/2024	0.3700	▲ 8.82%	$0.38	$0.15		$0.610	▲64.9%
NXG	04/03/2024	11.9700	▲12.39%	$12.99	$5.11		$17.500	▲46.2%
PDN	04/03/2024	1.2150	▲ 2.97%	$1.46	$0.52	411.2	$1.513	▲24.5%
PEN	04/03/2024	0.1150	▲ 4.55%	$0.20	$0.08		$0.340	▲195.7%
SLX	04/03/2024	4.7900	▲ 6.44%	$5.78	$2.92		$7.600	▲58.7%



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FNArena is proud about its track record and past achievements: Ten Years On

WEEKLY REPORTS

The Short Report - 07 Mar 2024

See **Guide** further below (for readers with full access).

Summary:

By Greg Peel

Week Ending February 29, 2024.

Last week the ASX200 completely stalled during what was the last, but still busy, week of result season. This week saw the index take off again to a new high.

This from last week's Report:

"Of note over recent days has been a solid bounce in lithium prices in China, suggesting restocking following the New Year break. A solid bounce, that is, off the depths to which prices had plunged in prior months.

"The share prices of lithium miners have been on a rapid move back up as well, from the depths to which they had plunged, and still, at least till last week, remain among the most shorted stocks on the ASX.

"We'll see whether the shorters can maintain their resolve next week."

Here we are, and shorts in Core Lithium ((CXO)) have fallen to 8.8% from 11.6%, while Sayona Mining ((SYA)) saw a fall to 7.4% from 9.5%, and Chalice Mining ((CHN)), which produces cobalt, dropped to 6.8% from 9.8%.

That would help explain oversized share price rallies. Not moving, however, was the most shorted stock - Pilbara Minerals ((PLS)). Its shorts rose to 21.4% from 21.2%.

I continue to suspect the extent of the short position in Pilbara suggests a possible long-short play against other miners, rather than a purely naked short.

Another story from result season is that of Australian Clinical Labs ((ACL)). See below.

Weekly short positions as a percentage of market cap:

10%+

PLS 21.4
SYR 16.8
IEL 10.3

Out: CXO, DYL

9.0-9.9%

DYL, FLT, GMD

In: DYL, FLT **Out: CHN, SYA**

8.0-8.9%

CXO, ACL

In: CXO, ACL Out: FLT, WBT

7.0-7.9%

LTR, WBT, SYA, LYC

In: SYA, WBT Out: ACL

6.0-6.9%

CHN, BOQ, LIC, APX, SHV, A2M

In: CHN, LIC Out: ACL, SHV, HVN

5.0-5.9%

HVN, BGL, MIN, OBL, IMU, SSR, SFR

In: HVN, SSR Out: LIC, IDX, NAN, CXL, VUL

Movers & Shakers

Australian Clinical Labs is not quite a mover or shaker given shorts only increased to 8.5% from 7.7% the week before, but the pathology company has been sneaking up through the table for a while now, bracket by bracket.

The healthcare services provider reported last week and the stock promptly fell -17% over two days, after posting a miss on profit and reduced guidance that still required a tenuous second half skew.

The company and its peers have been suffering from subdued GP visitation in prior months as struggling consumers preference eating over visiting the doctor, noting initial GP consultations are not covered by Medicare.

The shares have recovered some ground since their post-result drop, but the shorters are sticking with it.

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.5	0.6	NEM	1.9	1.4
ANZ	0.5	0.4	RIO	3.0	2.5
BHP	0.5	0.4	S32	0.9	0.8
CBA	1.5	1.4	STO	1.0	1.0
COL	0.5	0.5	TCL	0.4	0.4
CSL	0.5	0.4	TLS	0.3	0.3
FMG	1.0	0.8	WBC	1.3	1.2
GMG	0.5	0.3	WDS	0.9	0.9
MQG	0.8	0.9	WES	1.1	1.0
NAB	0.8	0.8	WOW	0.2	0.2

To see the full Short Report, please go to this link

Guide:

The Short Report draws upon data provided by the Australian Securities & Investment Commission (ASIC) to highlight significant weekly moves in short positions registered on stocks listed on the Australian Securities Exchange (ASX). Short positions in exchange-traded funds (ETF) and non-ordinary shares are not included. Short positions below 5% are not included in the table below but may be noted in the accompanying text if deemed significant.

Please take note of the Important Information provided at the end of this report. Percentage amounts in this report refer to percentage of ordinary shares on issue.

Stock codes highlighted in green have seen their short positions reduce in the week by an amount sufficient to move them into a lower percentage bracket. Stocks highlighted in red have seen their short positions increase in the week by an amount sufficient to move them into a higher percentage bracket. Moves in excess of one percentage point or more are discussed in the Movers & Shakers report below.

IMPORTANT INFORMATION ABOUT THIS REPORT

The above information is sourced from daily reports published by the Australian Investment & Securities Commission (ASIC) and is provided by FNArena unqualified as a service to subscribers. FNArena would like to make it very clear that immediate assumptions cannot be drawn from the numbers alone.

It is wrong to assume that short percentages published by ASIC simply imply negative market positions held by fund managers or others looking to profit from a fall in respective share prices. While all or part of certain short percentages may indeed imply such, there are also a myriad of other reasons why a short position might be held which does not render that position "naked" given offsetting positions held elsewhere. Whatever balance of percentages truly is a "short" position would suggest there are negative views on a stock held by some in the market and also would suggest that were the news flow on that stock to turn suddenly positive, "short covering" may spark a short, sharp rally in that share price. However short positions held as an offset against another position may prove merely benign.

Often large short positions can be attributable to a listed hybrid security on the same stock where traders look to "strip out" the option value of the hybrid with offsetting listed option and stock positions. Short positions may form part of a short stock portfolio offsetting a long share price index (SPI) futures portfolio – a popular trade which seeks to exploit windows of opportunity when the SPI price trades at an overextended discount to fair value. Short positions may be held as a hedge by a broking house providing dividend reinvestment plan (DRP) underwriting services or other similar services. Short positions will occasionally need to be adopted by market makers in listed equity exchange traded fund products (EFT). All of the above are just some of the reasons why a short position may be held in a stock but can be considered benign in share price direction terms due to offsets.

Market makers in stock and stock index options will also hedge their portfolios using short positions where necessary. These delta hedges often form the other side of a client's long stock-long put option protection trade, or perhaps long stock-short call option ("buy-write") position. In a clear example of how published short percentages can be misleading, an options market maker may hold a short position below the implied delta hedge level and that actually implies a "long" position in that stock.

Another popular trading strategy is that of "pairs trading" in which one stock is held short against a long position in another stock. Such positions look to exploit perceived imbalances in the valuations of two stocks and imply a "net neutral" market position.

Aside from all the above reasons as to why it would be a potential misconception to draw simply conclusions on short percentages, there are even wider issues to consider. ASIC itself will admit that short position data is not an exact science given the onus on market participants to declare to their broker when positions truly are "short". Without any suggestion of deceit, there are always participants who are ignorant of the regulations. Discrepancies can also arise when short positions are held by a large investment banking operation offering multiple stock market services as well as proprietary trading activities. Such activity can introduce the possibility of either non-counting or double-counting when custodians are involved and beneficial ownership issues become unclear.

Finally, a simple fact is that the Australian Securities Exchange also keeps its own register of short positions. The figures provided by ASIC and by the ASX at any point do not necessarily correlate.

FNArena has offered this qualified explanation of the vagaries of short stock positions as a warning to subscribers not to jump to any conclusions or to make investment decisions based solely on these unqualified numbers. FNArena strongly suggests investors seek advice from their stock broker or financial adviser before acting upon any of the information provided herein.

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FNArena is proud about its track record and past achievements: Ten Years On

WEEKLY REPORTS

In Brief: The Amazon Threat, Expensive Banks, Houses & Retail Sales

The threat to incumbents posed by Amazon Australia; the rally for Australian bank shares queried; flat 2024 house prices; and emerging signs of a potential boost for retail sales.

-Amazon Australia's rising threat to incumbent retailers
-Citi questions the recent share price rally of Australian banks
-Flat 2024 house prices, residential construction to remain weak
-Fledgling signs of a stronger consumer to potentially boost retail sales

By Mark Woodruff

The threat posed by Amazon Australia to incumbents

Following the release of 2023 financials for Amazon Australia, Jarden suggests general merchandise retailers in Australia that rely on third-party brands are most at risk from the behemoth.

Falling into this danger category, according to the broker, are JB Hi-Fi ((JBH)), Kogan.com ((KGN)), Wesfarmers ((WES)) and Myer ((MYR)).

Considered less at risk are Accent Group ((AX1)), Temple & Webster ((TPW)), Premier Investments ((PMV)), Woolworths Group ((WOW)), Coles Group ((COL)) and Nick Scali ((NCK)).

In 2023, Amazon Australia expanded its Prime share, introduced Prime free same-day delivery, and announced its new 209,000sqm fully automated Craigieburn distribution centre in Melbourne, the second in Australia.

By the end of 2024, the analysts predict Amazon will take an around 8% share of incremental retail sales growth in Australia, led by growth across both food and the discretionary non-food space.

Amazon's market share will step-change higher, suggests Jarden, as shorter lead-times expand its addressable market and grow share of the customer's wallet.

The rising risk for incumbents runs via lost sales and increased price competition, as shoppers are increasingly using Amazon as their first point of purchase.

The global e-commerce leader accounted for around 15% of non-food online sales in 2023, and Jarden forecasts an increase to circa 18% in FY24.

As sales will be harder to come by, and price competition will intensify, the analysts suggest more investment will be needed by existing players into loyalty, services and the supply chain.

To illustrate the current size of Amazon Australia, Jarden points out the company's gross marketplace value (GMV) is now larger than the combination of Access Group, the Reject Shop ((TRS)), Beacon Lighting ((BLX)), Temple & Webster, Premier Investments and Universal Store ((UNI)).

Citi questions why shares of Australian Banks continue to rally

Reporting season for Australian banks revealed lower-quality earnings beats, and confirmed Citi's view core earnings will continue to be impacted by rising funding costs.

Despite the broker's outlook, the bank index climbed to 12-month highs following results, supported by a strong rally for the majors. The sector has outperformed the wider market by 8% since the beginning of November last year, half of which occurred post-results.

Citi feels investors perceived the sector was relatively defensive and bought bank shares based on the absence of bad news within the results, particularly the lack of asset quality issues across loan books, along with mildly positive earnings revisions.

However, the positive earnings revisions for ANZ Bank ((ANZ)), National Australia Bank ((NAB)) and Westpac ((WBC)) were of low-quality, suggests Citi, as they were primarily due to robust market and treasury income in core earnings, and better-than-expected bad and doubtful debts in cash earnings.

CommBank ((CBA)) and Bendigo & Adelaide Bank ((BEN)) issued weaker earnings reports, according to the broker, leading to negative second half consensus core (pre-provision) earnings revisions. This outcome was primarily driven by elevated net interest margin (NIM) contraction as deposit competition, and switching to higher-yield deposit products, overtook asset-pricing concerns during the period, explain the analysts.

As the economy will likely slow, Citi suggests banks are not a defensive holding and retains an Underweight recommendation for the sector, with an expectation share prices will retrace. Both consensus and the broker forecast a declining earnings trajectory for all the names in the sector.

Citi has Sell ratings for CommBank and National Australia Bank and is Neutral rated on both ANZ Bank and Westpac. The broker also has Sell recommendations for Bank of Queensland ((BOQ)) and Bendigo & Adelaide Bank.

Flat house prices in 2024 and ongoing residential construction weakness

Morgan Stanley forecasts flat house prices in Australia for 2024 as migration slows and housing supply improves from low levels. Based on prior RBA tightening cycles, the analysts suggest interest rate cuts, not a shift to a holding pattern, are needed for a broader turn in the housing cycle.

The broker anticipates ongoing weakness in 2024 for residential construction, which will be largely responsible for a slowing in broader activity and the labour market.

Residential construction activity in the fourth quarter of 2023 slowed by -5.3%, entirely due to an -8% quarter-on-quarter slump in detached building activity, note the analysts, with apartment construction flat over the year.

Housing supply is expected to improve as purchase/rental inventories rise, while demand is likely to be supressed by record poor affordability levels and slowing population growth.

February national house price numbers showed month-on-month apartment price growth of 0.7% compared to

0.6% for detached housing, which was a slight increase in pace compared to prior months.

Despite a stronger start to 2024, buyers in the housing market are still being selective, according to a panel of Sydney mortgage brokers recently hosted by Jarden, and housing market strength is still “patchy”. In particular, multiple property investors continue to sell down their portfolios, which is evidenced by a significant rise for unit listings.

The mortgage brokers believe the market is mostly being driven by higher income, higher wealth buyers, with lower income buyers largely priced out of the market. Recent research by the broker also arrives at a similar view.

On the rental scene, Morgan Stanley notes there has been little slowing in the pace of asking rent inflation, which increased to 8% year-on-year.

This broker sees little sign at present of a meaningful loosening in the labour market, given vacancy rates have re-tightened in recent months and currently sit at around 1% nationally.

Fledgling signs of greater consumer spending power, which may boost retail sales

Roy Morgan sees an ongoing flattening trend for retail sales over the next year in Australia, though there are some factors which could potentially boost the spending power of consumers in the second half of 2024. Retail sales are still expected to be sitting around 8% above the pre-covid trend by the end of 2024.

Factors which may boost consumer spending include an ongoing drop in inflation, likely interest rate cuts, and stage 3 tax cuts which are set to provide a boost for middle income earners. Roy Morgan also points to a drop in electricity prices, courtesy of the -50% drop in the wholesale cost of energy expected to flow down to retail prices from July.

Following the announcement of lower-than-expected inflation numbers this January (and the November prior), hopes have risen for interest rate cuts sooner rather than later. The ANZ Bank-Roy Morgan Consumer Confidence Index is starting to climb back up over 80, having lived at recessionary lows below 80 during 2023 for 31-straight weeks.

Spending growth on the non-discretionary Food category, which comprises about 40% of total monthly retail sales, is set to grow at twice the rate of discretionary Non-Food categories during 2024.

Roy Morgan’s preliminary forecast for retail sales growth is 1.2% for 2024, based on historical spending data from the Australian Bureau of Statistics (ABS), along with numbers compiled for population growth, income, unemployment, inflation, and interest rates.

Population growth continues to be the key factor supporting retail sales growth, according to Roy Morgan, with 518,100 extra people (in the year to June 2023) helping Australia avoid recession. While population growth will moderate in 2024, it is expected to continue to support retail demand.

Along with this 2023 population growth, ongoing strong employment and the dwindling remains of record household savings helped steady retail sales and avoid the much-feared consumer spending ‘cliff’, suggests Roy Morgan.

In an outcome few would have predicted (including Roy Morgan), a new market for ultra cheap, low quality, throw-away goods has been created by the rise of online Chinese retailers Shein and Temu, which are on track for annual sales of over $1bn each in Australia.

‘Mortgage stress’ is still hovering at concerning levels seen only a handful of times since the GFC. The latest Roy Morgan Mortgage Stress indicator shows that 1,609,000 mortgage holders were 'At Risk' of 'mortgage stress' in the three months to January 2024, following the November increase lifting rates to 4.35%.

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 08-03-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

ADAIRS LIMITED ((ADH)) Upgrade to Market Weight from Underweight by Wilsons.B/H/S: 0/0/0

First half results from Adairs were mixed with sales in line and net profit ahead amid a strong rebound in gross margins and cost control. Wilsons notes gross margins recovered despite value-seeking consumers, while the top line was held back by limited stock.

The issues with the margin for Mocka appear resolved although the broker notes the core customer remains value-oriented and volatile.

Execution on costs and the ability to show pricing power results in Wilsons upgrading to Market Weight from Underweight. Target is raised to $2.00 from $1.10.

ALTIUM ((ALU)) Upgrade to Neutral from Underweight by Jarden.B/H/S: 0/0/0

The first half result from Altium missed Jarden's forecasts with the focus now on the Renesas takeover. Revenue grew 16% and EBITDA 3%.

The company has suspended guidance but the broker notes, in order to achieve the lower end of the prior guidance range, revenue growth in the second half would need to accelerate to 25% and the EBITDA margin expanded to at least 37%.

The broker raises the target to the offer price of $68.50, from $42.00, and upgrades the rating to Neutral from Underweight.

AUSTRALIAN UNITY OFFICE FUND ((AOF)) Upgrade to Buy from Hold by Moelis.B/H/S: 0/0/0

With Australian Unity Office Fund's portfolio contracting from eight assets to five in the last year, and one of its largest assets remained vacant, Moelis was left surprised by the company's reported 4 cents per share funds from operations first half result.

While ahead of the broker's forecast, the result was down -46% year-on-year.

The company has now announced the divestment of the York St asset for $29.7m, having been purchased in December 2021 for $33.5m. Australian Unity Office Fund should be in a position to start leasing the Valentine Avenue asset in FY25.

The rating is upgraded to Buy from Hold and the target price increases to $1.47 from $1.43.

COOPER ENERGY LIMITED ((COE)) Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

First half underlying earnings were ahead of estimates and Cooper Energy is seen making progress on its cost reduction program while Orbost is performing well.

The main risk, in Jarden's view, is a successful execution of the BMG abandonment within the targeted budget and by early May.

There are signs of a sustained performance at Orbost, as average production rates since the start of 2024 are 55.2 TJ/d compared with the 47.4 TJ/d average in the first half.

The broker upgrades to Overweight from Neutral and raises the target to $0.19 from $0.15.

DOMINO'S PIZZA ENTERPRISES LIMITED ((DMP)) Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

As Domino's Pizza Enterprises downgraded guidance in January, the first half report held few surprises for Jarden. The broker was seeking signs of improved same-store sales growth in Japan and the EU, and this was delivered.

Japan accelerated to 6.7% in the first seven weeks of the second half and Europe, while edging down -0.6%, revealed Germany was up 6.1%, the key growth market.

Risks remain yet the broker envisages the weight is to the upside and takes comfort in the momentum that has continued in Australasia. Rating is upgraded to Overweight from Neutral. Target edges down to $49 from $50.

FLIGHT CENTRE TRAVEL GROUP LIMITED ((FLT)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

First half results missed expectations yet Jarden assesses this was overshadowed by market share gains, with FY24 guidance being reiterated along with a FY25 pre-tax profit aspirational margin of 2%.

The broker updates forecasts to allow for disclosure changes, with the net impact being a 5-6% increase in net profit estimates out to FY27.

The business is larger and leaner, with higher returns on investments compared with pre-pandemic levels and Jarden believes this warrants a premium relative to the 16x FY25 EPS currently implied.

Rating is upgraded to Buy from Overweight and the target lifted to $23.50 from $22.00.

KOGAN.COM LIMITED ((KGN)) Upgrade to Neutral from Underweight by Jarden.B/H/S: 0/0/0

Despite concerns regarding the threat of Amazon and Temu in the longer term, Jarden upgrades Kogan.com to Neutral from Underweight. The company is currently managing the business for cash/profit with the increased profitability largely stemming from Kogan First members.

The broker does not believe the stock represents value on a PE of 46x FY24 estimates but expects ongoing growth in Kogan First subscriber numbers will lead to an upgrade cycle.

To become more positive regarding the sustainability of the company's business, Jarden would like stabilisation in the overall number of active members and evidence of sustained stability in customer acquisition costs. Target is raised to $7.50 from $4.90.

MAYNE PHARMA GROUP LIMITED ((MYX)) Upgrade to Buy from Hold by Canaccord Genuity and Upgrade to Overweight from Market Weight by Wilsons.B/H/S: 0/0/0

Canaccord Genuity observes positive trends across all segments are occurring for Mayne Pharma, with the business enjoying a "healthy and deserved re-rate over the last few months". New systems are in place to create structural growth.

A strong pipeline of product additions, combined with the disintermediation story, mitigates the risks in specialty and generics, the broker adds.

Rating is upgraded to Buy from Hold and the target lifted to $6.69 from $3.80. Expansion of the buyback also signals an improved stance.

Wilsons is finally satisfied that changes in accounting policies, data tracking and market approach by the new management team at Mayne Pharma are becoming sticky and the first half results have revealed tangible evidence of their efforts.

The positive view on the stock is being driven by Nextstellis, which for the first time since launch beat forecasts. This is a catalyst to upgrade to Overweight from Market Weight.

The broker assesses the material turnaround of the business is only getting started and it is time to buy. Target is raised to $7.38 from $5.50.

NANOSONICS LIMITED ((NAN)) Upgrade to Overweight from Market Weight by Wilsons.B/H/S: 0/0/0

Wilsons upgrades to Overweight from Market Weight despite reducing the Nanosonics EBIT estimates by -45% for FY25-26 as, with major Coris applications imminent and the fundamentals solid, its faith is unshaken.

The broker assesses the stock was sold off because the company announced concessions to enhance both the installed base additions and upgrade sales.

Wilsons believes the move was a long overdue stimulus for consumables and services earnings. Target is reduced to $3.45 from $3.95.

POLYNOVO LIMITED ((PNV)) Upgrade to Overweight from Market Weight by Wilsons.B/H/S: 0/0/0

Wilsons upgrades its rating for PolyNovo to Overweight from Market Weight and raises its target to $2.44 from $1.79 following a 19% revenue beat in the 1H.

The broker feels the company's position within the US surgeon base has been solidified, particularly for large, difficult to treat burns.

In a rare feat relative to med-tech peers, note the analysts, PolyNovo's expansion outside of the US has progressed to the extent 25% of revenue is now derived from rest-of-the-world (ROW) markets. At the same time, gross margins have held at 95%.

PRAEMIUM LIMITED ((PPS)) Upgrade to Overweight from Market Weight by Wilsons.B/H/S: 0/0/0

First half results from Praemium slightly beat estimates. Wilsons was pleased with the result, having been initially sceptical of whether the company should participate in the OneVue sale process.

The coming year is expected to produce a rebound in trading volumes and improving market sentiment. The broker remains cognisant of adviser churn at key client, Escala, but believes this is factored in.

Rating is upgraded to Overweight from Market Weight and the target is lifted to $0.54 from $0.40.

PACIFIC SMILES GROUP LIMITED ((PSQ)) Upgrade to Market Weight from Underweight by Wilsons.B/H/S: 0/0/0

Wilsons upgrades its rating for Pacific Smiles to Market Weight from Underweight having set a target of $1.40, up from 88c, to align with the indicative offer for the company by Genesis Capital.

The broker suggests investors resist and demand a higher price given 1H results demonstrated consistent growth, belying the recent discount applied by the analyst. It's felt the ‘self-funded expansion’ business model has been proven by the result.

Genesis Capital is promising a broadening of focus beyond shopping centres, improving the service mix and even citing potential M&A.

RESIMAC GROUP LIMITED ((RMC)) Upgrade to Neutral from Underweight by Jarden.B/H/S: 0/0/0

The first half result from Resimac Group was weaker than Jarden expected as volume recovery was more than offset by eroding margins. The mortgage spread was worse than expected and margins are expected to reduce further.

No material earnings growth is anticipated until FY25. As the share price is down -19% recently, the broker upgrades to Neutral from Underweight with the target edging down to $1.02 from $1.03.

The broker reduces FY24 estimates for EPS by -20% mainly because of non-cash fair value losses.

SUPER RETAIL GROUP LIMITED ((SUL)) Upgrade to Neutral from Underweight by Jarden.B/H/S: 0/0/0

First half results provided few surprises for Jarden, being largely pre-announced, although EBIT was ahead of estimates. The trading update signalled softer sales, down -2%, but not too bad in the broker's opinion.

Comparisons are likely to get easier moving through the half year, the broker asserts.

Early signs from the re-launch of loyalty programs are positive with promotional effectiveness improving. Jarden suspects this could provide some material top-line and margin benefits from FY25, albeit this is not included in forecasts.

Rating is upgraded to Neutral from Underweight. Target is $15.40, raised from $14.50.

TYRO PAYMENTS LIMITED ((TYR)) Upgrade to Overweight from Market Weight by Wilsons.B/H/S: 0/0/0

As 1H results for Tyro Payments were better than Wilsons forecast, the broker's rating is upgraded to Overweight from Market Weight and the target increased to $1.30 from $1.08.

Despite some near-term total transaction value (TTV) pressures, the broker highlights ongoing improvements in pricing, and a turnaround in profitability in Bendigo Powered by Tyro, a payments solution with Bendigo &

Adelaide Bank ((BEN)).

The analysts also note strong cost controls during the half and the benefits of higher interest income.

Management raised FY24 earnings (EBITDA) guidance by 4% to $54-$58m to reflect cost-out benefits and a better gross profit outcome.

FY24 guidance for TTV was reduced by -6% due to both competitive pressures and underlying consumer spending reductions on TTV
churn, explains Wilsons.

WOODSIDE ENERGY GROUP LIMITED ((WDS)) Upgrade to Neutral from Underweight by Jarden.B/H/S: 0/0/0

Woodside Energy's 2023 results were ahead of estimates, including the final dividend, with an 80% payout ratio retained. Jarden envisages upside risk from a possible early start at Sangomar, while anticipating lower spot LNG prices will drag down net profit in 2024.

Sangomar was 93% complete at the end of 2023 with the FPSO now moored on location and connected to subsea equipment. Rating is upgraded to Neutral from Underweight and the target edges up to $29.00 from $28.75.

Downgrade

CORPORATE TRAVEL MANAGEMENT LIMITED ((CTD)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

Following last-October's upbeat commentary by management at Corporate Travel Management, Jarden was disappointed by a -7% miss in the 1H against the consensus earnings estimate.

The company attributed the result weakness to weaker earnings in the Middle East and a -$25m impact due to lower activity for the UK Bridging contract.

Management noted a strong January and the broker feels execution by the company is progressing well. Nonetheless, the rating is downgraded to Overweight from Buy.

The target falls to $19 from $23 on the broker's earnings revisions and updated assumptions for risk-free rates.

HELIA GROUP LIMITED ((HLI)) Downgrade to Neutral from Buy by Goldman Sachs.B/H/S: 0/0/0

The 2023 results from Helia Group were below expectations. The capital position was strong but also weaker than Goldman Sachs expected.

The board has announced a distribution of $0.15 along with a special of $0.30. Subsequent to the dividend and the remaining $44m buyback, management expects PCA coverage of 1.67x, still exceeding the board's range of 1.4-1.6x.

Goldman Sachs downgrades to Neutral from Buy largely on valuation as the stock is now trading on a record price-to-book multiple of 1.2x. Target is $4.47, raised from $4.09.

LIGHT & WONDER INC ((LNW)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

Light & Wonder provided a strong quarterly outcome with above-industry earnings growth in 2023 of 22%. Jarden believes revenue growth across all the three businesses should lead to the market upgrading estimates and closing the gap on what is achievable.

The broker considers the company a more focused business that continues to grow share via a diversified anf incentivised world-class game design team.

Overweight rating, downgraded from Buy following recent outperformance in the share price. Target is raised to $161 from $147.

MEDIBANK PRIVATE LIMITED ((MPL)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Medibank Private delivered first half results that were mixed, with net profit well ahead of Jarden's estimates but only because of a $115m one-off covid provision release.

Tailwinds from low claims inflation were eroded by higher operating costs and softer policy growth. Increased uncertainty about government-approved premium rate rises and affordability pressures are likely to constrain the upside, in the broker's view.

Rating is downgraded to Neutral from Overweight. Target is $3.75.

MONASH IVF GROUP LIMITED ((MVF)) Downgrade to Market Weight from Overweight by Wilsons.B/H/S: 0/0/0

Wilsons downgrades Monash IVF to Market Weight from Overweight and retains a $1.45 target. The broker suggests it may be time to "sit back and let DCF catch up with all the positive sentiment".

Wilsons still considers the outlook and visibility for the domestic IVF business are strong. While domestic margins appear "fully squeezed" these are still considered sustainable.

STEADFAST GROUP LIMITED ((SDF)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Steadfast Group has retained FY24 profit guidance following a slightly softer-than-expected first half result. Jarden was surprised by the rapid deceleration in organic gross written premium growth in agencies, which combined with elevated costs growth has damaged margins.

Some recovery is expected along with incremental support from acquisitions but the mixed trends add to the broker's growing concerns about the sustainability of the strong commercial premium rate cycle.

Rating is downgraded to Neutral from Overweight and the target lowered to $6.10 from $6.25.

SUNCORP GROUP LIMITED ((SUN)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

Jarden observes the lower bank earnings cast a shadow over the first half result from Suncorp Group, but with the bank sale on track to be completed in early FY25, stronger general insurance earnings were a highlight.

Underlying ITR margins appear on track for the top end of the 10-12% target range in the second half, despite the company reducing its reliance on reserve releases and absorbing a higher catastrophe budget.

The broker believes the business is well-positioned to deliver, yet with more modest value appeal the rating is lowered to Overweight from Buy. Target is raised to $15.95 from $15.25.

TPG TELECOM LIMITED ((TPG)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

Gross profit at TPG Telecom was marginally ahead of Jarden's estimates in 2023 although fixed costs were materially worse than expected. Guidance for 2024 EBITDA of $1.95-2.025bn is below the broker's estimates.

While continuing to envisage potential for material earnings growth over the next three years as a result of improving industry returns and fundamental valuation support, the broker's conviction has softened. The rating is cut to Overweight from Buy and the target reduced to $5.30 from $5.80.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ADAIRS LIMITED	Neutral	Sell	Wilsons
2	ALTIUM	Neutral	Sell	Jarden
3	AUSTRALIAN UNITY OFFICE FUND	Buy	Neutral	Moelis
4	COOPER ENERGY LIMITED	Buy	Neutral	Jarden
5	DOMINO'S PIZZA ENTERPRISES LIMITED	Buy	Neutral	Jarden
6	FLIGHT CENTRE TRAVEL GROUP LIMITED	Buy	Buy	Jarden
7	KOGAN.COM LIMITED	Neutral	Sell	Jarden
8	MAYNE PHARMA GROUP LIMITED	Buy	Neutral	Wilsons
9	MAYNE PHARMA GROUP LIMITED	Buy	Neutral	Canaccord Genuity
10	NANOSONICS LIMITED	Buy	Neutral	Wilsons
11	PACIFIC SMILES GROUP LIMITED	Neutral	Sell	Wilsons
12	POLYNOVO LIMITED	Buy	Neutral	Wilsons
13	PRAEMIUM LIMITED	Buy	Neutral	Wilsons
14	RESIMAC GROUP LIMITED	Neutral	Sell	Jarden
15	SUPER RETAIL GROUP LIMITED	Neutral	Sell	Jarden
16	TYRO PAYMENTS LIMITED	Buy	Neutral	Wilsons
17	WOODSIDE ENERGY GROUP LIMITED	Neutral	Sell	Jarden
Downgrade				
18	CORPORATE TRAVEL MANAGEMENT LIMITED	Buy	Buy	Jarden
19	HELIA GROUP LIMITED	Neutral	Buy	Goldman Sachs
20	LIGHT & WONDER INC	Buy	Buy	Jarden
21	MEDIBANK PRIVATE LIMITED	Neutral	Buy	Jarden
22	MONASH IVF GROUP LIMITED	Neutral	Buy	Wilsons
23	STEADFAST GROUP LIMITED	Neutral	Buy	Jarden
24	SUNCORP GROUP LIMITED	Buy	Buy	Jarden

25	TPG TELECOM LIMITED	Buy	Buy	Jarden

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
29M	29Metals	$0.42	Jarden	0.38	0.82	-53.66%
ABB	Aussie Broadband	$4.46	Wilsons	5.80	4.20	38.10%
ABC	Adbri	$3.14	Jarden	3.20	2.26	41.59%
ACE	Acusensus	$0.68	Canaccord Genuity	1.30	1.10	18.18%
ADH	Adairs	$2.37	Canaccord Genuity	2.14	1.40	52.86%
			Jarden	2.09	1.45	44.14%
			Wilsons	2.00	1.10	81.82%
AIA	Auckland International Airport	$7.62	Jarden	N/A	8.26	-100.00%
ALU	Altium	$65.33	Jarden	68.50	37.60	82.18%
ANG	Austin Engineering	$0.45	Petra Capital	0.52	0.37	40.54%
AOF	Australian Unity Office Fund	$1.02	Moelis	1.47	1.43	2.80%
APE	Eagers Automotive	$14.77	Jarden	14.10	16.25	-13.23%
			Moelis	15.96	16.06	-0.62%
APZ	Aspen Group	$1.76	Moelis	N/A	2.47	-100.00%
ASB	Austal	$2.18	Petra Capital	3.08	2.76	11.59%
ASG	Autosports Group	$2.37	Jarden	3.25	3.45	-5.80%
AVG	Australian Vintage	$0.38	Moelis	0.45	0.50	-10.00%
AVH	Avita Medical	$5.09	Wilsons	5.42	5.39	0.56%
AWC	Alumina Ltd	$1.22	Goldman Sachs	1.15	1.39	-17.27%
			Goldman Sachs	1.36	1.39	-2.16%
AX1	Accent Group	$1.99	Jarden	2.05	1.87	9.63%
			Petra Capital	2.10	1.85	13.51%
			Wilsons	2.10	1.90	10.53%
BRI	Big River Industries	$1.75	Moelis	2.29	2.61	-12.26%
BXB	Brambles	$15.65	Goldman Sachs	14.45	13.95	3.58%
			Jarden	15.70	15.35	2.28%
CAJ	Capitol Health	$0.26	Canaccord Genuity	0.27	0.33	-18.18%
CCR	Credit Clear	$0.27	Petra Capital	0.43	0.40	7.50%
CCX	City Chic Collective	$0.44	Jarden	0.51	0.47	8.51%
CHC	Charter Hall	$12.90	Jarden	13.60	13.30	2.26%
CMM	Capricorn Metals	$5.17	Goldman Sachs	4.65	4.60	1.09%
COE	Cooper Energy	$0.15	Canaccord Genuity	0.22	0.25	-12.00%
			Jarden	0.19	0.15	26.67%
COL	Coles Group	$16.60	Goldman Sachs	15.10	14.00	7.86%
			Jarden	16.90	15.90	6.29%
CSR	CSR	$8.82	Jarden	9.00	6.60	36.36%
CTD	Corporate Travel Management	$16.86	Goldman Sachs	17.80	20.70	-14.01%
			Jarden	19.00	23.00	-17.39%
CUV	Clinuvel Pharmaceuticals	$13.52	Wilsons	25.46	28.13	-9.49%
CWP	Cedar Woods Properties	$4.71	Moelis	5.39	5.40	-0.19%
DDR	Dicker Data	$10.89	Jarden	12.61	12.31	2.44%
			Petra Capital	11.29	11.21	0.71%
DMP	Domino's Pizza Enterprises	$45.99	Goldman Sachs	39.70	38.30	3.66%
			Jarden	49.00	50.00	-2.00%
EDV	Endeavour Group	$5.28	Goldman Sachs	6.20	6.40	-3.13%
			Jarden	6.40	6.10	4.92%
ENN	Elanor Investors	$1.18	Moelis	1.76	2.02	-12.87%
EQT	EQT Holdings	$29.35	Wilsons	31.50	31.40	0.32%
ESK	Etherstack	$0.21	Wilsons	0.40	0.58	-31.03%
FCL	Fineos Corp	$1.69	Goldman Sachs	2.20	2.40	-8.33%
FLT	Flight Centre Travel	$21.18	Jarden	23.50	22.00	6.82%
			Wilsons	26.53	23.80	11.47%

FMG	Fortescue	$26.24	Goldman Sachs	19.60	19.80	-1.01%
FWD	Fleetwood	$1.73	Moelis	2.31	2.40	-3.75%
GMG	Goodman Group	$31.07	Jarden	30.50	24.90	22.49%
GNP	GenusPlus Group	$1.49	Moelis	1.65	1.56	5.77%
GOR	Gold Road Resources	$1.65	Moelis	1.50	1.45	3.45%
GTN	GTN	$0.48	Petra Capital	0.68	0.85	-20.00%
HLI	Helia Group	$3.75	Goldman Sachs	4.47	4.09	9.29%
HLO	Helloworld Travel	$2.70	Jarden	3.75	4.05	-7.41%
HLS	Healius	$1.35	Jarden	1.26	1.60	-21.25%
			Jarden	1.29	1.60	-19.38%
HSN	Hansen Technologies	$4.86	Goldman Sachs	5.20	5.75	-9.57%
HUB	Hub24	$41.39	Jarden	38.50	37.10	3.77%
IFL	Insignia Financial	$2.40	Jarden	2.80	2.70	3.70%
IGO	IGO	$7.77	Goldman Sachs	8.00	8.85	-9.60%
ILU	Iluka Resources	$7.00	Goldman Sachs	9.20	9.80	-6.12%
IPD	ImpediMed	$0.11	Canaccord Genuity	0.14	0.21	-33.33%
IPH	IPH	$6.42	Goldman Sachs	8.70	8.75	-0.57%
			Jarden	10.10	8.75	15.43%
JIN	Jumbo Interactive	$17.48	Jarden	14.70	16.17	-9.09%
			Wilsons	18.87	16.97	11.20%
JLG	Johns Lyng	$6.68	Canaccord Genuity	8.65	9.25	-6.49%
KGN	Kogan.com	$8.30	Canaccord Genuity	9.00	6.50	38.46%
			Jarden	7.50	4.90	53.06%
LAU	Lindsay Australia	$1.08	Wilsons	1.76	1.70	3.53%
LFG	Liberty Financial	$4.20	Jarden	4.20	4.13	1.69%
LIC	Lifestyle Communities	$15.67	Canaccord Genuity	16.15	17.00	-5.00%
			Goldman Sachs	21.55	25.25	-14.65%
			Jarden	17.00	19.70	-13.71%
LNW	Light & Wonder	$154.25	Jarden	161.00	147.00	9.52%
LOV	Lovisa Holdings	$31.32	Jarden	28.69	23.79	20.60%
LYC	Lynas Rare Earths	$6.17	Canaccord Genuity	7.50	7.80	-3.85%
			Goldman Sachs	7.40	7.20	2.78%
MAQ	Macquarie Technology	$81.30	Wilsons	81.65	84.13	-2.95%
MIN	Mineral Resources	$67.06	Goldman Sachs	48.00	51.90	-7.51%
			Jarden	47.10	49.50	-4.85%
MRM	MMA Offshore	$2.24	Moelis	2.30	1.65	39.39%
			Moelis	2.30	1.90	21.05%
MTO	Motorcycle Holdings	$1.60	Moelis	1.97	2.35	-16.17%
			Wilsons	1.59	1.93	-17.62%
MYX	Mayne Pharma	$7.00	Canaccord Genuity	6.69	3.80	76.05%
			Wilsons	7.38	5.50	34.18%
NAB	National Australia Bank	$34.54	Goldman Sachs	33.73	31.17	8.21%
NAN	Nanosonics	$2.76	Wilsons	3.45	3.95	-12.66%
NEC	Nine Entertainment	$1.64	Goldman Sachs	2.10	2.30	-8.70%
NEU	Neuren Pharmaceuticals	$19.99	Wilsons	26.58	27.23	-2.39%
NHF	nib Holdings	$7.85	Goldman Sachs	8.10	8.50	-4.71%
			Jarden	7.75	8.00	-3.13%
NST	Northern Star Resources	$14.31	Jarden	13.70	13.90	-1.44%
NXD	NextEd Group	$0.37	Petra Capital	0.55	1.00	-45.00%
NXS	Next Science	$0.37	Wilsons	0.34	0.33	3.03%
NXT	NextDC	$17.37	Wilsons	20.07	15.19	32.13%
OCL	Objective Corp	$13.19	Goldman Sachs	13.75	13.80	-0.36%
ORA	Orora	$2.67	Goldman Sachs	3.40	3.50	-2.86%
ORI	Orica	$16.96	Goldman Sachs	N/A	19.90	-100.00%
			Jarden	17.75	16.85	5.34%
PBH	PointsBet Holdings	$0.81	Jarden	1.05	1.00	5.00%
PLS	Pilbara Minerals	$4.11	Goldman Sachs	2.90	2.95	-1.69%
			Jarden	4.14	4.30	-3.72%
PNV	PolyNovo	$2.29	Wilsons	2.44	1.79	36.31%
PPE	PeopleIN	$1.03	Petra Capital	1.80	1.90	-5.26%
			Wilsons	1.16	1.39	-16.55%
PPS	Praemium	$0.44	Canaccord Genuity	0.81	0.71	14.08%

			Wilsons	0.54	0.40	35.00%
PPT	Perpetual	$25.00	Jarden	26.90	27.50	-2.18%
PSQ	Pacific Smiles	$1.51	Wilsons	1.40	0.88	59.09%
PWH	PWR Holdings	$11.97	Moelis	12.61	10.20	23.63%
PWR	Peter Warren Automotive	$2.24	Jarden	2.75	3.30	-16.67%
PXA	Pexa Group	$12.76	Goldman Sachs	13.10	12.80	2.34%
			Jarden	11.65	11.80	-1.27%
QAN	Qantas Airways	$5.13	Goldman Sachs	8.05	8.25	-2.42%
			Jarden	7.00	6.90	1.45%
QUB	Qube Holdings	$3.30	Jarden	3.60	3.15	14.29%
RDY	ReadyTech Holdings	$3.34	Jarden	3.50	3.65	-4.11%
			Wilsons	3.91	4.04	-3.22%
REG	Regis Healthcare	$3.85	Jarden	3.64	3.35	8.66%
RFF	Rural Funds	$2.15	Moelis	2.39	2.40	-0.42%
			Wilsons	2.49	2.45	1.63%
RIO	Rio Tinto	$120.96	Goldman Sachs	138.30	140.50	-1.57%
RMC	Resimac Group	$0.93	Jarden	1.02	1.03	-0.97%
SCG	Scentre Group	$3.23	Jarden	3.50	3.40	2.94%
SDF	Steadfast Group	$5.80	Goldman Sachs	6.00	5.90	1.69%
			Jarden	6.10	6.20	-1.61%
SDR	SiteMinder	$5.63	Goldman Sachs	5.50	5.15	6.80%
			Jarden	5.48	5.00	9.60%
			Wilsons	5.40	5.34	1.12%
SGM	Sims	$12.14	Jarden	14.00	14.66	-4.50%
SGP	Stockland	$4.62	Jarden	5.05	4.15	21.69%
SHA	Shape Australia	$1.78	Moelis	2.12	2.00	6.00%
SKC	SkyCity Entertainment	$1.85	Jarden	N/A	3.00	-100.00%
SLC	Superloop	$1.03	Wilsons	1.17	0.92	27.17%
SMR	Stanmore Resources	$3.48	Petra Capital	5.52	5.36	2.99%
STO	Santos	$7.29	Goldman Sachs	8.35	N/A	-
			Jarden	8.00	8.05	-0.62%
SUL	Super Retail	$14.94	Jarden	15.40	14.50	6.21%
			Wilsons	15.30	14.80	3.38%
SUN	Suncorp Group	$15.40	Goldman Sachs	16.25	15.00	8.33%
			Jarden	15.95	15.25	4.59%
TAH	Tabcorp Holdings	$0.81	Jarden	0.95	1.15	-17.39%
TLC	Lottery Corp	$5.10	Jarden	5.30	5.10	3.92%
TLX	Telix Pharmaceuticals	$11.51	Jarden	13.27	13.08	1.45%
			Wilsons	12.43	12.25	1.47%
TPG	TPG Telecom	$4.64	Goldman Sachs	5.40	5.70	-5.26%
			Jarden	5.30	5.80	-8.62%
TRS	Reject Shop	$4.66	Jarden	6.70	7.00	-4.29%
TYR	Tyro Payments	$1.15	Wilsons	1.30	1.08	20.37%
UNI	Universal Store	$4.62	Jarden	5.20	4.86	7.00%
			Wilsons	5.80	5.30	9.43%
VEA	Viva Energy	$3.53	Goldman Sachs	3.43	3.40	0.88%
VIT	Vitura Health	$0.14	Petra Capital	0.24	0.61	-60.66%
WDS	Woodside Energy	$29.71	Goldman Sachs	31.30	32.40	-3.40%
			Jarden	28.75	29.00	-0.86%
WOW	Woolworths Group	$32.62	Goldman Sachs	40.40	43.30	-6.70%
			Jarden	40.40	42.90	-5.83%
WPR	Waypoint REIT	$2.40	Moelis	2.79	2.84	-1.76%
WSP	Whispir	$0.55	Wilsons	N/A	0.37	-100.00%
WTC	WiseTech Global	$94.62	Goldman Sachs	85.00	80.00	6.25%
			Jarden	79.00	76.00	3.95%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

ACE ACUSENSUS LIMITED

Transportation & Logistics - Overnight Price: $0.65

Canaccord Genuity rates ((ACE)) as Buy (1) -

Acusensus has guided to FY24 revenue of $49-51m, and EBITDA of $4-5m, both slightly ahead of Canaccord Genuity's estimates. The business is in the early stages of its global expansion, leveraging patented technology in order to capture a $1.8bn market opportunity.

While slow to be awarded, government contracts are expected to be delivered in the next six months across three markets - UK, Netherlands, US. New contracts are also expected in Australia which will aid FY25 revenues.

The broker assesses there are few ASX-listed stocks exposed to the AI evolution and this undervalues the existing opportunity and the strength of the company's position. Buy rating. Target rises to $1.30 from $1.10.

This report was published on February 27, 2024.

Target price is **$1.30** Current Price is **$0.65** Difference: **$0.65**
If **ACE** meets the Canaccord Genuity target it will return approximately **100%** (excluding dividends, fees and charges).
The company's fiscal year ends in July.

Forecast for FY24:

> Canaccord Genuity forecasts a full year **FY24** dividend of **0.00** cents and EPS of **minus 0.20** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 325.00**.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **0.20** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **325.00**.

All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

A1M AIC MINES LIMITED

Gold & Silver - Overnight Price: $0.30

Moelis rates ((A1M)) as Buy (1) -

First half results from AIC Mines were softer than Moelis expected. The broker is focused on cash flow as a driver of valuation in small cap resources and therefore the first half result had only minimal impact on the target, steady at $0.52.

Moelis assesses the business is a simple, domestic exposure to a compelling copper thematic. In addition to the commodity exposure in a limited field in the domestic market, AIC Mines also enjoys a clean balance sheet and growth options. Buy rating retained.

This report was published on February 22, 2024.

Target price is **$0.52** Current Price is **$0.30** Difference: **$0.215**
If **A1M** meets the Moelis target it will return approximately **70%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Moelis forecasts a full year **FY24** dividend of **0.00** cents and EPS of **2.20** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **13.86**.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **0.00** cents and EPS of **3.70** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.24**.

Market Sentiment: **1.0**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

CDP CARINDALE PROPERTY TRUST

REITs - Overnight Price: $4.29

Moelis rates ((CDP)) as Buy (1) -

Carindale Property Trust delivered a first half result that was slightly stronger than Moelis expected.

Gearing decreased marginally to 30.5% and a payout ratio of 75% will mean gearing goes below 30% even as the company funds its -$10m capital expenditure contribution to upgrade the food court.

The broker considers the result demonstrates the quality and resilience of the asset, and the stock is a stand-out investment given its deep discount to net tangible assets. Gearing is expected to continue trending lower. Buy rating retained. Target is $6.22.

This report was published on February 28, 2024.

Target price is **$6.22** Current Price is **$4.29** Difference: **$1.93**
If **CDP** meets the Moelis target it will return approximately **45%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Moelis forecasts a full year **FY24** dividend of **27.10** cents and EPS of **34.00** cents.
At the last closing share price the estimated dividend yield is **6.32%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **12.62**.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **27.90** cents and EPS of **33.50** cents.
At the last closing share price the estimated dividend yield is **6.50%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **12.81**.

All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

CUV CLINUVEL PHARMACEUTICALS LIMITED

Pharmaceuticals & Biotech/Lifesciences - Overnight Price: $13.97

Wilsons rates ((CUV)) as Overweight (1) -

Clinuvel Pharmaceuticals delivered a soft first half result, Wilsons asserts, missing expectations. The broker notes good progress in expanding new US prescribing centres.

Yet the investment phase for the company can be tricky to navigate, given existing revenue is not growing at a rate to support the lift in expenses.

The broker knows investment now will bear fruit in 12-18 months time but understands it is hard for short-term investors to see through the margin decline.

This drives an Overweight rating. Target is reduced to $25.46 from $28.13.

This report was published on February 23, 2024.

Target price is **$25.46** Current Price is **$13.97** Difference: **$11.49**
If **CUV** meets the Wilsons target it will return approximately **82%** (excluding dividends, fees and charges).
Current consensus price target is **$18.75**, suggesting upside of **34.2%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY24:

Wilsons forecasts a full year **FY24** dividend of **7.70** cents and EPS of **64.40** cents.
At the last closing share price the estimated dividend yield is **0.55%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **21.69**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **69.5**, implying annual growth of **12.2%**.
Current consensus DPS estimate is **6.3**, implying a prospective dividend yield of **0.5%**.
Current consensus EPS estimate suggests the PER is **20.1**.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **10.40** cents and EPS of **69.10** cents.
At the last closing share price the estimated dividend yield is **0.74%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.22**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **75.6**, implying annual growth of **8.8%**.
Current consensus DPS estimate is **6.7**, implying a prospective dividend yield of **0.5%**.
Current consensus EPS estimate suggests the PER is **18.5**.

Market Sentiment: **0.3**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

CCR CREDIT CLEAR LIMITED

Diversified Financials - Overnight Price: $0.27

Petra Capital rates ((CCR)) as Buy (1) -

Credit Clear's 1H results were largely pre-announced during 2Q results.

Petra Capital's forecasts were already ahead of prior management guidance, and now the broker makes further upgrades as leverage is being realised. Gross profit margins expanded to 54% from 51% due to good cost control, explains the analyst.

The company signed 225 new clients during the quarter.

Management issued new revenue guidance of $40m- $42m, and forecast earnings (EBITDA-U) will exceed $3m, up from prior guidance for between $1-2m.

Buy rating retained. The target rises to 43c from 40c.

This report was published on February 27, 2024.

Target price is **$0.43** Current Price is **$0.27** Difference: **$0.16**
If **CCR** meets the Petra Capital target it will return approximately **59%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Petra Capital forecasts a full year **FY24** dividend of **0.00** cents and EPS of **minus 1.40** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 19.29**.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 0.70** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 38.57**.

All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

CYG COVENTRY GROUP LIMITED

Hardware & Equipment - Overnight Price: $1.40

Petra Capital rates ((CYG)) as Buy (1) -

Coventry Group posted an 18.1% increase in underlying earnings (EBITDA) for the 1H, largely due to the ongoing strength of the Fluid Systems business, where earnings increased by 24%.

While Nubco (hardware and industrial products) and Konnect and Artia New Zealand (KANZ) are currently experiencing weak trading conditions, the broker expects an improvement later in 2024.

Along with higher margins expected in Konnect and Artia Australia (KAA), the analyst sees a strong Trade Distribution performance in FY25, supplemented by the benefits from an ERP upgrade, scheduled for late-2024 delivery.

Management is aiming for long-term earnings margins of 10%, well ahead of Petra Capital's 7.5% estimate in FY26.

The Buy rating and $2.29 target are maintained.

This report was published on February 27, 2024.

Target price is **$2.29** Current Price is **$1.40** Difference: **$0.89**
If **CYG** meets the Petra Capital target it will return approximately **64%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Petra Capital forecasts a full year **FY24** dividend of **4.00** cents and EPS of **12.00** cents.
At the last closing share price the estimated dividend yield is **2.86%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.67**.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** dividend of **7.50** cents and EPS of **17.80** cents.
At the last closing share price the estimated dividend yield is **5.36%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.87**.

Market Sentiment: **1.0**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

FWD FLEETWOOD LIMITED

Infra & Property Developers - Overnight Price: $1.74

Moelis rates ((FWD)) as Buy (1) -

First half results from Fleetwood were in line, with Moelis noting profitable building solutions and a partial offset from softer recreational vehicles.

The community solutions division EBIT was $4.7m, up 83%, amid demand from major client shutdown work. Moelis continues to envisage upside potential from Searipple. Buy rating retained. Target is $2.31, revised down from $2.40.

This report was published on February 28, 2024.

Target price is **$2.31** Current Price is **$1.74** Difference: **$0.57**
If **FWD** meets the Moelis target it will return approximately **33%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Moelis forecasts a full year **FY24** dividend of **6.30** cents and EPS of **7.90** cents.
At the last closing share price the estimated dividend yield is **3.62%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **22.03**.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **22.70** cents and EPS of **22.70** cents.
At the last closing share price the estimated dividend yield is **13.05%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.67**.

All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

GTN   GTN LIMITED

Print, Radio & TV - Overnight Price: $0.48

Petra Capital rates ((GTN)) as Buy (1) -

Petra Capital assesses a robust 1H for GTN and suggests the business is well placed for FY24. Management didn't provide any commentary around 2H trading.

Brazil experienced a significant uptick for both revenue and profitability on increased utilisation, which the broker had already incorporated into forecasts.

The 68c target and Buy rating are maintained. Petra Capital expects continuing growth for GTN in international markets such as Brazil and Canada.

This report was published on February 27, 2024.

Target price is **$0.68** Current Price is **$0.48** Difference: **$0.2**
If **GTN** meets the Petra Capital target it will return approximately **42%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Petra Capital forecasts a full year **FY24** dividend of **3.00** cents and EPS of **5.00** cents.
At the last closing share price the estimated dividend yield is **6.25%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **9.60**.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** dividend of **3.80** cents and EPS of **6.40** cents.
At the last closing share price the estimated dividend yield is **7.92%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.50**.

All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

KGN   KOGAN.COM LIMITED

Retailing - Overnight Price: $8.20

Jarden rates ((KGN)) as Upgrade to Neutral from Underweight (3) -

Despite concerns regarding the threat of Amazon and Temu in the longer term, Jarden upgrades Kogan.com to Neutral from Underweight. The company is currently managing the business for cash/profit with the increased profitability largely stemming from Kogan First members.

The broker does not believe the stock represents value on a PE of 46x FY24 estimates but expects ongoing growth in Kogan First subscriber numbers will lead to an upgrade cycle.

To become more positive regarding the sustainability of the company's business, Jarden would like stabilisation in the overall number of active members and evidence of sustained stability in customer acquisition costs. Target is raised to $7.50 from $4.90.

This report was published on February 27, 2024.

Target price is **$7.50** Current Price is **$8.20** Difference: **minus $0.7** (current price is over target).
If **KGN** meets the Jarden target it will return approximately **minus 9%** (excluding dividends, fees and charges - negative figures indicate an expected loss).
Current consensus price target is **$7.73**, suggesting downside of **-5.7%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY24:

> Jarden forecasts a full year **FY24** dividend of **0.00** cents and EPS of **16.60** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **49.40**.
>
> How do these forecasts compare to market consensus projections?
>
> Current consensus EPS estimate is **16.2**, implying annual growth of **N/A**.
> Current consensus DPS estimate is **12.0**, implying a prospective dividend yield of **1.5%**.
> Current consensus EPS estimate suggests the PER is **50.6**.

Forecast for FY25:

> Jarden forecasts a full year **FY25** dividend of **0.00** cents and EPS of **19.20** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **42.71**.
>
> How do these forecasts compare to market consensus projections?
>
> Current consensus EPS estimate is **35.8**, implying annual growth of **121.0%**.
> Current consensus DPS estimate is **24.2**, implying a prospective dividend yield of **3.0%**.
> Current consensus EPS estimate suggests the PER is **22.9**.

Market Sentiment: **-0.2**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

NEU NEUREN PHARMACEUTICALS LIMITED

Pharmaceuticals & Biotech/Lifesciences - Overnight Price: $19.46

Wilsons rates ((NEU)) as Overweight (1) -

Wilsons welcomes the "upside surprise" for fourth quarter Daybue sales and the FY24 guidance from Acadia. The broker assesses underpinning the valuation of Neuren Pharmaceuticals and material future earnings growth is NNZ-2591, and Daybue is a way to fund the product's development.

The broker asks investors to look at the "big picture opportunity", given Daybue is an impressive drug, already run rating at more than US$300m a year and filling a critical unmet need. Overweight retained. Target is reduced to $26.58 from $27.23.

This report was published on February 29, 2024.

Target price is **$26.58** Current Price is **$19.46** Difference: **$7.12**
If **NEU** meets the Wilsons target it will return approximately **37%** (excluding dividends, fees and charges).
The company's fiscal year ends in December.

Forecast for FY24:

Wilsons forecasts a full year **FY24** dividend of **0.00** cents and EPS of **50.70** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **38.38**.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **33.70** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **57.74**.

Market Sentiment: **1.0**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

PBH POINTSBET HOLDINGS LIMITED

Gaming - Overnight Price: $0.81

Jarden rates ((PBH)) as Overweight (2) -

PointsBet has confirmed FY24 guidance of an EBITDA loss of -$9-14m. Jarden calculates the company is now tracking at break even or slightly profitable.

New information was limited in the report but the broker believes investors should be encouraged by the trajectory.

Separately, the appointment of Daniel Lucas as group chief technology officer has impressed the broker because of his experience and because it highlights the company's commitment to technology. Overweight retained. Target rises to $1.05 from $1.00.

This report was published on February 26, 2024.

Target price is **$1.05** Current Price is **$0.81** Difference: **$0.235**
If **PBH** meets the Jarden target it will return approximately **29%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Jarden forecasts a full year **FY24** dividend of **0.00** cents and EPS of **minus 8.50** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 9.59**.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **0.00** cents and EPS of **5.20** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.67**.

Market Sentiment: **1.0**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

QOR QORIA LIMITED

Software & Services - Overnight Price: $0.24

Wilsons rates ((QOR)) as Overweight (1) -

Wilsons is anticipating FY24 could prove a pivotal year for Qoria, expecting investment and consolidation throughout the year will see the company deliver robust sales pipeline conversion in the fourth quarter.

The broker points out the pipeline stood at $20m in late January, and the company continues to add $0.5m to it weekly. Alongside the annualised benefits of a -$3m data hosting saving and -$4m on staff costs, Wilsons expects finances to be considerably more appealing.

The Overweight rating and target price of 37 cents are retained.

This report was published on February 28, 2024.

Target price is **$0.37** Current Price is **$0.24** Difference: **$0.13**
If **QOR** meets the Wilsons target it will return approximately **54%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

> Wilsons forecasts a full year **FY24** dividend of **0.00** cents and EPS of **minus 2.90** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 8.28**.

Forecast for FY25:

> Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 1.90** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 12.63**.

Market Sentiment: **1.0**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

SMR STANMORE RESOURCES LIMITED

Coal - Overnight Price: $3.41

Petra Capital rates ((SMR)) as Buy (1) -

Petra Capital assesses a "solid" FY23 result for Stanmore Resources even though earnings (EBITDA) fell -6% below the broker's forecast on lower coal prices and higher non-operating expenses.

Higher-than-expected financing costs and D&A expense also drove a material profit miss, explains the analyst. Cash flow was considered strong, allowing a balance between future commitments (capex and M&A-related payments), growth and dividends.

A final fully franked dividend of US8.4cps was declared, missing Petra Capital's forecast for US11.6cps.

The Buy rating is retained and the target price rises to $5.52 from $5.44.

This report was published on February 27, 2024.

Target price is **$5.52** Current Price is **$3.41** Difference: **$2.11**
If **SMR** meets the Petra Capital target it will return approximately **62%** (excluding dividends, fees and charges).
The company's fiscal year ends in December.

Forecast for FY24:

> Petra Capital forecasts a full year **FY24** dividend of **23.24** cents and EPS of **74.43** cents.
> At the last closing share price the estimated dividend yield is **6.82%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **4.58**.

Forecast for FY25:

> Petra Capital forecasts a full year **FY25** dividend of **16.20** cents and EPS of **49.40** cents.
> At the last closing share price the estimated dividend yield is **4.75%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **6.90**.

This company reports in **USD**. All estimates have been converted into AUD by FNArena at present FX values.
Market Sentiment: **1.0**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three

sources

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