WEEK 36

STORIES TO READ FROM FNArena

Friday, 6 September 2024

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Is Supply Network A Forever Stock?

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AUSTRALIA

The Market In Numbers - 31 Aug 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	31 Aug 2024	Week To Date	Month To Date (Aug)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
NZ50	12447.680	-0.66%	0.34%	6.23%	5.75%	6.23%
All Ordinaries	8316.70	0.82%	-0.04%	3.78%	6.22%	3.78%
S&P ASX 200	8091.90	0.85%	0.00%	4.18%	6.60%	4.18%
S&P ASX 300	8024.10	0.86%	-0.02%	4.10%	6.48%	4.10%
Communication Services	1616.50	-0.16%	2.28%	7.68%	1.78%	7.68%
Consumer Discretionary	3811.60	-1.47%	-0.49%	8.55%	17.63%	8.55%
Consumer Staples	12848.50	-0.56%	0.01%	3.80%	4.37%	3.80%
Energy	9322.20	1.13%	-6.73%	-7.07%	-12.24%	-7.07%
Financials	8225.50	2.15%	1.09%	7.42%	22.43%	7.42%
Health Care	45822.50	-0.56%	-1.08%	3.54%	8.22%	3.54%
Industrials	7449.50	1.09%	3.52%	9.37%	8.50%	9.37%
Info Technology	2531.10	-1.66%	7.86%	8.10%	38.09%	8.10%
Materials	16499.60	0.68%	-2.14%	-2.24%	-15.34%	-2.24%
Real Estate	3804.40	2.17%	0.15%	6.77%	13.64%	6.77%
Utilities	8868.90	-0.04%	-1.68%	-4.48%	8.43%	-4.48%
A-REITs	1735.70	2.21%	0.07%	6.86%	15.53%	6.86%
All Technology Index	3358.80	-0.26%	5.66%	7.04%	24.68%	7.04%
Banks	3488.70	2.85%	1.99%	9.19%	25.52%	9.19%
Gold Index	8496.20	0.74%	6.54%	15.48%	15.32%	15.48%
Metals & Mining	5355.80	0.38%	-2.35%	-3.51%	-17.18%	-3.51%

The World

Index	31 Aug 2024	Week To Date	Month To Date (Aug)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
FTSE100	8376.63	0.59%	0.10%	2.60%	8.32%	2.60%
DAX30	18906.92	1.47%	2.15%	3.68%	12.87%	3.68%
Hang Seng	17989.07	2.14%	3.72%	1.53%	5.52%	1.53%
Nikkei 225	38647.75	0.74%	-1.16%	-2.36%	15.49%	-2.36%
DJIA	41563.08	0.94%	1.76%	6.25%	10.28%	6.25%
S&P500	5648.40	0.24%	2.28%	3.44%	18.42%	3.44%
Nasdaq Comp	17713.63	-0.92%	0.65%	-0.11%	18.00%	-0.11%

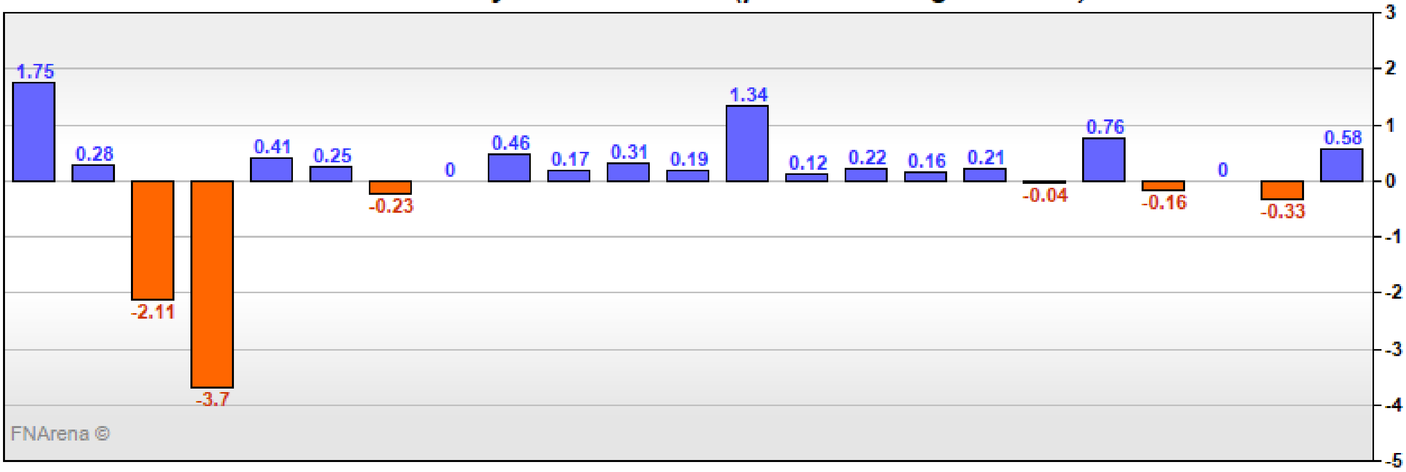
Metals & Minerals

Index	31 Aug 2024	Week To Date	Month To Date (Aug)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
Gold (oz)	2554.30	1.36%	4.00%	9.25%	24.94%	9.25%
Silver (oz)	29.83	2.93%	4.56%	1.98%	22.35%	1.98%
Copper (lb)	4.2095	1.72%	2.87%	-2.86%	10.54%	-2.86%
Aluminium (lb)	1.1119	-0.04%	10.45%	-1.12%	14.36%	-1.12%
Nickel (lb)	7.6599	2.63%	5.83%	-1.52%	3.00%	-1.52%
Zinc (lb)	1.2987	0.88%	8.78%	-2.07%	15.48%	-2.07%
Uranium (lb) weekly	81.	0.00%	-1.22%	-2.70%	-5.81%	-2.70%
Iron Ore (t)	98.63	0.45%	-7.17%	-7.40%	-28.65%	-7.40%

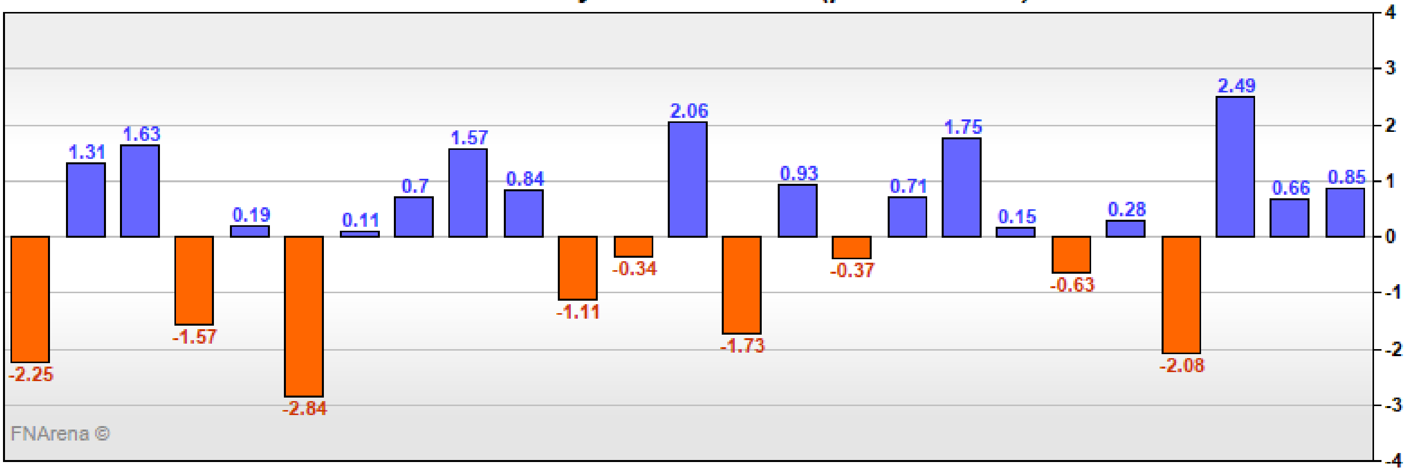
Energy

Index	31 Aug 2024	Week To Date	Month To Date (Aug)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
West Texas Crude	76.03	4.19%	1.04%	-7.12%	3.01%	-7.12%
Brent Crude	78.95	2.33%	0.52%	-7.60%	-0.39%	-7.60%

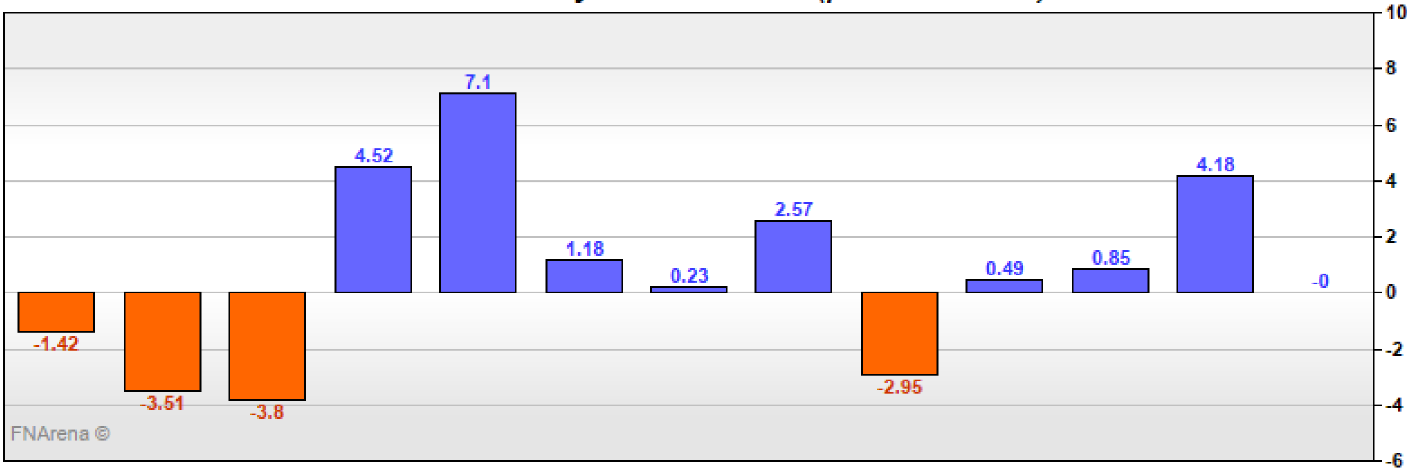
ASX200 Daily Movement in % (past 23 trading sessions)



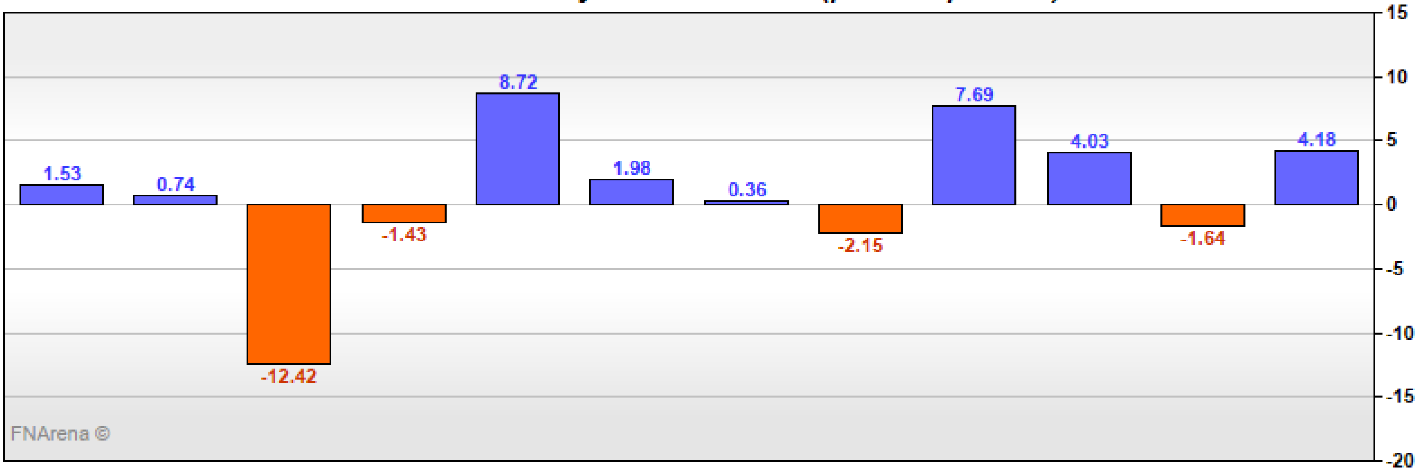
ASX200 Weekly Movement in % (past 25 weeks)



ASX200 Monthly Movement in % (past 13 months)



ASX200 Quarterly Movement in % (past 12 quarters)



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

FNArena is not responsible for any glitches, omissions or data errors. This feature is not investment advice. It is offering a quick status on raw price movements for information purposes only.

FNArena welcomes comments and suggestions at info@fnarena.com

AUSTRALIA

Caution & Gyrations Dominated August Results

By Tim Boreham, Editor, The New Criterion

The just-concluded profit reporting season has challenged the adage that the market knows best and always gets its right.

Judging from some of the share-price reactions to the disclosures, investors often had it wrong leading in to the results and then scrambled to compensate with massive sell offs or gains.

If there's one way to sum up the period, it was the month of the Great Overreaction one way or other.

Take the chicken processor Inghams Group (ING) and the immediate -21% sell off in response to the full year numbers.

Ingham's 2023-24 performance essentially was sound - a 68% profit leap to $101.5m on revenue of $3.26bn, up 7%.

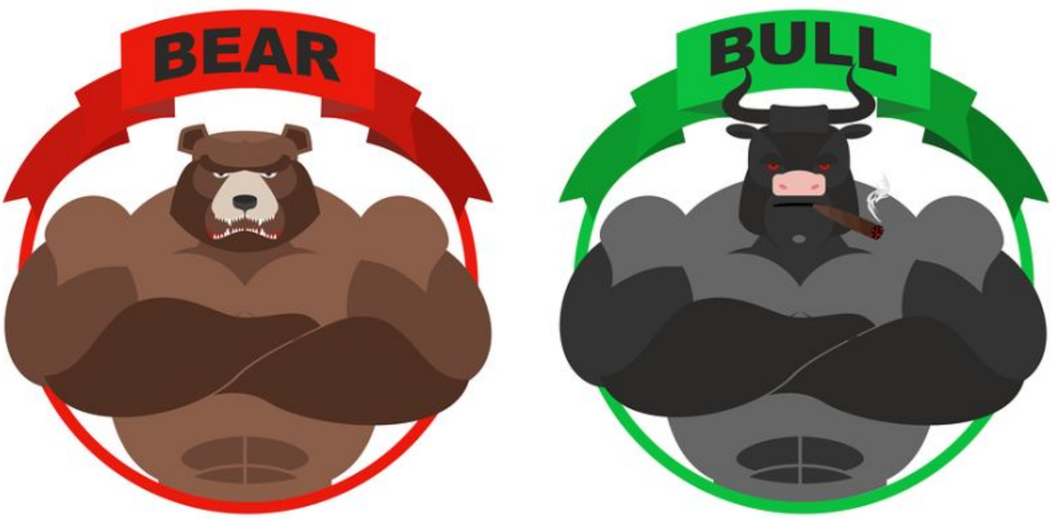
But the company fell 'fowl' of the market by revealing a new contract with Woolworths Group ((WOW)) its biggest client would involve "phased reductions in annual volumes". Some analysts also suggest the new deal will be on new favourable terms.

Nonetheless, management guided to current-year underlying earnings growth of 0-6%, on a volume decline of -1-3%. The Woolies news is not good, for sure, but does this justify the company losing one-fifth of its value?

Similarly, shares in health insurer nib Holdings (NHF) lost -17%, despite underlying net profit rising 3% to $196m.

Apart from the number simply missing expectations, another culprit was that margins are "normalising" (that is, falling) faster than expected after the covid windfall era when no-one went to hospital if they could help it.

Once again, it's a moot point whether the harsh reaction was justified.



Shares in boat and ferry operator Kelsian Group ((KLS)) last Monday tumbled -20%, after the company took the interesting approach of pre-reporting numbers it then formally disclosed on Wednesday.

Management said the numbers "exceeded analyst forecasts" but the apparent problem was higher-than-expected capital investment on various projects, including its Kangaroo Island terminal.

Another biggest loser' award goes to a2 Milk ((A2M)), which buys the fancy cow juice from Synlait Milk ((S1M)) and markets it in Asia as infant milk formula.

a2 shares fell -19% after reporting a seemingly sound result; a 7.7% net profit gain to $167m. But management warned of a likely decline in the Chinese infant milk formula sector this financial year.

a2 is exposed to the negatives of China's stagnating economy and the nation's declining birth rate but this headwind is not exactly unknown. There's also a potential tailwind if the US Food and Drug Administration approves its formula for the US market.

In the resources sector, coal miner Yancoal Australia ((YAL)) shares were poleaxed -14%.

This was not so much because of the known decline in coal prices Yancoal's realised price for the half-year was down -37% - or because thermal coal is on the nose generally.

Rather, the company committed the sin of cancelling its interim dividend to retain flexibility for "corporate initiatives". And we all know that taking a dividend away from an Australian investor is like taking infant milk formula away from a baby.

On the flipside, shares in logistics software provider WiseTech Global ((WTC)) soared as much as 21% after posting a 28% rise in earnings before interest, tax, depreciation and amortisation (ebitda), with a similar revenue increment to just over $1bn.

Investors latched on to a beefy ebitda margin of 50%.

Another odd reaction was the 8% gain afforded to glove maker Ansell ((ANN)), despite a -48% profit fall to US$76.5m. The lower-than-expected deficit was enough to swing sentiment, along with the forecast of current year adjusted earnings per share (EPS) of US107c-US127c.

EPS for 2023-24 came in at US105.5c, -8.5% lower so there's nothing to suggest the company will shoot the lights out (management expects "broadly neutral" conditions in the current year).

Some stocks were sold on the back of ostensibly good numbers, if only because their shares had surged in the lead-up to the numbers.

Examples are the all-conquering industry property trust Goodman Group ((GMG)), sleep apnoea leader ResMed ((RMD)) and blood-products giant CSL ((CSL)).

Others taking the long road back from perdition, such as troubled fundie Magellan Financial Group ((MFG)) which chalked up its best performance fees since 2021.

With the expectation bar lowered, discretionary retailers including JB Hi Fi ((JBH)), Super Retail Group ((SUL)) and Baby Bunting ((BBN)) duly outperformed.

Leading online retailer Temple & Webster ((TPW)) took us back to the good ol' pandemic days with a with a 26% revenue surge to $498m. Kogan ((KGN)) was not as impressive, but the shares still leaped 12%

Led by the Commonwealth Australia Bank ((CBA)) - arguably the most important economic bellwether stock the banks reported improved net interest margins and still-benign debt delinquencies.

Still in the financial services sector, the rising margins of key insurers Suncorp Group ((SUN)) and Insurance Australia Group ((IAG)) showed that not all of their hefty premium rises are being subsumed by the increasing cost and incidence of claims.

Gold stocks shone in an otherwise iffy' resources sector, including Northern Star Resources ((NST)) and Evolution Mining ((EVN)). For sure, cost pressures are evident but when bullion's at a record US$2500 an ounce, it's hard not to make money.

According to Macquarie Equities, companies are taking a conservative approach to current-year guidance, with companies experiencing net EPS downgrades of 23% - slightly worse than average.

"Whether guidance turns out to be conservative still depends on the timing of rates cuts and how much unemployment rises," the firm says.

Macquarie says the market is factoring in mere 0.1% EPS growth for all companies, -3.2% for resources stocks and 5.1% growth for industrials (excluding the banks and property trusts).

In FY24, overall EPS looks to have fallen -4.4%, albeit skewed by the resource sector's -17% decline.

Macquarie says the biggest winners have been the growth stocks, notably Cleanaway Waste Management ((CWY)), Breville Group ((BRG)) and the aforementioned WiseTech Global.

Much of the performance was company, rather than sector, specific. In the online classified sector, Car Group ((CAR)) and REA Group ((REA)) chalked up nice numbers. But Domain Holdings Australia ((DHG)) was slightly off the pace while employment house Seek ((SEK)) proved one of the season's biggest disappointments.

Plumbing supplier stalwart Reece ((REH)) warned of slower housing conditions and its shares fell -5%, but rival Reliance Worldwide ((RWC)) reported better than expected US conditions and its shares soared 9%.

AGL Energy ((AGL)) shares crept up 2.3%, despite guidance for lower current-year earnings. A couple of days later, shares in fellow retailer and generator Origin Energy ((ORG)) cratered -9% after warning of lower electricity prices.

But Tyndall Asset Management's Brad Potter describes the trends as "resilient", especially in terms of profit margins holding up.

As with Macquarie, Potter notes a trend to cautious guidance statements, which is understandable give the economic uncertainties including the timing of potential rate cuts locally and in the US.

(RBA governor Michele Bullock warns there will be no rate cuts before Christmas, while Federal Reserve peer Jerome Powell says US rates cuts are nigh).

If the conservatism proves to be overdone, that sets up further earnings surprises and another round of volatile share gyrations - in next February's reporting season.

AUSTRALIA

How Big The AI Boost For Harvey Norman?

Harvey Norman's FY24 sales performance was disappointing when compared to peers. But as cost of living pressures ease, the retailer is placing great faith in the AI revolution.

-Harvey Norman saw sales decline in FY24
-FY25 looking more positive
-Offshore exposures offer mixed blessings
-AI to drive a consumer upgrade cycle

By Greg Peel

Gerry Harvey is not happy. The Harvey Norman ((HVN)) executive chairman told the Fairfax press the company he co-founded may cease to exist given the climbing costs associated with continuous disclosure obligations required of an ASX-listed company. It would instead be privatised or owned by private equity.

But fear not, the timeframe he suggested is ten to twenty years.

The outburst came as Harvey Norman reported a -0.3% fall in sales in the second half of FY24, compared to 1.3% growth for JB Hi-Fi Australia ((JBH)), 1.5% for stablemate The Good Guys and -1.2% for Nick Scali ((NCK)).

The differences do not appear stark during a cost of living crisis, but Ord Minnett points out Harvey Norman's FY24 profitability represented 6% growth compared to pre-covid, while JBH Hi-Fi Australia's profit has increased by 59%, The Good Guys' by 109%, and Nicke Scali's by 53% over the same period.

Harvey Norman's underlying profit fell -20% year on year in FY24. This was a slight beat to consensus forecasts, but a -37% fall in lease depreciation & amortisation (D&A) provided a $27m tailwind, undermining the quality of the result.

That said, one "high quality" aspect was 100% cash conversion.

<u>Signs of Improvement</u>

Franchisee sales were down -5.6% in the year, but net of a -9.7% fall in the first half and only -0.6% in the second. The month of July (FY25) saw 3.3% sales growth.

New Zealand remains a laggard. Retail sales in NZ fell -9.0% in the second half and -9.5% in July as rival JB

Hi-Fi accelerates its rollout.

In Australia at least, management suggested "We are strategically positioned to capitalise on improvements in retail trading conditions".

So what will improve?

Well, we had the tax cuts, Macquarie points out, and energy rebates. Unemployment is low, wages are growing as inflation is falling and interest rates appear to have at least peaked, ahead of expected cuts some time in 2025.

Things that go Boom

Management pointed to steady sales in electronics, computers and mobiles in the second half, but was particularly excited about growth in this category into FY25. Management was "very animated", Macquarie reports, when discussing the opportunities provided by AI.

Covid lockdowns brought the advent of work-from-home and the need to upgrade to newer computer/device technology. For many, WFH continues, or some hybrid model, but the rise of AI promises to drive a whole new boom in technology upgrades.

And it's not just about computers. AI technology is also set to revolutionise the humble fridge and washing machine. The possibilities are endless.

Not that Harvey Norman will have a monopoly on AI-driven devices. It is Harvey Norman's "significant sales underperformance", as Ord Minnett puts it, to peers in Australia that has some brokers underwhelmed about the retailer's prospects.

There's also the issue of Harvey Normans' presence outside Australia and New Zealand.

Management cited the need for capital for the UK expansion, along with the three months remaining on its earlier announced buyback as reasons for the lack of a special dividend. The first UK store is set to open in October.

Malaysia remains on track for 80 stores by 2028, while the EU is mixed, and plans to roll out in Hungary have ceased.

Undecided

Jarden believes we are at the bottom of the cycle for Harvey Norman and historically the retailer has shown significant operating leverage on the way out, led by Australia. The broker sees the retailer facing tailwinds via the replacement cycle, market share and older demographic skew.

Against this backdrop, and with the international rollout on track (with the exception of the EU), Jarden sees earnings risk starting to skew on the upside for FY25. In addition, the balance sheet is in a strong position backed by property worth around $3.25 a share, with scope to accelerate capital management, albeit not in the near term.

Jarden is more positive on Harvey Norman and those retailers with global versus local exposure, such as Breville Group ((BRG)).

But until positive signs become more evident, Jarden sticks with a Neutral rating.

While the consumer environment is improving into the first half FY25, and expectations that a higher level of innovation will benefit the consumer electronics category, Goldman Sachs remains concerned that Harvey Norman's comparable sales remain below key peers including JB Hi-Fi and Officeworks ((WES)).

Continued weakness in New Zealand as well as volatilities in Asia also add dilution and risk to growth, Goldman suggests, while retaining a Neutral rating.

Similarly, Ord Minnett maintains Hold, citing Harvey Norman's significant sales underperformance compared to peers in Australia, and an unproven international expansion strategy, as making it difficult to recommend the shares.

Macquarie is more upbeat, believing discretionary retailers are well-placed over FY25, and looks to the rollout of AI laptops as a catalyst for growth over the coming year, along with tailwinds provided by aforementioned tax cuts and anticipated interest rate cuts.

Macquarie retains an Outperform rating.

Citi believes the focus of the result will be on turnaround in franchise sales momentum into July. This broker expects this has potential to drive significant margin improvement into FY25 given the significant operating leverage in the Harvey Norman franchise model, evidenced by a Buy rating.

UBS also maintains Buy. Morgan Stanley, often the naysayer, retains an Underweight rating.

That leaves three Buy or equivalent, one Hold and one Sell among brokers monitored daily by FNArena. A consensus price target of $4.92 is spread between Morgan Stanley on $4.20 and Citi and UBS both on $5.50.

Not monitored daily, Goldman Sachs has a target of $4.50. Jarden's target is $4.60.

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AUSTRALIA

August In Review: Flat, Special Divs Shine

In a volatile month of trading, the ASX200 eked out a small gain in August led by a strong performance by technology shares during the reporting season and the ongoing bank share rally.

-ASX200 gained 0.5% (total return) in August
-Technology and Gold sectors rally, Energy slumps
-Growth outperforms Value, large caps preferred
-Lowest US dollar in 12 months lifts the Aussie currency

By Mark Woodruff

After falling by around -6% in the first week of August in reaction to Japanese currency turmoil, the ASX200 ultimately gained 0.5% (including dividends) helped along by a strong reporting season for the Technology sector and the ongoing outperformance by banks.

Helping push the ASX200 into a positive return, dividends beat expectations in the reporting season and there was an increasing payout of special dividends to return excess franking credits, explains Morgan Stanley.

Macquarie's measure of equity sentiment rose to 1.20 by the end of the month after falling as low as 0.66 in the Yen carry-trade sell-off but rebounded quickly in anticipation of interest rate cuts by the US Federal Reserve in September.

Broadly in line with the -14bps decline in US 10-year yields to 3.92%, the Australian 10-year government bond yield fell by -15bps over the month to 3.97%.

Regarding offshore equities, the MSCI Developed Markets Index rose by 1.9%, and the S&P500 in the US gained 2.4% led by gains of nearly 6% for the Consumer Staples and Real Estate sectors, while the Information Technology sector gained 1.25%.

Japan was the worst performing market with a -3.4% fall for the TOPIX Net Total Return Index (dividends included), retracing some of July's strength due to a general risk-off sentiment in global markets, explains Morgan Stanley. The Chinese equity market also underperformed with the MSCI China Net Total Return Index losing -2.4%.

Back in Australia, the Technology sector gained 7.2% thanks to a strong reporting season and assisted by an around 25% rally for the best performer in the ASX100, WiseTech Global ((WTC)).

WiseTech was the fourth largest contributor to the ASX200, highlights Morgan Stanley, behind CommBank ((CBA)), Westpac ((WBC)), and ANZ Bank ((ANZ)).

On the flipside, trying to pull down the index in the opposite direction were BHP Group ((BHP)), QBE Insurance ((QBE)), Cochlear ((COH)) and Mineral Resources ((MIN)).

Also gaining 6.7%, the Gold sector benefited from a fall in bond yields and the prospect of larger rate cuts in the US, explains Macquarie. The gold price breached US$2,500/oz for the first time in history.

Within the ASX100, Northern Star Resources ((NST)) and Newmont Corp ((NEM)) gained 9.9% and 8.3%, respectively, while smaller caps Westgold Resources ((WGX)), Ramelius Resources ((RMS)) and Capricorn Metals ((CMM)) enjoyed respective gains of 19.7%, 19%, and 15.9%.

The Energy sector lost -6.2% and was the worst performed in August largely due to a fall in crude oil prices, though several energy sub-groups also weakened including coal, uranium and refining.

Worse may be in store for the Energy sector, with Morgan Stanley anticipating a softer year ahead for oil and LNG, which dampens free cash flow and EPS outlooks for stocks under the analysts' research coverage.

This broker has downgraded its industry view to In-Line from Attractive, with Overweight-rated Santos ((STO)) preferred and Beach Energy ((BPT)) the least favoured (Underweight).

Largely due to the 34% gain for the Technology sector over the last 12 months, **Growth has outperformed Value by nearly 9 percentage points** (ppts), explains Macquarie, after noting the 1.3ppt outperformance in August. Value has more exposure to the Resources sector which has lost -7.5% in the last year.

Macquarie attributes the 2.6ppt outperformance by large caps over small caps in August to growth concerns plus crowding into the largest stocks for equity exposure.

Australian mid caps led the market with a 2% gain, while the Small Ordinaries index lost just over -2% for the month. Energy, Discretionary and Industrials were largely responsible for the decline in the Small Ordinaries, with Financials and Real Estate the only positive contributors.

Commodity prices were mixed in August, notes UBS, with the CRB Commodity Index weakening by -0.4% to 277.

Brent Oil fell by -US$1.92/bbl to US$78.80/bbl and iron ore prices fell by -0.5% to US$101/t. Thermal coal rose by 4.4%, while hard coking coal declined -8.9%.

Gold prices rose by US$87.05/oz over the month to US$2,513.35/oz due to dovish Federal Reserve expectations, lower rates, and a weaker US dollar, explains the broker.

Expecting ongoing Australian dollar strength until the Reserve Bank pivots to interest rate reductions, Macquarie notes the market currently factors a 20% chance of a cut in September.

In the US, the FedWatch tool, provided by CME Group, sees a 100% chance the Federal Reserve will lower interest rates in September, with a 31% probability for a -50bps cut.

Federal Reserve Chairman Jerome Powell made dovish remarks at the Jackson Hole Economic Symposium, indicating "the time has come for policy to adjust".

The US dollar fell to its lowest level in over a year and all major currencies depreciated against the Australian dollar in August.

The US dollar Index (DXY) a measure of the value of the US dollar relative to a basket of foreign currencies, fell by -2.3% to 101.70 and the Australian dollar moved higher by 3.9% to US$0.6780.

As Macquarie's FOMO Meter is above 1.0 again, there is an elevated risk of a correction, according to the broker, noting September is typically the worst month of the year for the ASX with negative returns in eight of the last ten years.

As the economic cycle is slowing, Macquarie expects defensive stocks will outperform.

Sector multiples also look stretched on Morgan Stanley's one year view, with the exception of Energy and Materials.

For more on Australian banks, see further below.

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

Company	Change	Company	Change
WTC - WISETECH GLOBAL LIMITED	25.05	MIN - MINERAL RESOURCES LIMITED	-26.03
ORA - ORORA LIMITED	22.55	A2M - A2 MILK COMPANY LIMITED	-21.93
BXB - BRAMBLES LIMITED	17.16	LTM - ARCADIUM LITHIUM PLC	-17.43
CHC - CHARTER HALL GROUP	14.27	NHF - NIB HOLDINGS LIMITED	-16.87
JBH - JB HI-FI LIMITED	14.24	PDN - PALADIN ENERGY LIMITED	-14.20

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

Company	Change	Company	Change
WTC - WISETECH GLOBAL LIMITED	25.05	JLG - JOHNS LYNG GROUP LIMITED	-37.08
ORA - ORORA LIMITED	22.55	AD8 - AUDINATE GROUP LIMITED	-36.45
REG - REGIS HEALTHCARE LIMITED	22.43	TAH - TABCORP HOLDINGS LIMITED	-32.56
JDO - JUDO CAPITAL HOLDINGS LIMITED	18.35	KLS - KELSIAN GROUP LIMITED	-28.38
BXB - BRAMBLES LIMITED	17.16	MIN - MINERAL RESOURCES LIMITED	-26.03

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

Company	Change	Company	Change
LRS - LATIN RESOURCES LIMITED	33.33	JLG - JOHNS LYNG GROUP LIMITED	-37.08

PDI - PREDICTIVE DISCOVERY LIMITED	27.78	AD8 - AUDINATE GROUP LIMITED	-36.45
ZIP - ZIP CO LIMITED	25.65	TAH - TABCORP HOLDINGS LIMITED	-32.56
WTC - WISETECH GLOBAL LIMITED	25.05	KLS - KELSIAN GROUP LIMITED	-28.38
ORA - ORORA LIMITED	22.55	MIN - MINERAL RESOURCES LIMITED	-26.03

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

Company	Change	Company	Change
NXL - NUIX LIMITED	37.97	AD8 - AUDINATE GROUP LIMITED	-36.45
APX - APPEN LIMITED	33.33	EML - EML PAYMENTS LIMITED	-25.27
WTC - WISETECH GLOBAL LIMITED	25.05	MP1 - MEGAPORT LIMITED	-22.15
CDA - CODAN LIMITED	17.99	NVX - NOVONIX LIMITED	-17.45
360 - LIFE360 INC	15.46	DTL - DATA#3 LIMITED.	-12.70

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Communication Services	1616.50	2.28%	7.68%	1.78%
Consumer Discretionary	3811.60	-0.49%	8.55%	17.63%
Consumer Staples	12848.50	0.01%	3.80%	4.37%
Energy	9322.20	-6.73%	-7.07%	-12.24%
Financials	8225.50	1.09%	7.42%	22.43%
Health Care	45822.50	-1.08%	3.54%	8.22%
Industrials	7449.50	3.52%	9.37%	8.50%
Info Technology	2531.10	7.86%	8.10%	38.09%
Materials	16499.60	-2.14%	-2.24%	-15.34%
Real Estate	3804.40	0.15%	6.77%	13.64%
Utilities	8868.90	-1.68%	-4.48%	8.43%
A-REITs	1735.70	0.07%	6.86%	15.53%
All Technology Index	3358.80	5.66%	7.04%	24.68%
Banks	3488.70	1.99%	9.19%	25.52%
Gold Index	8496.20	6.54%	15.48%	15.32%
Metals & Mining	5355.80	-2.35%	-3.51%	-17.18%

The World

Index	31 Aug 2024	Month Of Aug	Quarter To Date (Jul-Sep)	Year To Date (2024)
FTSE100	8376.63	0.10%	2.60%	8.32%
DAX30	18906.92	2.15%	3.68%	12.87%
Hang Seng	17989.07	3.72%	1.53%	5.52%
Nikkei 225	38647.75	-1.16%	-2.36%	15.49%
DJIA	41563.08	1.76%	6.25%	10.28%
S&P500	5648.40	2.28%	3.44%	18.42%
Nasdaq Comp	17713.63	0.65%	-0.11%	18.00%

Metals & Minerals

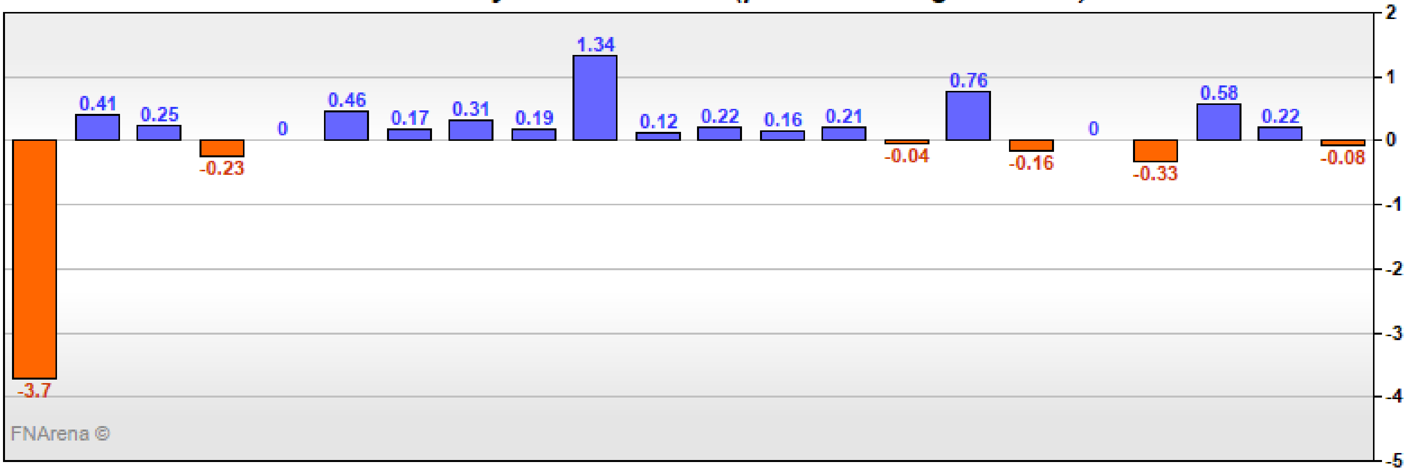
Index	31 Aug 2024	Month Of Aug	Quarter To Date (Jul-Sep)	Year To Date (2024)
Gold (oz)	2554.30	4.00%	9.25%	24.94%
Silver (oz)	29.83	4.56%	1.98%	22.35%
Copper (lb)	4.2095	2.87%	-2.86%	10.54%
Aluminium (lb)	1.1119	10.45%	-1.12%	14.36%
Nickel (lb)	7.6599	5.83%	-1.52%	3.00%
Zinc (lb)	1.2987	8.78%	-2.07%	15.48%

Uranium (lb) weekly	81.	-1.22%	-2.70%	-5.81%
Iron Ore (t)	98.63	-7.17%	-7.40%	-28.65%

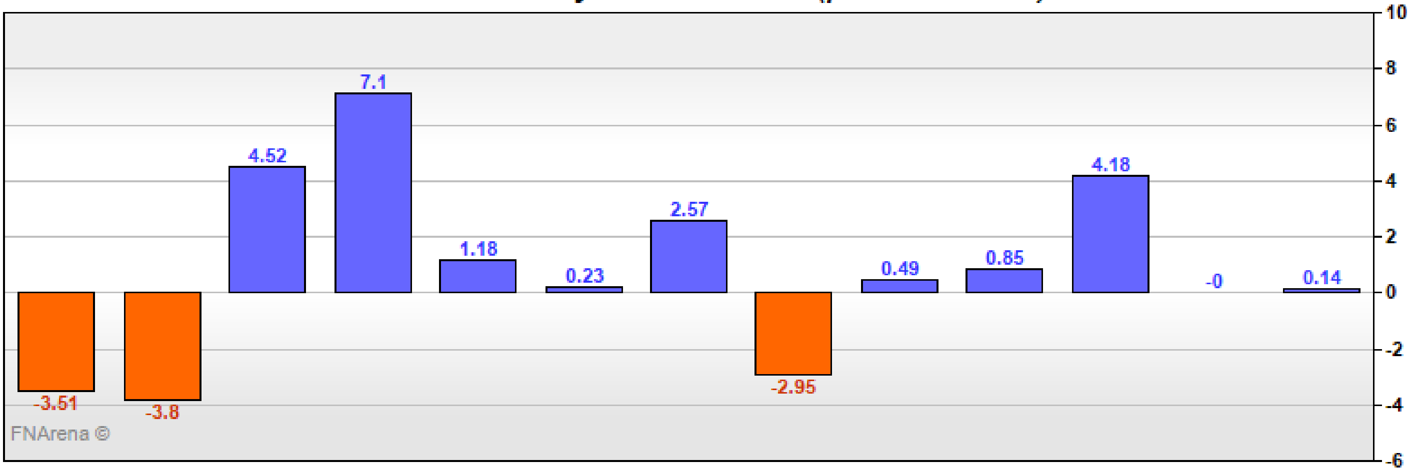
Energy

Index	31 Aug 2024	Month Of Aug	Quarter To Date (Jul-Sep)	Year To Date (2024)
West Texas Crude	76.03	1.04%	-7.12%	3.01%
Brent Crude	78.95	0.52%	-7.60%	-0.39%

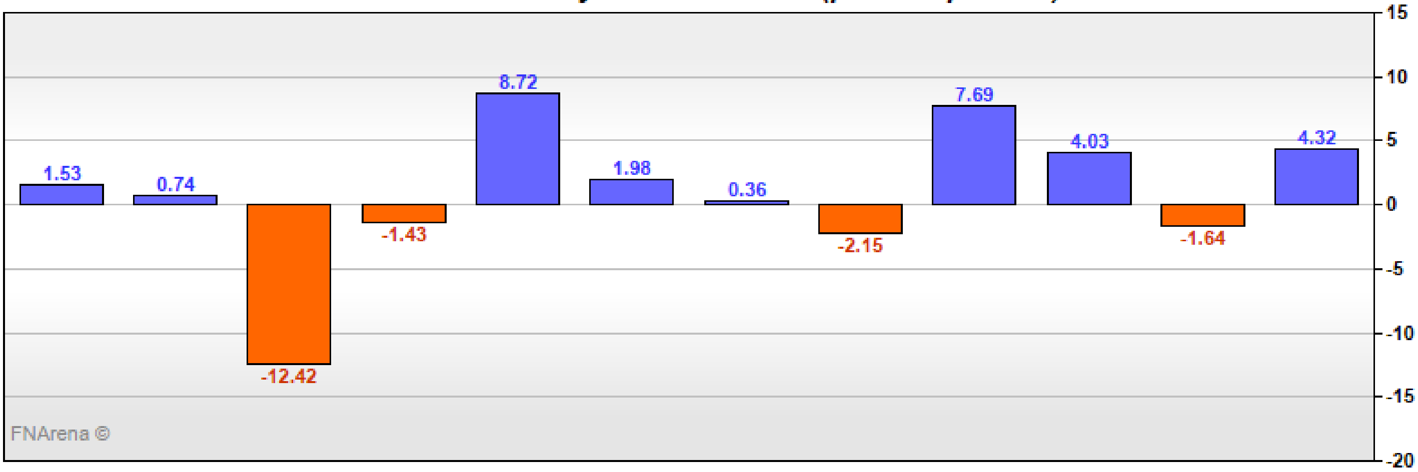
ASX200 Daily Movement in % (past 22 trading sessions)



ASX200 Monthly Movement in % (past 13 months)



ASX200 Quarterly Movement in % (past 12 quarters)



<u>Australian Banks</u>

On average, the major banks outperformed the Australian market in August, despite releasing results in line with expectations during the reporting season.

Morgan Stanley highlights trends across the majors were similar, with stable margins, mid-single digit loss ratios, healthy provisions and large capital buffers.

The average major bank total shareholder return of 2.9% for the month beat the 0.5% return from the ASX200 index.

Among the majors, Westpac was the best performer with a 4.8% return (9.4% in July) while National Australia Bank ((NAB)) lost -1.1%. In between, shares in ANZ Bank and CommBank gained 4.6% and 3.3%, respectively.

For the smaller banks, Judo Capital ((JDO)) strongly outperformed with a gain of 18.3%, while Bendigo & Adelaide Bank ((BEN)) lost -3.5% and Bank of Queensland ((BOQ)) gained just 0.2%.

Morgan Stanley highlights the major banks' average dividend yield of around 4.6% is 0.6% above the bond yield, which compares to the post-2010 average of 2.8% above the bond yield.

New Zealand

Similar to the 0.5% gain for the ASX200, the NZX50 gained 0.34%, after the Reserve Bank of New Zealand lowered the cash rate by -25bps.

This monthly gain brings the total return so far in 2024 to 5.75%.

Technical limitations

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

AUSTRALIA

Dr Boreham's Crucible: Pro Medicus

By Tim Boreham

ASX code: ((PME))

Shares on issue: 104,424,882

Market cap: $15.65bn

Chief executive officer and co-founder: Dr Sam Hupert

Board: Peter Kempen (chair), Dr Hupert, Anthony Hall (co-founder and executive director), Anthony Glenning, Dr Leigh Farrell, Deena Shiff, Alice Williams

Financials (year to June 30, 2024): revenue $161.5m (up 29%), net profit $82.8m (up 36.5%), earnings per share 79.1c (up 36%), cash and investments $155.5m (up 28%)

Identifiable major shareholders: Dr Sam Hupert 24.07%, Anthony Hall 24.11%

The home-grown, giant-killing radiology software outfit is proving that its technologies are suitable for more than just the sandstone' academic hospital institutions from which it first gained its foothold in the US market.

All up, in the year to June 30, 2024 the company won nine new contracts with a total contract value of $245m. This includes the biggest to date, the Dallas, Texas based integrated delivery network (IDN) Baylor, Scott and White Health.

A recent omnibus of five contract wins was notable not just for the value - a collective combined minimum of $45m - but for the varied nature of the clients.

These included paediatric hospitals in Ohio and Florida, private radiology chains and Florida's Moffitt Cancer Centre.

The jobs are characterised by software-as-a-service (annuity) revenue based on minimum transaction levels.

Despite chatter that the company is priced to perfection, Pro Medicus shares soared 13% in the two trading days after the August 14 disclosure of a 36% full-year profit surge, to $82.79m.

CEO and co-founder Dr Sam Hupert describes a "record year in all metrics, not just revenue and profit but also in terms of new sales and completed implementations".

He says the company's products are proving to be suitable for "virtually all segments of the market" from smaller groups to some of the largest IDNs and academic medical centres.

"It has been the most successful year in the company's history on all fronts," he chimes.

Coming from the clouds

Pro Medicus provides diagnostic imaging, practice management and image archiving software to hospitals and radiology practices.

Rather like cloud-based, book-keeping pioneer Xero, Pro Medicus claims to be the only genuine internet-based provider, in a profession that still likes its pencils and clipboards.

The company was founded by Melbourne general practitioner Dr Hupert and his technologist friend Anthony Hall in 1983. Back then clouds came in three key varieties: cirrus, cumulus and stratus.

The company's key products are Visage RIS (as in radiology information system) and the cornerstone Visage 7 (enabling users to consolidate information requiring multiple views into a customized single platform).

The image storage tool Visage Open Archive was introduced in 2017, with Visage Workflow Management emerging in 2020.

Not the America's Cup, but better

At the height of the global financial crisis, Pro Medicus acquired the California-based Visage Imaging for a knock-down -$5m.

It was the company's Alan Bond' moment (a reference to Kerry Packer buying back his Nine Network from the failed Perth mogul for a knock-down sum).

The purchase price was quickly validated, because Pro Medicus shed Visage Imaging's unwanted research arm shortly after for $15m.

Dr Hupert says the company was in the right place at the right time. (But you make your own luck, don't you?)

Size counts

A key driver for the company is the burgeoning need for more data capacity for imaging procedures.

For example, 300 megabytes used to be adequate for a mammography, but today, a high-definition version needs eight to 10 gigabytes per study. The same goes for a full-body positron emission tomography (PET) scan, while a high-definition, multi-slice computed tomography (CT) scan might require more than 10,000 images.

Traditionally, a scan produces a file which is compressed and sent to a highly-configured work station, where the image is enhanced and manipulated.

"The trouble is that the files are getting too big and it takes too long to open them and do the manipulation locally," Dr Hupert says.

"Our model allows the files to go to a single back-end server. All of the sophisticated enhancements are done in real time and the pixels are streamed to the radiologist or clinician.

"The two huge advantages are that it is instant - one second or less - and the radiologist's work station doesn't have to be highly configured. When you have hundreds or thousands of these screens, it is a huge cost saving."

Finances and performance

Last month's full-year numbers show the company is on a roll, with revenue increasing 29.3% to $161.5m.

It wasn't profitless growth either, with earnings up 36% in both net profit (to $82.8m) and diluted earnings per share terms (79.1 cents per share).

"We have contained our cost base so margins have grown further from last year as our footprint increases," Dr Hupert says.

The company cites forward revenue of $608m over five years.

"Most contracts are delivered as software-as-a-service, with minimum amounts," Dr Hupert says.

Investors were rewarded with a 22 cents a share final dividend, up 33%, although suffice to say they are unlikely to be in the stock just for the paltry yield.

Of the revenue, 85% derived from the US. North American turnover rose 34%, while Australian revenue gained a more sedate 5.9%. European revenue declined -7%, if only because of a chunky German sale in the previous period.

The company has cash (and financial investments) of $155m and no debt.

Over the last 12 months Pro Medicus shares have ranged between $70.80 (mid-August last year) and the August 16, 2024 peak of $150.67.

Five years ago, the shares were worth $26 and ten years ago they could be bought for less than a dollar (these days, a dollar won't even buy a dim sim).

Last November, Dr Hupert and Mr Hall both sold one million shares - approximately 4% of their personal holdings - at $88 apiece in response to an approach from an individual fund.

At the time they said they did not intend to sell any more shares "in the foreseeable future".

In March this year the stock was elevated to the ASX100 index.

Coming up

Dr Hupert cites an increasing flow of requests for proposals, overwhelmingly for cloud-based upgrades often mandated by health regulators.

"We believe we are one of the few companies - if not the only one - that can provide a true cloud-based implementation of scale," he says.

The company has a long-standing interest in expanding into the ologies', with a cardiology extension product in development.

Dr Hupert says Pro Medicus is close to a cardiology "version 1.0", but there are nuances involved over and above the quality of the actual imaging (such as reporting requirements).

Following US Food and Drug Administration approval, Pro Medicus last year commercialised an algorithm to measure breast density, the problem being that dense' breasts are harder to scan than fatty' breasts because both the tumor and the background come out as white on the image.

"We are confident it is highly accurate and will be the more consistent result than humans reading the same mammogram," Dr Hupert says.

A.I. is coming

Dr Hupert says healthcare is perfectly suited to artificial intelligence (A.I.) and thus has been one of the first sectors to embrace the brave new world.

Not that radiologists need to be too afraid (see below).

"Interestingly, 80% of FDA-approved healthcare algorithms are in diagnostic imaging," Dr Hupert says.

To date, the artificial intelligence has been embedded in imaging equipment. "If someone moves during a [scan], AI may be able to improve the image or warn the technologists they may need to take another exam."

Artificial intelligence can prioritise which images should be viewed first in emergency settings and act as a "second set of eyes" in breast cancer and lung screening.

However, Dr Hupert believes automated diagnosis is some way off - and even artificial intelligence itself agrees.

According to Chat GPT: "A.I. has the potential to significantly enhance radiology by improving efficiency and accuracy, but it is unlikely to fully replace radiologists in the foreseeable future."

Meanwhile Dr Hupert says the acute global shortage of real-life radiologists - partly caused by high burnout - isn't getting any better.

"Tele-radiology groups used to fighting for clients are now freezing new work and some groups are even giving back contracts they can't service adequately," he says.

The shortage will take years to ameliorate, because it takes three to five years to train a radiologist.

Sizing the rivals

Depending on the sector, Pro Medicus competes with the likes of GE Health, Siemens and Philips and the erstwhile camera film makers Agfa, Fujifilm and Carestream.

It also bumps into smaller ASX-listed peer Mach7 Technologies ((M7T)) in the US market, although they tend to run their own race.

Pro Medicus claims to be winning share because it is nimbler than its more lumbering peers and can offer a full suite of products.

"We are confident we are number one in the three areas that count: speed, functionality and scalability," Dr Hupert says.

He doesn't mention cheapness': Pro Medicus tends to have most expensive products but with the best claimed return on investment and clinical accuracy.

"We allow radiologists to do what they otherwise couldn't do, or if they could it would take too long to do."

Dr Boreham's diagnosis:

Despite its seemingly endless roll call of new and expanded clients, Pro Medicus lays claim to only 7% of the US market of 650m annual exams.

The company believes it can access 85% of this market "from a commercial perspective".

Goldman Sachs expects a market share of 13% by 2030 as more hospitals creak and groan into the modern era.

Investors might wonder whether Pro Medicus is ignoring the rest of the world, but the truth is that the US offers the best reimbursement relative to, say, the European market.

As the company grows its client book, the rules of mathematics dictate that such heady growth rates will be harder to maintain.

"Clearly, maintaining growth rates of 30%-plus year-on-year gets harder as our base gets bigger," Dr Hupert says.

"But we believe we can maintain our trajectory with strong, profitable growth. Our clients are growing well above the industry average and if they grow, we grow."

On broker estimates the company trades on an earnings multiple of around 130x times. While they love the company to bits, the prevailing view is the stock is priced to perfection.

The trouble is, your columnist opined the same things seven years ago - when the stock traded at $5.

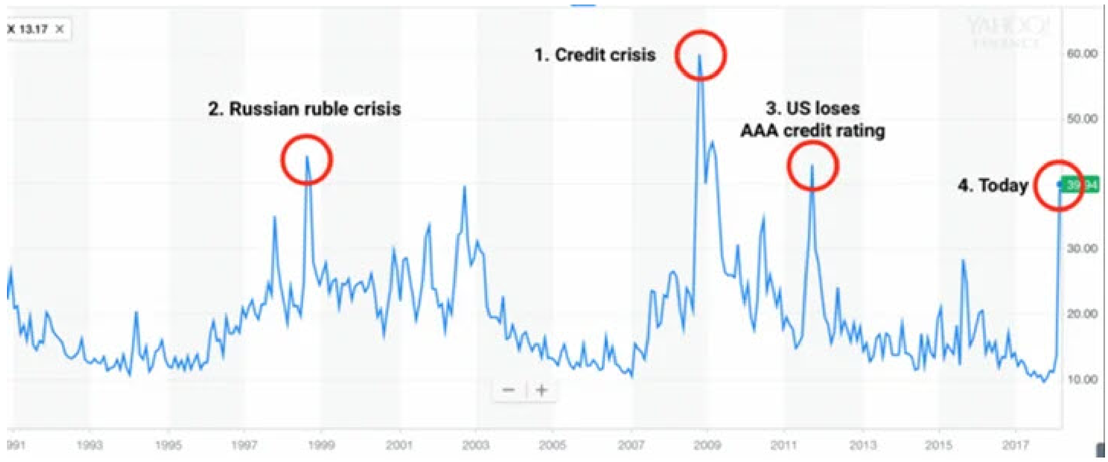
Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. Or a decent crystal ball, for that matter.

INTERNATIONAL

Company Fundamentals & Interest Rate Cuts Rule

By Hamilton Wealth Partners

In early August, we experienced the third largest spike in volatility in the past 20 years, as illustrated by the chart below.



(source: Yahoo Finance)

We even had commentators rolling out the little known Sahm rule as a reason.

The Sahm rule is from Former Federal Reserve economist and now chief economist at New Century Advisors, Claudia Sahm. She invented a rule that is claimed to indicate the initial stages of a recession. The rule triggers if the US unemployment rate is 0.5 percentage points or more above its lowest point during the previous 12 months. Earlier last month US unemployment for July hit 4.3 per cent, with a three-month moving average of 4.1 per cent, versus a low of 3.5 in the prior 12 months, thus triggering the Sahm rule.

Claudia Sahm appeared on Bloomberg soon after and she explained why the rule was not indicative of a recession this time.

We need to go back to the beginning of this year to put this volatility into context.

As we entered 2024, the markets predicted seven rate cuts in the US or 1.75 per cent from its current 5.25-5.50 percent range. As inflation proved stickier than many anticipated in the second quarter of this year, rate cut expectations were scaled back to four or 1.0 per cent as many were starting to talk about "no landing" based on robust growth in the US.

Whilst the selloff in the equity markets occurred immediately after the release of the July unemployment data in the US, together with the unwinding of the Japanese Yen "carry trade," the fact is that the US S&P500 to the end of June had rallied over 14 per cent and was due for a pullback.

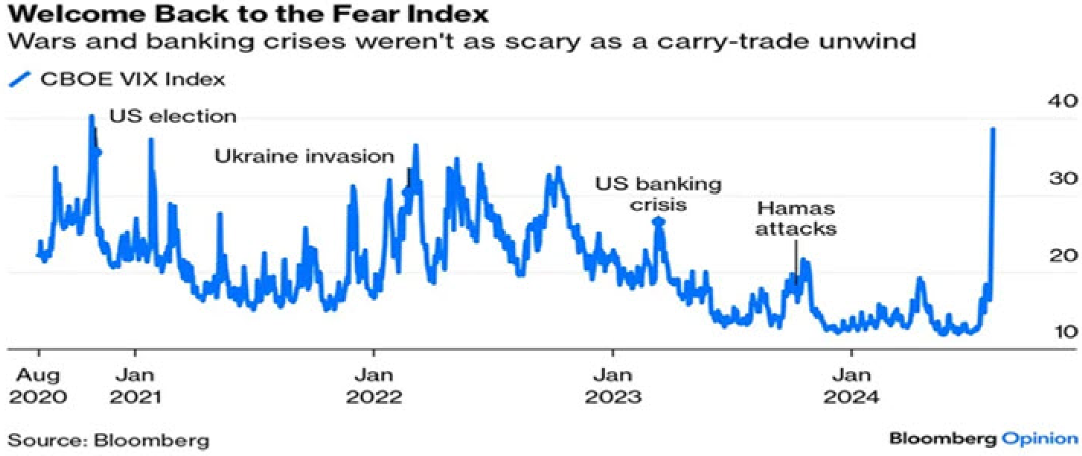
The unemployment data and Bank of Japan actions simply provided the excuse. That said, the extent of the selloff was overdone and within weeks the markets again focused on the reality that the next move in interest rates would be down, and much of the selloff was reversed.

This month the Federal Reserve will commence cutting interest rates, the only debate is whether the first cut will be twenty-five basis points (0.25 per cent) or fifty basis points (0.5 per cent), and the market is factoring in a total of 1.5 per cent in rate cuts over the next twelve months.

Many have not participated in this year's equity market rally or do not trust it. While it is true that the rally in the US has been concentrated in the mega cap technology stocks, we are now starting to see the rally extend to the broader market. We expect this to continue when interest rates start to come down.

Some have been concentrating on Warren Buffett's offloading of Apple shares or the unwinding of the Japanese carry trade to justify the recent volatility, but often it is just that markets act irrationally.

What we did see in early August was the return of fear, as illustrated by the chart below.



The important thing to concentrate on though is earnings growth, which overall is positive, and the macro environment, where growth is slowing but unlikely to lead to recession, and where interest rates are coming down, outside of Australia.

The table below that our clients would be familiar with clearly illustrates our scenario analysis.

	Recession risk	Soft landing	No-landing	Productivity + Disinflation
	• Recession • Equities down 9-12% • Bonds up 8%	• Slowdown • 2-3% inflation • Equities up 7-10% • Bonds up 5%	• Solid Growth • 3% plus inflation • Equities down 4-7% • Bonds down 4%	• Solid Growth • 2-2.5% inflation • Equities up 6-12% • Bonds up 3%
Probability: July	15%	50%	20%	15%
Probability: Aug	25%	55%	10%	10%

Australia is a different matter altogether. As our Minister for Employment and Workplace Relations proudly stated last week, our wages growth is running well above the inflation rate.

The bottom line is that wage growth inflation is the issue in Australia and as a result it will be much harder to get inflation here back to the 2-3 per cent band targeted by the RBA. We will not see interest rates cuts in Australia before the end of the first quarter 2025 and we may well see US interest rates fall below those in Australia by the end of the first quarter 2025 also.

As a result of this we enter September with our asset allocation position being

		Tactical Position	Level
Risk/Growth Assets	Australian Equities	Neutral	
	Developed Market Equities	Overweight	Marginal
	Emerging Market Equities	Overweight	Marginal
	Private Equity/Growth Alts	Neutral	
	Property	Neutral	
	Diversified Credit	Overweight	Significant
	Infrastructure	Neutral	
Defensive Assets	Secure Debt	Underweight	Marginal
	Cash	Underweight	Moderate
	Defensive Alternatives	Neutral	

Views have varied over the year, and it has been important to rely on fundamentals and where interest rates will be heading. Too many commentators have said the "market is wrong." We beg to differ.

Diversification has been and will continue to be crucial both amongst and within asset classes. One aspect of markets we do believe is going to be dominant in the next six months is volatility. Strap in for a bumpy ride.

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

INTERNATIONAL

China's Slow Bleed

By Martin Schulz, Head of International Equity Group at Federated Hermes

For investors looking for a change in direction, China's Third Plenum was underwhelming.

China watchers have long set store by the outcome of the Third Plenum. This latest meeting was a disappointment, with the country's leaders setting priorities other than growth.

China appears to be at an inflection point. After years of roaring growth, the pandemic and its aftermath have introduced (relative) stagnation even as hopes for peaceful cooperation between China and the West appear to be faltering. Demographics, likewise, remain a cause for concern, given the country's ageing workforce and negligible immigration.

Finally, the government's proactive economic policy stance seems to have changed too. Here, the mantra is no longer growth at all costs. Instead, the Chinese Communist Party's doctrine of "common prosperity" and competition with the West now take center stage.

This, at least, was the message when the Chinese Communist Party's Central Committee met in July for its Third Plenum meeting. Historically, these gatherings have resulted in new growth-oriented policy announcements and, this time around, investors had hoped to hear party leadership articulate a new way forward for the economy.

Yet little to nothing from the meeting changed the narrative. Rather than switching focus to jump-starting the economy, the party's 22,000-character document which summarized the plenum spoke of increasing the state's influence and channeling state resources into strategic sectors.

While this matters less for the US, it's potentially a big deal for Europe given the importance of current trading relationships.

A SLOWING ECONOMY

The Chinese economy has slowed further in recent months. Exports remain a bright spot, having largely recovered from Covid, but the property market is in a funk, mired by years of overcapacity and misallocation. Within China, sentiment remains weak, and the slowdown in consumer spending is problematic.

The Bank of China may have lowered rates but not by enough to alter the course of an economy burdened with a moribund property market and subdued sentiment. The official response has been supply-related rather than to stimulate demand.

Even so, we don't believe we are seeing the "Japanification" of China. After all, the Organisation for Economic Co-operation and Development still projects China's GDP to grow at the third-fastest rate in the G20 this year (4.9%) and next (4.5%), behind only India and Indonesia.

Likewise, China's push for common prosperity is bearing some fruit and Xi remains highly popular among the broader population. The government claims to have eradicated extreme poverty as of 2021, and medical coverage became universal in recent years. While not yet universal, pension coverage has been expanded greatly as well.

A PATH FORWARD FOR INVESTORS

So, how should investors think about current opportunities in China? Even at its current 25% weighting in the emerging markets index (it was once as high as 45%), the country is too big to ignore. And any bold, outlier position on China will likely result in a sizeable departure from the index in a way that would not be the case with a smaller country.

For now, a slow-moving deflationary and subdued-sentiment cloud hangs over China with value-oriented, dividend-paying State-Owned Enterprises (SOEs) the main beneficiaries. In fact, value has trounced growth in strides, with the MSCI China Value Index returning an annualized -9.01% versus -19.62% annualised for growth over the past three years. Even year-to-date, value is still up 6.67% while MSCI China Growth has declined -1.63%.

Entrepreneurship has done much less well of late in Xi Jinping's China. Xi has kept the free market under wraps and seems willing to bear the cost of near-term economic pain in return for longer-term cultural and technological gains. Time will tell whether China can rebalance its economy in a way that will promote growth and yet still focus on common prosperity and geopolitical competition.

In a country burdened by an aging society, a weak property market, and a government focused on geopolitical competition, we term the current state of affairs as a slow bleed of the economy.

RUDI'S VIEWS

Rudi's View: August Results Fail To Inspire

By Rudi Filapek-Vandyck, Editor

Investors are trained to be optimistic and hopeful but if the August reporting season proved one thing it is that hope is not an ideal strategy during times when economies are slowing and household budgets persistently under duress.

On balance, August results proved a rather uninspiring experience that mostly triggered a lukewarm reception from investors. The answer 'why' was yet again confirmed by this week's update on GDP growth locally that, at 0.2% quarter-on-quarter and 1% annualised, printed the lowest outcome for any quarter in Australia since the early 1990s, outside of the covid downturn.

Equally important: consumer spending detracted -0.2% from economic growth in the June quarter (the worst number post-GFC ex-covid) and it was spending by the government, foreign students and visitors that kept the pace above zero.

Economists at Oxford Economics responded as follows:

"Net exports and public demand were the major contributors to growth in the quarter.

"The economy is lacking a clear engine of growth. Tight policy settings have successfully reined in demand, but inflationary pressures are yet to be completely tamed. Income tax cuts and consumer subsidies will aid momentum in the second half of the year. But any improvement in activity will be unspectacular."

The follow-up from peers at NAB: *"We continue to assess that soft growth through H1 will be the trough in growth and look for improving but still below trend growth in H2 contingent on the response to tax cuts and ongoing easing in inflation for household consumption. Overall, we continue to see growth of around 1% this year."*

Corporate results in August have very much reflected that reality. Miners, energy companies and other cyclicals proved the biggest disappointments. Small caps delivered many hits and misses, but more misses as cost increases and the need for more investments put investors' patience to test.

Conclusion from Morgan Stanley: **resources remain trapped in value**.

Equally important: the weaker priced laggards failed to live up to hope and expectations, while highly-priced growth champions refused to falter. The latter is best illustrated by the fact WiseTech Global ((WTC)) crowned itself to most valuable contributor for the ASX200 throughout the month, after the banks.

WiseTech is nowadays part of the ASX50 but its index weight hardly exceeds 0.50%, which just shows how tepid most stocks have performed during the month. WiseTech shares did put in a 25% rally on improved margins, new customers and new products and refused to give it back, outside of a small pullback on nervous profit taking.

As is local custom, EPS forecasts weakened throughout the season, as expected, but the truly sobering observation is forecasts for FY25 have shrunk too. In Macquarie's case, a projected 10% increase has reduced to... virtually zero. Resources are mainly to blame, but they are not the only ones responsible.

Macquarie's response: **"FY25 earnings recovery... aaaand it's gone".**

Market consensus forecasts are not quite as pessimistic, with forecast FY24 EPS now at negative -4.3% and the FY25 forecast at a positive 4%. The long term average in Australia is circa 5%. It looks like the economic prediction of Oxford and stockbroking analysts are connected at the hip: "any improvement in activity will be unspectacular".

As also flagged by analysts at JP Morgan during the month: falling forecasts with a share market near an all-time record high makes for an expensive valuation. Too expensive, probably, to be maintained.

Morgan Stanley did the numbers, also taking into account where markets are in the cycle as well as the level of bond yields, and concluded trading on an average forward-looking PE ratio of 17.5x the Australian share market has seldom looked as "expensive" as at the end of August.

On the broker's assessment, forward multiples for every single sector except Energy at the end of last week were at a twelve months' high.

No surprise, some technical analysts are toying with the idea the ASX200 might have put in a so-called double top in August, suggesting more weakness ahead but also that we won't see the index returning to these peak levels anytime soon.

The **FNArena Corporate Results Monitor** is a reflection of the above. Comprising of more than 350 companies (more updates are in progress) covered by at least one of eight leading stockbrokers, this Monitor is likely the most comprehensive insight available in Australia - with a history dating back to 2013.

Combining financial results with outlook statements and analysts' receptions of both, the Monitor has established some 36% of all financial updates in August have disappointed, contributing to forecast downgrades, while 28% managed to 'beat'.

Placed in an historical context, this places August 2024 at the top for 'misses' and near the bottom for 'beats'. It has been rather disappointing, Barrenjoey has concluded. Looking at those numbers, it's difficult to disagree. Observe also how, after updating 350 companies, the average price target in the FNArena Monitor has hardly moved.

Elevated Prices On Below-Trend Earnings

Having said so, investing is forward-looking and **UBS strategist Richard Schellbach** has seen "tentative signs that activity levels have already bottomed, and that the prospect of rate cuts over the next 12 months will provide a tailwind for further market gains."

Schellbach sees the 4% EPS growth that is currently projected as "achievable" but he also sees a major role for the RBA -when will that first cut arrive?- while the key risk for Australia remains further deteriorating economic momentum in China. Can the local economy remain detached from it?

Analysts Andrew Tang and Tom Sartor at stockbroker Morgans equally prefer a more optimistic tone, calling the August results "respectable", with concerns emerging about **elevated valuations versus below-trend earnings**.

The Morgans analysts do concede economic momentum might well slow down further and investors should be prepared for more downbeat outlook statements at the upcoming AGMs. Offsetting this concern is the fact central banks are setting the tone for interest rate cuts and these should provide support for equities.

History suggests lower interest rates do support risk assets such as equities for as long as there's no economic recession on the horizon.

In line with my own observations, Morgans observes share price performances are diverging strongly between winners and laggards which is seen as a signal investors need to be more active and selective in their choices. "Earnings quality, market positioning and balance sheet strength will play an important role in distinguishing companies from their peers", Morgans concludes.

Strategists elsewhere have equally called for **'Quality' over 'cheap stocks'**. As yet again proven throughout August, more disappointments stem from lower-quality, smaller-sized, vulnerable business models. In contrast, stocks including Life360 ((360)), WiseTech Global, Hub24 ((HUB)), JB Hi-Fi ((JBH)) and Breville Group ((BRG)) were all considered fully priced, at the very least, before outperforming yet again during reporting season.

More than 40% of company reports in August triggered a share price response in excess of 5% on the day of release, Morgan Stanley reports, indicating the season has been volatile, even without macro impacts such as the yen carry trade turmoil. The bias has been to the downside as 'misses' were punished more severely than upgrades have been rewarded.

Themes From The Season

Barrenjoey has identifed eight themes emerging from the August season (below are those themes formulated in my words):

1.) A relative resilient Australian consumer, but can and will it last?
2.) A structural housing shortage in Australia isn't by default positive for construction activity in the short-to-medium term
3.) China: how weak and for how long?
4.) Inflation remains an issue, though less so than in the recent past
5.) High rates, and their burden, still feature for many companies
6.) Looks like re-stocking will be for next calendar year
7.) Companies will increase dividends and payouts for shareholders, whenever they can
8.) Investors showing limited patience for corporate turnarounds

With regards to point number 7, larger-than-forecast dividends, and bonus payouts on top in numerous cases, have been one of the stand-out positives this season. Some analysts (Macquarie, Morgans) consider this a positive signal showing corporate confidence in the earnings trajectory ahead.

While this is not necessarily untrue, the corporate culture in Australia commands that shareholders will be offered a sweetener in case of operational disappointment. Investors do not need to look any further than the local banks which yet again surprised through higher dividends in August.

I'd therefore conclude the fact the August season has been an overall disappointing experience is confirmed by the fact **dividends, and special payouts, are the stand-out feature** from the month.

Data-crunching by Morgan Stanley reveals most upside surprises have occurred through dividends, less so through EPS and even less through revenues.

Analysts at Macquarie make the observation general statements and sentiment were noticeably less optimistic than in February, indicating conditions generally are worsening. This observation is backed up by our own statistics: in February the FNArena Monitor registered 33% 'beats' versus 28% 'misses'.

These numbers were by no means among the favourable ones over the past decade, but they do look a lot better than the outcome from August. Twelve months ago, 'beats' and 'misses' almost balanced each other out on 29% and 28% respectively, leaving nearly half of all reports to simply meet forecasts.

Let's Talk Stock Specifics

In terms of individual stocks, **Barrenjoey** has identified both Brambles ((BXB)) and ResMed ((RMD)) as two outperformers in August that are still worth pursuing. Both share prices have proved remarkably resilient, including through the general turmoil that has yet again showed up in early September.

Barrenjoey also still likes Insurance Australia Group ((IAG)) and Medibank Private ((MPL)) among insurers and Qantas Airways ((QAN)) to play the uneven and polarised consumer spending theme. It is considered too early still for re-stocking plays such as BlueScope Steel ((BSL)) and Reliance Worldwide ((RWC)).

Morgans has highlighted BHP Group ((BHP)), ResMed, Flight Centre ((FLT)), NextDC ((NXT)), Reliance Worldwide and The Lottery Corp ((TLC)) as part of its **Best Buy ideas**. The latter selection consists of 30 ideas, also including CSL ((CSL)), GQG Partners ((GQG)), WH Soul Pattinson ((SOL)), Treasury Wine Estates ((TWE)) and Rio Tinto ((RIO)).

The full list of 30 Best Buy ideas will be included in next week's Rudi's View update on Thursday morning.

Macquarie highlights only 5% of stocks beat on EPS and also enjoyed FY25 upgrades, including Block ((SQ2)), JB Hi-Fi, Telstra ((TLS)) and Lynas Rare Earths ((LYC)). A higher share (8%) of small caps combined beats plus upgrades, including Hub24 ((HUB)), Temple & Webster ((TPW)), Regis Healthcare ((REG)), Service Stream ((SSM)), Perseus Mining ((PRU)) and Sandfire Resources ((SFR)).

Model Portfolio managers at Macquarie worry that the impact from slowing economies might outweigh the benefits from central banks cutting interest rates and have thus added Transurban ((TCL)), James Hardie ((JHX)) and Megaport ((MP1)) while removing Computershare ((CPU)), South32 ((S32)) and Whitehaven Coal ((WHC)).

Based on in-house research into similar conditions going back to the 1980s, Macquarie believes there's a good chance Technology and gold will outperform in the months ahead. The portfolio retains an Underweight allocation to the banks.

Depending on what happens with general conditions throughout the months ahead -will they favour cyclicals or not?- further re-rating potential for the Technology sector might be limited, argues Morgan Stanley. With this in mind, backing continued execution is critical, the broker argues. Favourite exposures are WiseTech Global, Xero ((XRO)), Rea Group ((REA)), and Car Group ((CAR)).

The latest update for **Goldman Sachs' APAC Conviction List** shows Australia remains represented through Qantas Airways, Xero, and Lynas Rare Earths. Woodside Energy ((WDS)) remains included in RBC Capital's Global Energy Best Ideas. That same Woodside has been downgraded by Citi to Sell.

Jarden sees opportunity in Harvey Norman ((HVN)) and Accent Group ((AX1)), but also believes the market is too downbeat on travel stocks. Favoured exposures are Webjet ((WEB)), Flight Centre and Helloworld Travel ((HLO)).

One sector that is yet again attraction attention for a possible re-rating are A-REITs. Morgan Stanley notes the sector has woefully underperformed international peers in July and August. Sector analysts at **JP Morgan** are forecasting no more than 1% earnings growth for the sector ex-Goodman Group.

JP Morgan's preferred large cap A-REITs are Scentre Group ((SCG)), GPT Group, Dexus ((DXS)) and Charter Hall ((CHC)).

JP Morgan's Emerging Companies research team puts forward Superloop ((SLC)) as most favoured idea, while ARB Corp ((ARB)) is least-preferred due to concerns about margin pressure.

FNArena's Corporate Results Monitor: https://fnarena.com/index.php/reporting_season/ (with further checks and updates ongoing)

We have also now added a dedicated section to Gen.Ai, the fourth industrial revolution: https://fnarena.com/index.php/tag/gen-ai/

More reading:

https://fnarena.com/index.php/2024/08/28/rudis-view-august-trends-have-darkened/

https://fnarena.com/index.php/2024/08/21/rudis-view-august-paints-a-bifurcated-picture/

https://fnarena.com/index.php/2024/08/14/rudis-view-august-results-early-beginnings/

https://fnarena.com/index.php/2024/08/07/rudis-view-august-results-polarisation-divergence/

https://fnarena.com/index.php/2024/07/31/rudis-view-what-can-august-deliver/

All-Weather Portfolio FY24 Review

The FY24 review for the All-Weather Model Portfolio can be downloaded here:
https://fnarena.com/index.php/download-article/?n=DE2A4552-E2C7-4DC7-0A896CE5CF68ACD8

Prior years:

FY23: https://fnarena.com/index.php/download-article/?n=DFC11150-CB36-C777-1AA3EDA640E2F5BF

FY22: https://fnarena.com/index.php/download-article/?n=DFE7241B-9CD8-61F1-1602C581A8E539C4

FY21: https://fnarena.com/index.php/download-article/?n=DFF82691-E53E-3CF5-17A2337D72CDB54F

Video: Why FNArena & All-Weather Stocks

I've used my participation to the recent InvestmentMarkets conference to explain how/why FNArena started & what investors get out of it, including research in All-Weathers and Gen.Ai

The video: https://bit.ly/3A1pLuz

FNArena Talks

-Pre-results season interview with Ally Selby at LiveWire Markets:
https://livewiremarkets.com/wires/rudi-why-csl-could-be-headed-for-500

-Danielle Ecuyer talks with The Australian's James Kirby on The Money Puzzle podcast:
https://podcasts.apple.com/au/podcast/if-the-market-has-recovered-shouldnt-you-be-bargain-hunting/id1201031401?i=1000664692977

FNARENA VIDEO

Dani and I have put together a video to explain our focus (and enthusiasm as investors) for GenAi, the fourth industrial revolution:

https://fnarena.com/index.php/fnarena-talks/2024/07/15/investing-in-genai-the-fourth-industrial-revolution/

SPECIAL REPORT

Last month, FNArena published a 78 pages Special Report on **GenAi, the fourth industrial revolution** with lots of in-depth insights, forward projections, and useful links to companies for investors in the Australian stock exchange.

This Special Report remains exclusive for paying subscribers. Download your copy via the Special Reports section 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.)

P.S. I - All paying members at FNArena are being reminded they can set an email alert for my Rudi's View stories. Go to My Alerts (top bar of the website) and tick the box in front of 'Rudi's View'. You will receive an email alert every time a new Rudi's View story has been published on the website.

P.S. II - *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.

FNArena Subscription

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

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

SMALL CAPS

Macquarie Technology: Just A Flesh Wound

A supplier price hike is proving a setback for Macquarie Technology's cloud services business, but increasing data centre capacity is where the value lays.

-Macquarie Technology's FY24 result in line
-Cloud services business hit by a price hike
-Data centre construction continues
-Longer-term prospects tied-in with data centres

By Greg Peel

The primary attraction of Macquarie Technology Group ((MAQ)) in 2024 is as a builder and operator of data centres, as is the case with better-known peer NextDC ((NXT)). Macquarie Technology began life as a telecom company, called Macquarie Telecom, and continues to provide telecom services alongside its cloud and data centre services.

This differentiates the company from NextDC, as well as its much smaller land bank for the purpose of data centre construction. It must also be noted Macquarie Technology is in no way related to investment bank Macquarie Group.

Macquarie Technology reported FY24 results in line with expectations, featuring a 5% year on year increase in revenues, a 6% increase in earnings and an 86.5% increase in profit. Earnings grew across all divisions, albeit the Telecom division delivered an uplift in margins which offset weaker growth in the Cloud Services & Government (CS&G) division.

Inflation Bites

As is typically the case, management did not provide specific FY25 guidance, claiming simply to be "confident of earnings growth". Success would make FY25 the eleventh consecutive year of earnings growth for the company, Petra Capital notes. But there is a stumbling block.

The company's CS&G division has been hit with a notably large price hike from a key software vendor. Management highlighted an inability to pass through pricing to government customers in the short term, while higher prices for private sector customers have driven slower decision making.

This revelation has led brokers to downgrade their FY25-26 earnings forecasts.

Management noted, nonetheless, underlying customer demand remains robust, though working through new contract terms and/or transitioning its Platform-as-a-Service supplier could take some time. The medium term outlook for the business remains strong, and Goldman Sachs highlights CS&G delivered underlying earnings growth of 11% in FY24, after normalising for loss of government consulting earnings.

Canaccord Genuity does not wish to play down the significance of earnings downgrades, but insists the "main game" for Macquarie Technology is its IC3 Super West data centre.

The Main Game

Macquarie Technology operates five data centres IC1 (intelligence centre) is in the Sydney CBD, IC2 is at Macquarie Park in Sydney (also no relation), IC3 is also at Macquarie Park (East) and IC4 and IC5 are located in Canberra, specifically to service government clients.

The company is in the process of expanding IC3, building the new IC3 "Super West" centre. Brokers are excited about the intention to increase this centre's capacity from 38MW to 45MW (subject to approvals, which are in progress), which would take the total IC3 capacity to 63MW without increasing the campus footprint.

Phase one of IC3 Super West is expected by management to require -$350m in capex. Completion is expected in the September quarter of 2026. Goldman Sachs expects an additional -$400m in capex will be required beyond FY26 to bring Super West to full capacity.

Construction is underway, though Goldman would not expect a hyperscale customer announcement for another twelve months or so.

Globally, data centre builds continue to become bigger in scale to cater for large capacity contracts. Macquarie Technology is well placed to capture a large deal, Petra Capital suggests, especially considering the prime Macquarie Park location.

Macquarie Technology's balance sheet is solid, Goldman Sachs notes, with net debt only 0.1x earnings, and the company is aiming to finalise an increase in its bank debt facility (which has $190m currently unused) during the first half FY25, with ample liquidity to fund Phase one Super West capex.

On Goldman Sachs' estimates, gearing peaks at 3.9x in FY28, before incorporating any additional land acquisitions, potentially creating the need for further funding requirements in the medium term.

Canaccord Genuity notes combined with the undrawn debt of $190m, Macquarie Technology's FY25 capex intentions are comfortably covered before any consideration of the group's "formidable" free cash generation.

The Value Play

Morgan Stanley believes the build-out of already announced data centre capacity plus new contract and/or capacity wins will be a significant positive for the shares. Macquarie Technology is not a pure-play data centre operator, and nor does it have the same landbank as main peer NextDC, thus it is not growing as fast as NextDC, Morgan Stanley notes.

Yet, this has advantages, the broker suggests. Macquarie Technology's construction pipeline is more measured, and it is not as capital-hungry. Morgan Stanley values its data centre assets at around $50 per share versus the current trading price (last circa $76). The broker highlights the stock's FY25 forecast earnings to enterprise value ratio of 17x, compared to NextDC on some 50x.

Morgan Stanley retains an Overweight rating and a $100 target price.

With the company now having broken ground at IC3 Super West, Wilsons is looking for further insight on funding costs, construction partner(s) and indicative demand for the asset, including the potential for a large customer to "put their foot on capacity" earlier than usual, given the high level of industry demand for hiqh-quality data centre capacity in sought-after locations like Macquarie Park, which is now a prime Sydney-based technology hub.

Wilsons is also keen to hear news on Macquarie Technology securing its next data centre site. This broker also has an Overweight rating and has increased its target by 19% post-result to $97.27.

Given downgraded estimates for CS&G earnings, due to the price-hike dilemma, Canaccord Genuity has cut its target to $116 from $118, maintaining Buy.

More circumspect are Petra Capital and Goldman Sachs.

Petra recognises the positive longer term structural thesis that Macquarie Technology presents, but the slower growth in CS&G causes this broker to pause. Hold retained, with a target cut to $87.81 from $90.37.

Goldman Sachs expects a robust earnings growth outlook driven by the ramp-up of hyperscale cloud deployments and continued growth in managed services, with long-term shareholder value creation underpinned by attractive returns on data centre investments. This broker believes the stock is fairly valued on a sum-of-the-parts basis compared to peers, with high-quality underlying businesses across the IT stack from data centre infrastructure to managed services and cybersecurity.

Goldman is positive on management's strategy and long history of successful execution, but at current valuation levels sees this as priced into the shares. Neutral retained, with a -6% cut in target to $84.90.

Find out why FNArena subscribers like the service so much: "Your Feedback (Thank You)" - Warning this story contains unashamedly positive feedback on the service provided.

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

SMALL CAPS

Is Supply Network A Forever Stock?

Supply Network might be a small cap, but it's latest earnings results exemplify a company which ticks so many of the right boxes for investors.

-Financial metrics hum
-Rinse and repeat earnings
-Growth outlook trucks along
-Quality & growth, at what price?

By Danielle Ecuyer

The numbers don't lie

At first glance it's hard not to feel a warm glow of "quality" radiating from Supply Network ((SNL)).

I am not just talking about the share price which has the bottom left to top right trend in place, and that has held steadfast over the last 12-months, five and twenty years; it is the basic financial metrics of the company that glisten like diamonds in the sky.

Ok, too much hyperbole.

A quick peruse over the historic financials on the FNArena website (thank you, FactSet) reveals a growing trend from 2019 to 2024 for return on capital, invested capital and return on assets to 36.5%, 24.6% and 17.9%, respectively.

Return on equity has risen to 36.5% from 23.8% over the same period.

EPS is up almost four-fold since 2019 as is the dividend per share. What's not to like?

Supply Networks by its own admission is a simple business which focuses on quality.

It sells truck and bus parts across Australia and New Zealand, but in practice, as the annual report is quick to highlight, Supply Network sells a *"range of services including parts interpreting, procurement, supply management and problem solving"*.

The company stresses it operates at the "quality" end of the aftermarket, with reputational risk on a longstanding customer base too high to compromise on the quality of products and services.

Management has decentralised to accommodate regional market demand with in-depth knowledge at the branch level to deal with problems.

The business has scale, which allows for cost management and operational efficiencies.

Is it surprising that broker Taylor Collison puts Supply Network in the basket of **"exceptional businesses run by A-grade management teams are hard to come by"?**

FY24 results set up FY25 for more growth

Recent FY24 results didn't disappoint either. Moelis states the earnings are **"Still Truckin' Along".**

Some might yawn at the predictability of the earnings, revenue up 20%, EBITDA, net profit up 21% and a gross margin of 42.5%, which is unexceptional according to Taylor Collison.

Management guided to FY25 revenue growth around or a little above the company's long-term average of 14% p.a.

Moelis highlights much of assumed FY25 growth is volume generated with minimal inflation as well as a new branch opening in Perth (Wangara) on March 1, 2025. Goldman Sachs views this as a fast-growing industrial precinct of outer-north Perth.

Strategically, Taylor Collison emphasises management remains prudent on the cadence of new branch openings to one every 12-18 months.

Supply Networks invests for growth, with Moelis observing management looks quickly to scale revenues as an offset to the increased costs involved with new openings.

In FY24 branch capacity at Darra (Brisbane) and Adelaide was doubled; more moderate capacity upgrades were initiated in Auckland, Christchurch and Dunedin with small upgrades at three Sydney branches. A doubling of capacity at Truganina (Vic) is on the cards by FY25 end. Combined, these investments are expected to yield an additional $400m p.a. to group revenues.

Management is also assessing two other branches for FY26.

Growth is not only generated organically and via branch openings.

Taylor Collison describes how the company has refined over a 20-40 year period several operational enhancements including improved product procurement across US, Japanese and European product categories; investment in transaction automation; -$100m invested in streamlined inventory procurement and excellent customer service.

While the macro environment is currently not impinging on operations, the Taylor Collison analyst stresses that over two decades this has not always been the case. However, the business model and investments are expected to reap further market share gains with overall annual market growth of 5-10% over the next decade.

Goldman Sachs concurs; the analyst envisages the same market runway from growth in truck freight which historically has exceeded GDP, increasing parts per truck, with hi-tech parts becoming more prevalent. Market share gains are underpinned by expanded site capacity and catalog offerings; the investment in TEMOT also improves access and relationships with global suppliers.

Ord Minnett discusses the longer-term growth outlook. The broker notes aging vehicle fleets, increasing complexity of vehicles (increased part content per vehicle) and rising freight tasks will underpin "strong demand" from commercial vehicle customers.

Valuation can't keep the stock price down

With all this good news, the 99% appreciation in the share price over the last 12-months is justified. Or is it?

Taylor Collison alludes to a re-rating of the company's valuation as accounting for most of the performance, with a modest 7.5% lift in the FY25 EPS forecast over the same period.

The stock is very tightly held. The top five shareholders own 57.8% of free float with the top 20 accounting for 81.9%. In a relatively small cap company, $1.233bn market cap, a lack of liquidity can accentuate price moves to the upside (and downside).

The prospective dividend yield sits at just over 2% (100% franked) with FY25 prospective price-to-earnings multiple around 30-33x depending on which broker's EPS forecast.

On all metrics the stock does not look 'cheap', but Mr Market has been more than happy to pay up for quality, earnings durability and the prospect of ongoing earnings growth.

Daily monitored broker Ord Minnett has a $30.50 target price, up from $26.60 previously and a Buy rating.

Moelis and Goldmans Sachs are also Buy rated with target prices at $30.50.

Taylor Collison can only muster a Hold, with the valuation just a bit too racy. This broker does not offer a target price.

SMALL CAPS

IPD Group's Future Remains Electrifying

IPD Group's FY24 earnings beat management guidance and analysts anticipate upside from organic growth and further M&A activity.

-FY24 earnings for IPD Group exceeded guidance
-Double market growth rates, cash flows surprise
-Conservative FY25 data centre guidance
-Rising EV uptake will benefit, notes Shaw

By Mark Woodruff

Following a beat for earnings against management's guidance at FY24 results, IPD Group ((IPG)) continues to target growth at double the rate of its markets and is hot on the trail of near-term acquisition targets.

Providing one of the most attractive ways to play electrification across multiple end markets, the stock remains a top pick among Bell Potter's Industrials coverage.

Shaw and Partners is similarly upbeat noting the outlook for the group's markets remains buoyant, driven by the transition to renewable energy, increasing demand from data centres and their energy requirements, a growing number of electric vehicle (EV) chargers, and a supportive legislative environment.

Management's track record includes ongoing operating improvements, consistent dividend payments, and multiple guidance upgrades after listing on the ASX in 2022, points out the analyst.

Underlying earnings of $40.1m in FY24 marked a 45% increase on FY23, while cash flow was labeled a major standout, with cash conversion of 88%, up from 51% in FY23.

As a result, the company exited FY24 with core net debt of $8.8m compared to Shaw's $17.8m forecast, which should help fund future organic and acquisition-based growth.

The outlook is already supported by a record order book, notes Bell Potter, following year-on-year organic earnings growth of between 8-10% in FY24.

The group operates in segments with few direct competitors and supplies category leading electrical brands, often on an exclusive basis within Australia, highlights Bell Potter.

Inflation largely acts as a tailwind for such distributors with strong value propositions and efficient cost controls, points out the broker, as these companies typically have pricing power to pass through input costs to customers.

Operating nine distribution centres and servicing over 4,200 customers nationally, IPD Group is an Australian distributor of electrical equipment and industrial digital technologies.

The company supplies products used in buildings, infrastructure and process sectors which help to reduce energy use and/or reliance on the transmission network.

Diverse offerings cater to various sectors including power generation, commercial, hospitality, infrastructure, and sports and leisure facilities.

Growing Data Centres

While Commercial Construction (37%) and Infrastructure still account for 37% and 23% of group revenue, respectively, Shaw and Partners highlights Data Centres now comprise 12% after revenues doubled to around $35m in FY24.

For FY25, Taylor Collison expects data centre industry capex will increase faster than the 25% growth management is guiding for this segment, which appears to be conservatively based upon work already on hand.

Given the group's strong data centre customer relationships, and a history of repeat wins, this broker predicts future contract awards will potentially drive consensus earnings upgrades.

<u>Acquisitions</u>

Management successfully completed acquisitions of EX Engineering in July 2023 and CMI Operations at the end of January this year.

Offsetting weaker commercial markets, data centre and wastewater markets were strong in FY24, highlights Taylor Collison, with core IPD and Ex Engineering growing by double-digits, whilst CMI Operations (five-month benefit) had like-for-like EBIT declines. It's felt issues at CMI are mostly temporary.

Moelis agress and suggests CMI offers a step change in IPD Group's earnings despite the disappointing second half performance. The analysts highlight CMI's complementary product suite and revenue synergies, and predicts CMI will contribute margin expansion to IPD Group's core business.

As a result of recent acquisitions, the group's contribution from electrical manufacturer ABB dropped to 32% from 44%.

IPD Group is the preferred distributor for ABB"s low voltage power distribution and control products in Australia. The company has a master distribution agreement with ABB's Motion business for the supply and sale of ABB HVAC drives in Australia. HVAC refers heating, ventilation, and air conditioning systems.

The FY24 gross margin fell by -114bps to 37.1% due to the impact of acquisitions, though came in 2bps ahead of Shaw's forecast.

The final fully franked dividend of 6.2 cents exceeded the 5.9 cents forecast by Bell Potter.

<u>Opportunities and outlook</u>

Any improvement in macroeconomic conditions, along with a rising EV uptake would provide positive impetus for IPD Group, suggests Shaw.

Bell Potter forecasts significant near-term growth prospects from data centres, EV charging, and via distribution of Elsteel's Techno Modular switchboard systems.

This broker notes the group recently secured certain product categories with ABB, which has market share in Australia of 5-10%.

This level pales in comparison to the 20-30% market share in Europe due to the customer service deficiencies of IPD Group's predecessor, thereby presenting management with a large turnaround opportunity, in the analyst's view.

Further, the Addelec-Gemtek EV charging business is set to scale materially in FY25 as key projects ramp.

In Taylor Collison's view, sources of potential upside in FY25 are better-than-expected data centre sales and any earnings-accretive M&A activity.

Even after a strong post-result share price rally, this broker still believes investors can make money should double-digit EPS growth continue.

The Board will provide an update on the first quarter trading performance at the AGM on November 26.

Following FY24 results, the average target of daily monitored brokers -Buy-rated Shaw and Partners and Bell Potter- increased to $5.90 from $5.50, suggesting more than 15.50% upside ex-dividends.

Outside of daily monitoring, Taylor Collison and Moelis have ratings of Speculative Buy and Buy, respectively, and an average target of $5.78.

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 30-08-24

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 August 26 to Friday August 30, 2024
Total Upgrades: 14
Total Downgrades: 21
Net Ratings Breakdown: Buy 59.00%; Hold 32.82%; Sell 8.17%

The week ending Friday August 30, 2024, was one of the busiest of the August reporting season with FNArena recording fourteen ratings upgrades and twenty-one downgrades for ASX-listed companies by brokers monitored daily.

Overall, positive percentage changes to average earnings forecasts materially outpaced negative changes while falls for average target prices outweighed positive changes, as may be seen in the tables below.

Leading the falls in target prices, Tabcorp Holdings also received ratings downgrades to Hold (or equivalent) from Buy from three separate brokers.

The company's FY24 result proved disappointing as earnings fell -3% short of the consensus forecast, and FY25 guidance was abandoned with management referring to materially higher-than-expected operating costs.

Tabcorp also announced an additional -$645m write-down of its wagering assets, taking total impairment charges for the year to -$1.4bn.

Macquarie suggested Tabcorp is in a tough spot with wagering volumes experiencing ongoing regulatory impacts, against a ballooning cost base.

Management had initially aimed to reduce group opex to between -$587-597m in FY24 and -$640-660m in FY25. Instead, FY24 opex came in at -$614m and guidance is for around -$700m for FY25.

The only real positive from the result, according to Ord Minnett, was better-than-expected second half revenues where cash wagering rose by 5% and online wagering outperformed the broader market.

The only companies to experience greater falls in average earnings forecasts than Tabcorp last week were lithium sector names IGO Ltd, Mineral Resources (also iron ore exposure) and Pilbara Minerals.

Inghams Group followed Tabcorp on the earnings downgrade list after FY24 results and FY25 guidance missed market forecasts.

In a threat to Ingham's cozy duopoly with Baida Poultry in Australia (a combined market share between 70-75%), industry dynamics are changing, highlighted by Woolworth Group's decision to progressively diversify its supplier base away from Inghams.

Greater detail on FY24 results and the outlook for Inghams Group are provided at https://fnarena.com/index.php/2024/08/29/inghams-group-cracks-appear-in-poultry-duopoly/

Fortescue's FY24 underlying profit also missed consensus forecasts due to higher-than-expected interest expenses and D&A charges, but both Bell Potter and Ord Minnett upgraded their respective ratings after a -14% share price fall since June 30.

After upgrading to Hold from Sell, Bell Potter reminded investors overall risks remain to the downside for earnings and dividends despite short-term positives around iron ore pricing seasonality and stimulus measures in China.

The final dividend of 89 cents beat the consensus forecast and was a highlight of the result, in this broker's view. The full year payout totaled $1.97 per share.

While Fortescue reiterated FY25 guidance across production, shipments and costs, Ord Minnett highlighted additional capital expenditure of -US$4bn over FY26-FY28 on green ammonia projects, comprising -US$3bn on the Pecem development in Brazil and -US$1bn on the Holmaneset project in Norway.

On the flipside, average earnings forecasts increased for Sandfire Resources, Paladin Energy and Zip Co though FY24 results for all three were largely in line and each benefited as FY24 forecasts rolled off broker financial models to be replaced by better outlooks for FY25 and beyond.

For Sandfire, Morgans noted free cash generation is on the improve, partly reflecting a reduction in growth capex post completion of Motheo, but (modest) dividends still look 12 months away.

The analyst likes the current trajectory including material de-gearing, the eventual dividend resumption, and steady progress to optimise/unlock value in defined and yet-to-be-discovered resources close to the Matsa and Motheo process infrastructure.

Management has scaled up its FY25 exploration budget to -US$40m, versus -US$24m in FY24, as it pursues significant mineral inventory growth across the portfolio.

Ord Minnett agrees with Morgans on significant exploration upside and attributes $2.85 per share for the exploration component of its sum-of-the-parts valuation.

Paladin Energy is Shaw and Partners' preferred ASX uranium sector exposure. From FY24 results, the analysts noted production from Langer Heinrich is ramping up well and in line with management's guidance.

The comeback story continues for Zip Co largely based on the outlook in the US, where management is anticipating total transaction value growth of more than 30% in FY25.

Remaining positive on the medium-term growth outlook, UBS also noted potential longer-term capital-light expansion into new adjacencies in Australia such as Home Loans, Insurance, and white labelling.

Zip Co heads up the positive change to target price table below followed by newly listed Guzman y Gomez after an FY24 beat, Bega Cheese (in line) and a beat by PolyNovo.

At the head of the earnings downgrade table is Tabcorp followed by Kelsian Group, Johns Lyng, and Helloworld Travel after respective FY24 result misses.

For a summary of earnings beats and misses as they relate to the tables below and for other companies that reported last week, please refer to https://fnarena.com/index.php/reporting_season/ which also has FNArena's calendar of upcoming results.

Total Buy ratings in the database comprise 59.00% of the total, versus 32.82% on Neutral/Hold, while Sell ratings account for the remaining 8.17%.

Upgrade

ACCENT GROUP LIMITED ((AX1)) Upgrade to Buy from Neutral by UBS .B/H/S: 6/0/0

According to UBS, Accent Group reported FY24 earnings before tax and interest which met expectations.

In the first seven weeks of FY25, the company recorded like-for-like sales of 3.5%, slightly below the analyst's estimates, including weakness to peers such as Unversal Store ((UNI)) and slowing sales versus the previous 34-52 weeks of 5.9%.

Higher year-on-year comps also make it more challenging, the broker notes.

FY25 outlook is mixed because of store closures, loss-making Glue and sale of 14 Trybe stores.

UBS revises EPS forecasts by -6.9% for FY25 and -2.8% for FY26, as lower retail revenue and gross margins impact.

The stock is upgraded to Buy from Neutral, due to valuation de-rating. Target price $2.20.

CITY CHIC COLLECTIVE LIMITED ((CCX)) Upgrade to Buy from Neutral by Citi .B/H/S: 1/2/0

Following FY24 results, and arguably conservative earnings estimates by management, Citi raises its target for City Chic Collective to 25c from 16c (yesterday's share price rallied by circa 60% to 17c). The rating is upgraded to Buy from Neutral.

For FY25, management guided to between $142-160m in revenue and $11-18m in EBITDA (post-AASB 16), which compares to the broker's respective $145m and $12.2m forecasts.

The turnaround is progressing well, according to Citi, with a repositioning to focus on the core A&NZ region and relevant demographic.

CLINUVEL PHARMACEUTICALS LIMITED ((CUV)) Upgrade to Add from Hold by Morgans .B/H/S: 3/0/0

Following the recent progress update by Clinuvel Pharmaceuticals on the Phase 3 Vitiligo study highlighting challenges in patient retention and recruitment, and associated share price weakness, Morgans upgrades to Add from Hold.

The broker still considers the underlying erythropoietic protoporphyria (EPP) business as a cash cow with years of growth ahead. However, the analyst explains the ratings upgrade should be seen as only a short-term trade until several issues are addressed by management.

These issues include an ongoing lack of segmental disclosures and recent management and board turnover which have further exacerbated strategic direction concerns, notes Morgans.

The $16.00 target is unchanged.

FORTESCUE LIMITED ((FMG)) Upgrade to Accumulate from Hold by Ord Minnett and Upgrade to Hold from Sell by Bell Potter .B/H/S: 2/2/3

Fortescue's FY24 underlying profit missed consensus forecasts due to higher than expected interest expenses and D&A charges, although a final dividend of 89c was above Ord Minnett's expectations.

Management reiterated previous FY25 guidance across production, shipments and costs, but also flagged additional capital expenditure on green ammonia projects.

Ord Minnett expects FY25 underlying profit to fall as expenses increase and the iron ore price declines. In addition, net debt will probably rise as Fortescue funds additional capital expenditure and maintains its dividend payout ratio at 70%.

Upgrade to Accumulate from Hold post the share price sell-off. Target unchanged at $20.

Fortescue delivered a FY24 result that was largely "in line", Bell Potter asserts. Profit growth was driven by higher iron ore prices rather than production or costs with EBITDA margins remaining at 59%.

With a subdued iron ore price outlook and interest-rate differentials pointing to a stronger Australian dollar the broker believes pressure will build on margins. Capital expenditure on energy projects may also weigh on free cash flow.

As the stock has pulled back to a level more consistent with the broker's valuation, the rating is upgraded to Hold from Sell. Target is raised to $17.58 from $17.41.

IDP EDUCATION LIMITED ((IEL)) Upgrade to Add from Hold by Morgans .B/H/S: 3/3/0

IDP Education reported FY24 underlying profit down -1% year on year but the second half reflected the impact of policy changes, with profit down -34%. IELTS volumes were down -28% and while placements were flat, new policy was yet to impact, Morgans notes.

Management expects new international student admissions to be down -20-25% in FY25 but hopes to outperform this via meaningful market share gains. Morgans sees earnings falling -12%, with some benefits from pricing, market share gains and solid cost control.

The broker has been looking for more certainty in the near term earnings base' during this period of ongoing policy changes. There is clearly still some downside risk, but Morgans feels like the majority of the reset is captured.

Riding out near-term volatility maybe required, however the broker believes IDP Education can return to delivering sustained growth from FY26. Upgrade to Add from Hold, target rises to $18.20 from $17.40.

IGO LIMITED ((IGO)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 2/2/2

Further to the FY24 result Macquarie upgrades IGO to Outperform from Neutral, encouraged by the better-than-expected payout although acknowledges this does not of itself create value.

The broker points out instead the business is a "productivity-driven yield vehicle", generating cash from it is tier-1 asset.

The focus appears to be on Greenbushes optimisation and free cash flow yield and the broker looks forward to the strategy briefing that should be a further positive catalyst. Target is raised 9% to $6.10.

LIBERTY FINANCIAL GROUP LIMITED ((LFG)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 2/0/0

Macquarie believes the majority of the margin headwinds for Liberty Financial are in the rearview mirror and lower funding spread should support margins in the second half of FY25 onwards.

With margin stability and the book returning to growth there are signs for cautious optimism, the broker adds, upgrading to Outperform from Neutral.

In FY24 overall book growth was 8%. Competitive trends appeared stable, and with potential rate cuts, Macquarie envisages upside risks. Target is unchanged at $4.10 and EPS for FY25 is upgraded by 6% and FY26 by 3%.

MATRIX COMPOSITES & ENGINEERING LIMITED ((MCE)) Upgrade to Speculative Buy from Hold by Bell Potter .B/H/S: 1/0/0

FY24 revenue from Matrix Composites & Engineering was in line with guidance and Bell Potter's forecast and was heavily skewed to the second half. Subsea revenue was $73.9m, up 103%. Corrosion technology sales were $6.4m and down -32%.

Bell Potter upgrades the outlook for both subsea and advanced materials along with higher gross profit margin assumptions for FY25-26.

The business is exposed to a capital expenditure cycle that is ramping up across the global offshore energy sector. Rating is upgraded to Speculative Buy from Hold and the target lifted to $0.44 from $0.42.

NAVIGATOR GLOBAL INVESTMENTS LIMITED ((NGI)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 2/0/0

Macquarie upgrades Navigator Global Investments to Outperform from Neutral following recent share price weakness and the release of FY24 results. The target slips to $2.02 from $2.22.

Adjusted earnings (EBITDA) of US$90.5m for FY24 came in slightly above the top end of guidance range driven by aggregate asset under management (AUM) growth of 3% to US$75bn, explains the broker.

Revenue growth was partly offset by a -14% worsening of operating expenses primarily driven by senior executive compensation, notes the analyst, along with additional office space costs and increased third-party distribution costs.

OBJECTIVE CORPORATION LIMITED ((OCL)) Upgrade to Buy from Neutral by UBS .B/H/S: 2/1/1

Objective Corp delivered a solid set of FY24 numbers, UBS suggests, with cash earnings growing by 13%. The highlight was once again the incremental margins generated on SaaS revenue.

The share price has traded broadly sideways over the past three years, which has seen the stock's trading multiple de-rate significantly. UBS thinks this now presents an attractive opportunity to purchase a high quality ASX Software company.

Objective Corp offers a compound earnings growth rate of 20% and meets the broker's requirements for a 10% Internal Rate of Return.

Upgrade to Buy from Neutral. Target rises to $15.00 from $14.00.

See also OCL downgrade.

POLYNOVO LIMITED ((PNV)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 3/0/1

As was expected by Bell Potter, PolyNovo made a maiden profit in FY24 of $5.2m, which included a $3.5m tax benefit. Earnings of $3m missed the consensus forecast for $6.4m.

Revenue for the period jumped by 54% driven by expanded market share in the US, explains the broker, aided by the ongoing absence of the key competitor, Integra, in the market for dermal matrix products.

Bell Potter raises its target for PolyNovo to $3.00 from $2.52 and the rating is upgraded to Buy from Hold.

QANTAS AIRWAYS LIMITED ((QAN)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 5/1/0

As expected, Qantas Airways did not announce a dividend at FY24 results with earnings broadly meeting consensus and Ord Minnett's forecasts.

The broker believes the key earnings driver for the carrier is the domestic business. Management guided to 2% growth in this division for FY25 and 3% growth in revenue per available seat.

Management's outlook boosts the appeal of the company to Ord Minnett with much of the post recovery "messy" environment now showing better clarity.

The analyst also likes the circa $950m capital return expected over the next three years. EPS forecasts are lifted by 10% and 12% for FY25/FY26, respectively.

Target price moves to $8 from $6.90. Rating upgraded to Buy from Accumulate.

SMARTGROUP CORPORATION LIMITED ((SIQ)) Upgrade to Add from Hold by Morgans .B/H/S: 5/1/0

Following Smartgroup Corp's in-line 1H results, Morgans upgrades its rating to Add from Hold following recent share price weakness and potential near-term earnings upside. The broker also notes the possibility of further special dividends.

During the 1H, the analysts highlight solid revenue growth and lease demand with new vehicle lease orders rising by 11% on the previous corresponding period.

Management noted demand has remained "robust" and that July settlements and orders are above the previous corresponding period.

The target falls to $8.65 from $9.70.

<u>Downgrade</u>

BENDIGO & ADELAIDE BANK LIMITED ((BEN)) Downgrade to Equal-weight from Overweight by Morgan Stanley .B/H/S: 0/1/3

Morgan Stanley found the results from Bendigo & Adelaide Bank mixed as, while liking the franchise momentum and the strategy to improve returns, commentary highlighted higher investment expenditure and costs growth.

The broker remains optimistic about margins, noting the CFO expects reported margins to be more stable in FY25. No buyback was announced and Morgan Stanley still assumes a buyback in 2025-26.

Further share price outperformance is considered limited and the rating is downgraded to Equal-weight from Overweight. Target is reduced to $11.90 from $12.20. Industry View: In-Line.

COLES GROUP LIMITED ((COL)) Downgrade to Hold from Add by Morgans .B/H/S: 3/3/0

Coles Group's FY24 result was ahead of Morgans' expectations with the performance of Supermarkets a key highlight. Group margins rose, although liquor was weaker than expected in a challenging market.

Management noted Supermarkets sales for the first eight weeks of FY25 grew 3.7% with positive volume growth and increasing momentum as the quarter progressed.

Morgans expects the core Supermarkets division (94% of earnings) to continue to be supported by further improvement in product
availability, reduction in total loss, greater in-home consumption due to cost of living pressures, and population growth.

Benefits from recent supply chain investments should also start flowing through in FY25.

Downgrade to Hold from Add on a full valuation, target rises to $19.20 from $18.95.

ENDEAVOUR GROUP LIMITED ((EDV)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 2/4/0

FY24 net profit from Endeavour Group matched Ord Minnett's expectations. The trading update for the first weeks of FY25 signal to the broker there is some weakness, although tough comparables are being cycled.

The liquor market is being challenged longer term, Ord Minnett points out, amid falling volumes as consumers tighten their belts and attitudes to alcohol consumption change.

Without growth in the market, the broker struggles to envisage how elevated multiples can be justified and downgrades to Hold from Accumulate. Target is reduced to $5.10 from $5.40.

GUZMAN Y GOMEZ LIMITED ((GYG)) Downgrade to Hold from Add by Morgans .B/H/S: 1/2/0

Guzman y Gomez' maiden result as a listed company was strong as Morgans was expecting and ahead of prospectus forecasts, driven by higher than expected comparable sales.

The company has had a robust start to FY25, with its sales growth for the first seven weeks ahead of guidance for FY25. The broker notes the comparables Guzman y Gomez has to cycle also get easier from here.

Morgans believes the company can continue to perform well through FY25 with possible index inclusions, sell-downs to increase liquidity, strong quarterly sales updates and an inevitable earnings upgrade.

The broker downgrades to Hold from Add due to share price appreciation. Target lifts to $37.70 from $30.80.

HELLOWORLD TRAVEL LIMITED ((HLO)) Downgrade to Hold from Add by Morgans .B/H/S: 2/1/0

Helloworld Travel posted a solid June Q which saw it deliver just under the mid-point of FY24 guidance.

The highlights for Morgans were acquisitions exceeding their investment cases, earnings margin, materially stronger than expected cash flow and a strong net cash position.

Nevertheless, when the acquisitions are backed out, the base business went backwards in 2H24 versus 1H24 and 2H23, the broker notes. Outlook comments were limited and no guidance was provided.

Given the uncertain near-term outlook and reflecting weaker 2H24 trends, Morgans downgrades to Hold from Add until there is a clearer picture on the outlook.

Target falls to $2.30 from $3.33.

INGHAMS GROUP LIMITED ((ING)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 2/2/0

Bell Potter highlights Inghams Group FY24 net profit came in under forecast, due to weakness in the Australian business, with pressure on volumes despite earnings per kg rising to the highest level since 2019.

The broker points to the loss of volume from the company's largest client as the Woolworths Group ((WOW)) contract re-aligns for FY25. Volume guidance is for 1%-3% growth year-on-year.

Eearnings forecasts decline by -16% for FY25 and -15% for FY26 on reduced volumes and pricing.

The stock is downgraded to Hold from Buy. Target price falls to $3.30 from $4.35.

JOHNS LYNG GROUP LIMITED ((JLG)) Downgrade to Neutral from Buy by Citi .B/H/S: 3/2/0

Citi found a lot that was surprising in the FY24 results from Johns Lyng, noting 40-50% of guided BAU revenue needs to be secured. If growth momentum slows as it did in the second half of FY24, then the broker assesses downside risk prevails.

The question is, in Citi's view, whether the Australian market is now at a stage where high single-digit or double-digit revenue growth is at risk without acquisitions.

The broker suggests the market is likely to remain sceptical and amid these concerns downgrades to Neutral from Buy.

Target is lowered to $4.55 from $7.85 because of lower forecasts and valuation multiples.

LOVISA HOLDINGS LIMITED ((LOV)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 2/4/0

Lovisa Holdings missed new store growth expectations in the FY24 result and Bell Potter noted softer-than-expected comparables in the second half. On the positive side, gross margins and the final dividend were stronger than expected.

The broker downgrades new store assumptions, anticipating 102 openings in FY25. Mid-longer term net store openings are also rebased which allows for an increase of 9% in the network in FY25-34.

Bell Potter considers the current valuation has priced in topline growth and downgrades the rating to Hold from Buy. Target is reduced to $33 from $36.

LYNAS RARE EARTHS LIMITED ((LYC)) Downgrade to Neutral from Buy by UBS .B/H/S: 3/1/2

Lynas Rare Earths announced better than forecast net profit for FY24 on improved costs, UBS highlights with cost of goods sold some -12% below estimates.

FY25 capex at -$400-$500m is greater than anticipated and above consensus. The majority of the investment is in Mt Weld at some -$300m.

Management does not offer production guidance. UBS does note a recent improvement in the China NdPr price but remains conservative on any recovery in rare earths pricing.

EPS forecasts are adjusted by 18.4% and 38.3% for FY25/FY26, respectively.

UBS downgrades the stock to Neutral from Buy due to the share price performance. Target price rises to $7.30 from $6.50.

NIB HOLDINGS LIMITED ((NHF)) Downgrade to Neutral from Buy by Citi .B/H/S: 3/3/0

nib Holdings reported a "disappointing" FY24 result according to Citi.

Claims inflation at 6.6% per person seems high and above industry levels, the broker highlights; international inbound insurance is expected to slow with potential for student caps and uncertainty around a new CEO lingers.

Citi revises EPS forecasts by -12% for FY25 and -3% in FY26. The stock is downgraded to Neutral from Buy. Target price cut to $6.55 from $8.60.

The broker believes investors will require more evidence of claims inflation abating.

OBJECTIVE CORPORATION LIMITED ((OCL)) Downgrade to Hold from Add by Morgans .B/H/S: 2/1/1

While Objective Corp's FY24 result was broadly in line with forecasts by Morgans and consensus, annual recurring revenue (ARR) growth of 11% missed the 12.7% expected by the broker.

Management reiterated the 15% net ARR growth target for FY25, yet the broker prefers to stay conservative with a 13.3% forecast due to the risk of slippage for future deals.

The $14 target is unchanged, but the broker's rating is downgraded to Hold from Add on valuation.

See also OCL upgrade.

PSC INSURANCE GROUP LIMITED ((PSI)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 2/3/0

Bell Potter observes strong growth, both organic and inorganic from PSC Insurance at the FY24 results.

EPS came in slightly higher than the broker's forecast.

Target price moves to $6.19 from $6.02 as the company moves towards the agreed merger/takeover by The Ardonagh Group.

Rating moved to Hold from Buy with the deal completion expected in September. No final dividend was declared.

RAMELIUS RESOURCES LIMITED ((RMS)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 2/1/0

FY24 results from Ramelius Resources were better than Macquarie expected. There was no change to FY25 guidance with production still forecast at 270-300,000 ounces at an AISC of $1500-1700/oz. The final dividend of five cents was more than double what the broker expected.

Given recent share price strength the rating is downgraded to Neutral from Outperform and Macquarie remains cautious about Rebecca prefeasibility, due the second quarter of FY25. Target edges up to $2.20 from $2.10.

TABCORP HOLDINGS LIMITED ((TAH)) Downgrade to Hold from Add by Morgans and Downgrade to Hold from Accumulate by Ord Minnett and Downgrade to Neutral from Outperform by Macquarie.B/H/S: 1/4/0

Tabcorp Holdings' FY24 result was "one to forget," says Morgans. While the company's top-line slightly exceeded estimates, it was overshadowed by a cost blowout and abandonment of TAB25 strategic targets.

The company reported a statutory net loss mainly due to impairments. While no quantitative trading update was provided, Tabcorp acknowledged that conditions remain challenging.

Tabcorp might face downward pressure if there is a significant change in its strategy or trading conditions disappoint, the broker warns. Conversely, if management suggest that the worst is behind, the stock could experience a strong rally.

Target falls to 50c from 80c, downgrade to Hold from Add.

Ord Minnett lowers its target for Tabcorp Holdings to 57c from 78c and downgrades to Hold from Accumulate after management at FY24 results warned soft June quarter trading conditions would persist into early-FY25.

The FY24 profit and dividend materially missed consensus forecasts, and the broker lowers its EPS forecasts across FY25-27 by -41%, -38%, and -33%, respectively.

Management also announced an additional -$645m write down of wagering assets, taking total impairment charges for the year to $1.4bn.

Tabcorp Holdings' FY24 result missed consensus' and Macquarie's forecasts due to sharply rising costs and lower wagering revenues.

Management surrendered FY25 guidance and the broker downgrades FY25 earnings (EBITDA) forecasts -15%.

EPS forecasts fall -69% in FY25; -59% in FY26; and -59% in FY27.

The broker now awaits changes from the new CEO, particularly regarding the cost base and wagering.

Rating downgraded to Neutral from Outperform. Target price is halved to 50c from $1.

TELIX PHARMACEUTICALS LIMITED ((TLX)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 1/1/0

Telix Pharmaceuticals reported 1H24 results including revenue, up 65% which was pre-released.

Gross margins moved to 66% from 63% with pricing forecast to remain stable, Bell Potter notes.

EBITDA came in below market consensus, but adding back NASDAQ listing costs, it met the broker's expectations.

The stock is downgraded to Hold from Buy because of the share price appreciation. Target unchanged at $21.30.

VULCAN STEEL LIMITED ((VSL)) Downgrade to Hold from Add by Morgans .B/H/S: 0/2/0

Vulcan Steel's underlying profit was down -58% year on year but 5% above Morgans' expectations. Management anticipates weak operating conditions to likely persist into 2025.

With much riding on the economic stimulus of lower interest rates, the outlook for an earnings reversion looks more distant, the broker suggests. This has seen Morgans temper earnings forecasts, pushing any recovery into FY26 and moderating terminal valuation.

The scale of the downturn and the uncertain outlook for steel prices leaves the broker guessing valuation assumptions.

Given this, Morgans downgrades to Hold from Add and cuts its target to $6.70 from $8.60, preferring to wait for some evidence of improving economic conditions.

WOODSIDE ENERGY GROUP LIMITED ((WDS)) Downgrade to Equal-weight from Overweight by Morgan Stanley .B/H/S: 2/4/0

First half EBITDA was ahead of Morgan Stanley's estimates accounting for the gain on sale of Scarborough and lower trading costs.

Woodside Energy is making good progress on its traditional oil and gas projects but with less flexibility for capital management and decarbonisation activities remain "comprehensive and feasible", in the broker's opinion.

Risk/reward inflection and a drag on free cash flow create short-term uncertainty and the broker downgrades to Equal-weight from Overweight.

Target is lowered to $30 from $32. Industry view: Attractive.

WESFARMERS LIMITED ((WES)) Downgrade to Sell from Neutral by UBS .B/H/S: 0/2/4

After yesterday's initial research note (see summary below), UBS today downgrades its rating for Wesfarmers to Sell from Neutral. It's felt earnings multiples are inflated premiums relative to growth prospects. The $66 target is unchanged.

At first glance, Wesfarmers's FY24 result appears to be a touch softer than expected and management's FY25 trading update revealed a slight miss in retail trading for the start of the year.

Kmart's contribution was broadly in line and Bunnings earnings disappointed as residential construction growth slowed. Officeworks marginally outpaced.

FY24 earnings (EBIT) met consensus but fell shy of the broker.

WOOLWORTHS GROUP LIMITED ((WOW)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 2/4/0

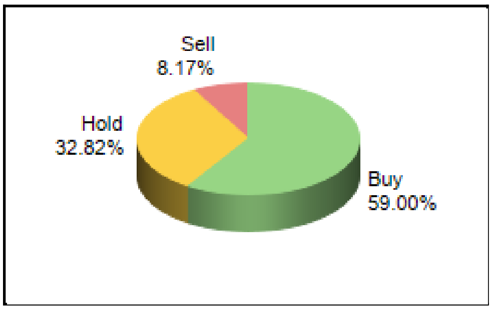
Woolworths Group's FY24 net profit of $1.7bn fell slightly short of the consensus forecast due to weaker-than-expected outcomes from Big W and New Zealand supermarkets, explains Ord Minnett.

On the other hand, the broker notes signs of improvement in the key Australian Food business, and a special dividend of 40 cents was declared. The FY24 total dividend of $1.44 was a 28% beat against consensus, highlights the analyst.

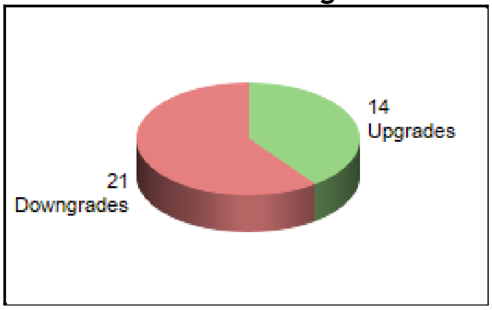
Less positively, a rising capex outlook demonstrates earnings growth is hard to come by, in Ord Minnett's view, with
Woolworths needing increased levels of investment just to maintain its position.

The broker's in-house research now has a -$3.00 lower target of $35 and the rating is downgraded to Hold from Accumulate.

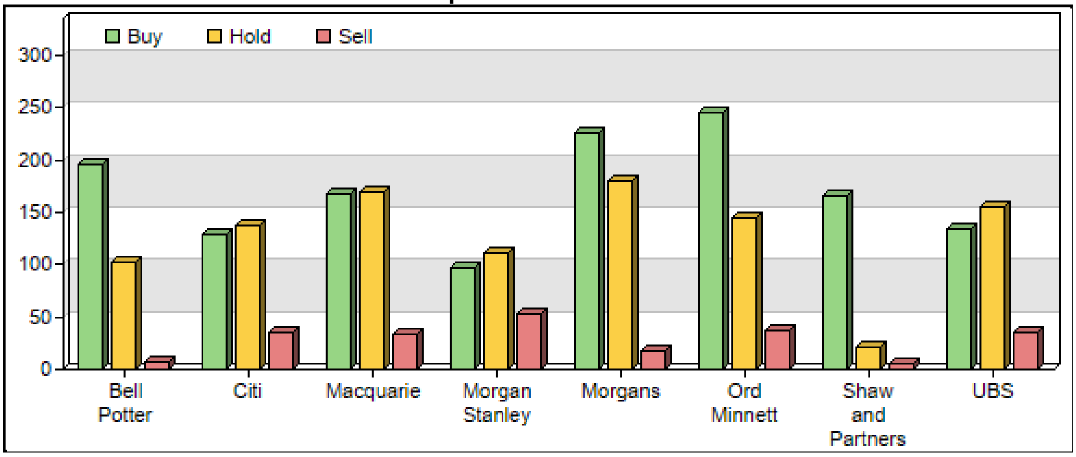
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ACCENT GROUP LIMITED	Buy	Neutral	UBS
2	CITY CHIC COLLECTIVE LIMITED	Buy	Neutral	Citi
3	CLINUVEL PHARMACEUTICALS LIMITED	Buy	Neutral	Morgans
4	FORTESCUE LIMITED	Buy	Neutral	Ord Minnett
5	FORTESCUE LIMITED	Neutral	Sell	Bell Potter
6	IDP EDUCATION LIMITED	Buy	Neutral	Morgans

7	IGO LIMITED	Buy	Neutral	Macquarie
8	LIBERTY FINANCIAL GROUP LIMITED	Buy	Neutral	Macquarie
9	MATRIX COMPOSITES & ENGINEERING LIMITED	Buy	Neutral	Bell Potter
10	NAVIGATOR GLOBAL INVESTMENTS LIMITED	Buy	Neutral	Macquarie
11	OBJECTIVE CORPORATION LIMITED	Buy	Neutral	UBS
12	POLYNOVO LIMITED	Buy	Neutral	Bell Potter
13	QANTAS AIRWAYS LIMITED	Buy	Neutral	Ord Minnett
14	SMARTGROUP CORPORATION LIMITED	Buy	Neutral	Morgans
Downgrade				
15	BENDIGO & ADELAIDE BANK LIMITED	Neutral	Buy	Morgan Stanley
16	COLES GROUP LIMITED	Neutral	Buy	Morgans
17	ENDEAVOUR GROUP LIMITED	Neutral	Buy	Ord Minnett
18	GUZMAN Y GOMEZ LIMITED	Neutral	Buy	Morgans
19	HELLOWORLD TRAVEL LIMITED	Neutral	Buy	Morgans
20	INGHAMS GROUP LIMITED	Neutral	Buy	Bell Potter
21	JOHNS LYNG GROUP LIMITED	Neutral	Buy	Citi
22	LOVISA HOLDINGS LIMITED	Neutral	Buy	Bell Potter
23	LYNAS RARE EARTHS LIMITED	Neutral	Buy	UBS
24	NIB HOLDINGS LIMITED	Neutral	Buy	Citi
25	OBJECTIVE CORPORATION LIMITED	Neutral	Buy	Morgans
26	PSC INSURANCE GROUP LIMITED	Neutral	Buy	Bell Potter
27	RAMELIUS RESOURCES LIMITED	Neutral	Buy	Macquarie
28	TABCORP HOLDINGS LIMITED	Neutral	Buy	Ord Minnett
29	TABCORP HOLDINGS LIMITED	Neutral	Buy	Morgans
30	TABCORP HOLDINGS LIMITED	Neutral	Buy	Macquarie
31	TELIX PHARMACEUTICALS LIMITED	Neutral	Buy	Bell Potter
32	VULCAN STEEL LIMITED	Neutral	Buy	Morgans
33	WESFARMERS LIMITED	Sell	Neutral	UBS
34	WOODSIDE ENERGY GROUP LIMITED	Neutral	Buy	Morgan Stanley
35	WOOLWORTHS GROUP LIMITED	Neutral	Sell	Ord Minnett

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	ZIP	ZIP CO LIMITED	2.267	1.917	18.26%	3
2	GYG	GUZMAN Y GOMEZ LIMITED	35.733	31.200	14.53%	3
3	BGA	BEGA CHEESE LIMITED	4.965	4.475	10.95%	4
4	PNV	POLYNOVO LIMITED	2.425	2.193	10.58%	4
5	UNI	UNIVERSAL STORE HOLDINGS LIMITED	7.700	7.020	9.69%	6
6	QAN	QANTAS AIRWAYS LIMITED	7.442	6.792	9.57%	6
7	ACL	AUSTRALIAN CLINICAL LABS LIMITED	3.300	3.033	8.80%	3
8	COL	COLES GROUP LIMITED	19.867	18.325	8.41%	6
9	OCL	OBJECTIVE CORPORATION LIMITED	12.225	11.300	8.19%	4
10	WOW	WOOLWORTHS GROUP LIMITED	37.075	34.417	7.72%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	TAH	TABCORP HOLDINGS LIMITED	0.550	0.960	-42.71%	5
2	KLS	KELSIAN GROUP LIMITED	5.100	7.333	-30.45%	3
3	JLG	JOHNS LYNG GROUP LIMITED	5.230	7.210	-27.46%	5
4	HLO	HELLOWORLD TRAVEL LIMITED	2.817	3.720	-24.27%	3
5	A1N	ARN MEDIA LIMITED	0.490	0.640	-23.44%	3
6	ING	INGHAMS GROUP LIMITED	3.453	4.225	-18.27%	4
7	ASG	AUTOSPORTS GROUP LIMITED	2.633	2.983	-11.73%	3
8	NHF	NIB HOLDINGS LIMITED	7.210	8.127	-11.28%	6
9	MIN	MINERAL RESOURCES LIMITED	60.000	67.143	-10.64%	7
10	ATG	ARTICORE GROUP LIMITED	0.470	0.520	-9.62%	3

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	SFR	SANDFIRE RESOURCES LIMITED	51.190	-5.883	970.13%	6
2	PDN	PALADIN ENERGY LIMITED	58.230	-12.710	558.14%	4
3	ZIP	ZIP CO LIMITED	2.767	-0.667	514.84%	3
4	GMD	GENESIS MINERALS LIMITED	13.625	4.075	234.36%	4
5	LYC	LYNAS RARE EARTHS LIMITED	19.260	6.633	190.37%	6
6	CBO	COBRAM ESTATE OLIVES LIMITED	12.450	4.563	172.85%	3
7	ABY	ADORE BEAUTY GROUP LIMITED	4.900	1.833	167.32%	3
8	S32	SOUTH32 LIMITED	32.770	12.527	161.59%	6
9	C79	CHRYSOS CORP. LIMITED	1.000	-2.167	146.15%	3
10	COE	COOPER ENERGY LIMITED	0.767	0.333	130.33%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	IGO	IGO LIMITED	14.220	63.420	-77.58%	6
2	MIN	MINERAL RESOURCES LIMITED	18.267	62.467	-70.76%	7
3	PLS	PILBARA MINERALS LIMITED	4.417	11.300	-60.91%	6
4	TAH	TABCORP HOLDINGS LIMITED	1.325	2.680	-50.56%	5
5	ING	INGHAMS GROUP LIMITED	18.925	30.900	-38.75%	4
6	FMG	FORTESCUE LIMITED	186.248	280.340	-33.56%	7
7	CAJ	CAPITOL HEALTH LIMITED	31.900	47.150	-32.34%	3
8	A1N	ARN MEDIA LIMITED	6.500	8.680	-25.12%	3
9	TPG	TPG TELECOM LIMITED	12.980	17.225	-24.64%	5
10	ATG	ARTICORE GROUP LIMITED	-2.010	-1.667	-20.58%	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.

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WEEKLY REPORTS

Uranium Week: Why Aren't Share Prices Moving?

Brokers and industry consultant TradeTech question the growing disconnect between the U308 spot price and uranium market demand/supply dynamics.

-Activity pops in the last week of August
-U308 spot price remains under pressure
-Aussie producers simply too cheap?

By Danielle Ecuyer

Buyers surface as U308 price falls

It has not escaped the attention of Petra Capital that Kazatomprom's updated 2025 production guidance (Aug 23) of 65-69mlbs of U308, a reduction of -8-13mlbs from guidance at the start of 2024, has not had the expected impact on share prices of ASX-listed uranium companies.

Industry consultant TradeTech makes a similar observation in its August monthly update regarding the world's largest uranium producer's revised 2024 and 2025 production and the (absent) resulting reaction in spot uranium prices.

Kazatomprom revised up its 2024 production estimates at the start of August as part of its 2Q market update, causing a slide in U308 prices.

In contrast, the downgrade in 2025 expected production did not move the uranium price upwards.

Over August, the TradeTech uranium spot price indicator declined from US$85.50lb on August 1 to US$79lb at the end of the month. Although market observers will no doubt draw some comfort that activity levels picked up in the final week.

Some 13 transactions equating to 1.2mlbs of U308 were evidenced in the final week of August. TradeTech notes the last time activity had surged over 1mlbs occurred was in May.

The U308 spot price fell below US$80lb for the first time since November 2023, representing a decline of -14% since the start of the current calendar year.

Encouragingly, the fall brought out buyers including traders, financials, producers and utilities, TradeTech surmises.

Over the course of last week, the spot price declined -US$2lb to US$79lb, with negotiations between parties ongoing after the close.

TradeTech's Mid-Term U308 price indicator ended the week and month at US$90lb, and the Long-Term Price Indicator at US$82lb.

The positive macro picture keeps on keeping on

Against a backdrop of price weakness and pullback in production supply guidance, the market has experienced ongoing positive macro news, in terms of increased potential longer-term demand for uranium with rising nuclear power generation.

On August 24, Switzerland was in focus with its government seeking a U-turn on the 2018 ban for new nuclear reactors. The government pointed to a lift in the ban to meet its climate targets. The country has four reactors in operation.

Serbia is also reported by TradeTech as considering the removal of its ban on nuclear power. While China's State Council gave approval to add four Westinghouse AP1000 technology-based plants to new projects at Bailong Nuclear Power and Lufeng Nuclear Power Plant.

Another eight reactors are under construction.

What's in focus for Aussie uranium stocks?

As highlighted, Petra Capital questions the level of short interest in uranium stocks, given the changing macro backdrop from Kazatomprom's reduction in 2025 production guidance.

The broker believes short positions will need to be unwound at some stage, recommending a tactical exposure to the most shorted stocks.

FNArena's The Short Report (ASIC data up until August 27th) shows short interest for the four most shorted ASX-listed companies connected to the uranium sector as follows:

Paladin Energy ((PDN)) has a 9.76% short interest; Boss Energy ((BOE)) at 8.88%; Deep Yellow ((DYL)) at 8.31% and Lotus Resources ((LOT)) at 6.5%.

The Short Report: https://fnarena.com/index.php/analysis-data/the-short-report/

Paladin and Boss Energy reported FY24 earnings results last week.

Production at Langer Heinrich continues to scale, meeting management's guidance. The reversal of a US$92m inventory impairment resulted in Paladin booking a net profit for FY24.

Bell Potter believes the Fission Uranium acquisition will proceed despite Fission delaying the vote for approval until September 9 to reportedly gain more shareholder support.

Boss Energy's operational performance also came in above expectations with a revaluation of its inventory with daily monitored brokers Bell Potter and Shaw and Partners both questioning the share price level with the Honeymoon project back into production alongside the re-start of 30% owned Alta Mesa in the US.

TradeTech, along with the brokers, points to a seasonally better period for the uranium market with London's World Nuclear Association symposium in the first week of September which has the potential for more good macro news and the re-start of utility contracting activities.

Shaw expects the uranium sector will perform well in the fourth quarter of 2024.

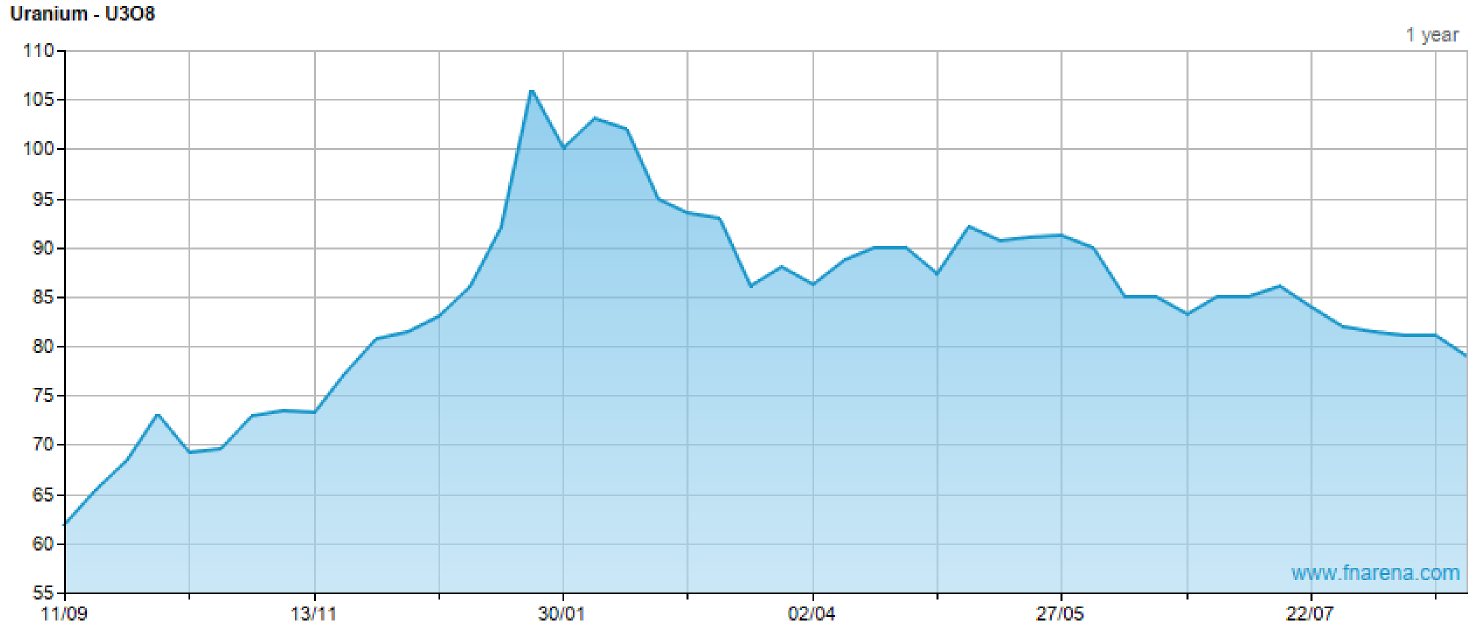
The FNArena consensus price target for Paladin stands at $16.088, with the latest updates revealing two Buys, one of which is rated High risk.

The consensus target price for Boss stands at $4.863 with two Buys.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	30/08/2024	0.0500	▼-16.67%	$0.19	$0.05			
AEE	30/08/2024	0.1200	▼-10.71%	$0.36	$0.12			
AGE	30/08/2024	0.0400	▼- 9.30%	$0.08	$0.03		$0.100	▲150.0%
AKN	30/08/2024	0.0100	0.00%	$0.07	$0.01			
ASN	30/08/2024	0.1000	▼-15.65%	$0.20	$0.07			
BKY	30/08/2024	0.3550	▲ 5.97%	$0.45	$0.26			
BMN	30/08/2024	2.2400	▼- 6.88%	$4.87	$2.16		$7.400	▲230.4%
BOE	30/08/2024	2.7400	▼- 9.27%	$6.12	$2.77	22.7	$4.863	▲77.5%
BSN	30/08/2024	0.0300	▼- 2.94%	$0.21	$0.02			
C29	30/08/2024	0.0800	0.00%	$0.12	$0.06			
CXO	30/08/2024	0.0900	▼- 6.00%	$0.45	$0.08		$0.093	▲3.7%
CXU	30/08/2024	0.0200	0.00%	$0.06	$0.01			
DEV	30/08/2024	0.1900	▲ 2.63%	$0.45	$0.16			
DYL	30/08/2024	1.0900	▼- 7.26%	$1.83	$0.92	-77.1	$1.770	▲62.4%
EL8	30/08/2024	0.3200	▼- 7.25%	$0.68	$0.26			
ERA	30/08/2024	0.0050	▼-75.00%	$0.08	$0.01			
GLA	30/08/2024	0.0100	0.00%	$0.04	$0.01			
GTR	30/08/2024	0.0030	0.00%	$0.02	$0.00			
GUE	30/08/2024	0.0600	0.00%	$0.18	$0.05			
HAR	30/08/2024	0.0500	0.00%	$0.28	$0.05			

I88	30/08/2024	0.5900	▼-10.61%	$1.03	$0.14			
KOB	30/08/2024	0.1300	0.00%	$0.18	$0.06			
LAM	30/08/2024	0.7000	▲15.00%	$1.04	$0.56			
LOT	30/08/2024	0.2300	▼- 8.00%	$0.49	$0.20		$0.685	▲197.8%
MEU	30/08/2024	0.0400	▼- 2.63%	$0.06	$0.03			
NXG	30/08/2024	8.7100	▼- 6.86%	$13.66	$8.18		$16.200	▲86.0%
ORP	30/08/2024	0.0500	▼-20.00%	$0.12	$0.04			
PDN	30/08/2024	9.6000	▼-10.02%	$17.98	$8.75	15.8	$16.088	▲67.6%
PEN	30/08/2024	0.0800	▼-10.11%	$0.15	$0.08	26.7	$0.260	▲225.0%
PNX	30/08/2024	0.0040	0.00%	$0.01	$0.00			
SLX	30/08/2024	3.8800	▼-11.99%	$6.74	$2.93		$7.200	▲85.6%
TOE	30/08/2024	0.2000	▼-10.42%	$0.70	$0.01			
WCN	30/08/2024	0.0100	0.00%	$0.02	$0.01			



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

WEEKLY REPORTS

The Short Report - 05 Sep 2024

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

Summary:

Week Ending August 29th, 2024 (most recent data available through ASIC).

10%+

PLS 20.61
IEL 13.60
SYR 12.95
CTT 10.91
LTR 10.75
LYC 10.52
STX 10.45
CHN 10.32

In: CTT Out: PDN

9.0-9.9%

BOE

Out: CTT, SYA

8.0-8.9%

DYL
MIN

In: MIN Out: WBT

7.0-7.9%

WBT
PDN
GMD
LOT
ADT
SEK

In: ADT, PDN, LOT, SEK, WBT Out: FLT, MIN, NUF, SFR

6.0-6.9%

FLT
SFR
ACL
BGL
NUF
OBL
LIC

In: ACL, FLT, NUF, SFR Out: ADT, CUV, LOT, SEK, WEB

5.0-5.9%

CUV

HLS
CXO
WEB
IFL
KAR
RIO
NAN
A2M
NVX
CTD
IDX
VUL
BOQ

In: A2M, BOQ, CUV, HLS, IDX, KAR, WEB Out: ACL, DXS

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.6	0.6	NAB	0.7	0.6
ANZ	0.5	0.4	QBE	0.3	0.2
BHP	0.5	0.4	RIO	5.3	5.6
CBA	1.5	1.5	STO	1.1	1.2
COL	0.7	0.7	TCL	0.8	0.8
CSL	0.4	0.5	TLS	0.4	0.3
FMG	1.0	0.7	WBC	0.7	0.7
GMG	0.9	0.7	WDS	1.3	1.1
JHX	1.2	1.1	WES	1.1	1.1
MQG	0.6	0.6	WOW	0.4	0.4

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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WEEKLY REPORTS

In Brief: Dicker Data, Mineral Resources & Red 5

A key theme of the latest reporting season has been costs which continue to impact across a suite of companies.

-Dicker Data sets up for a better year end
-Mineral Resources is feeling the pain
-Red 5 misses but resets expectations

By Danielle Ecuyer

The quote of the week comes from RBA Governor, Michele Bullock.

""High and variable inflation is harmful because it raises uncertainty and makes it harder to plan for the future. It can distort economic activity, affecting decisions about investment and employment and ultimately hurting productivity and household incomes,"

Multiple factors drive earnings recovery for Dicker Data

Dicker Data ((DDR)) hasn't caught the AI tailwinds yet, but are the breezes of change gathering for an improved second half 2024 performance?

You bet they are, say Jarden and Goldmans Sachs. The first half of 2024 brought forth some unwelcome higher-than-expected costs for the company which took more than the shine off the share price.

Bad debts rose $2m which the brokers view as a one-off, while a higher headcount pushed up employee costs, and higher inventory levels increased working capital. Margins were also under pressure from the shift to lower margin enterprise customers.

Nevertheless, there is a lot to like about the next 18-months.

The challenging market conditions for small, medium sized businesses experiencing longer than usual cycles should subside as macro conditions improve. PC sales are anticipated to improve with the refresh cycle.

Jarden is positive on this PC refresh cycle due to the aged installed base and Windows 10 support ending. AI will also be lending a hand through the new AI PC offerings coming to market. Similar observations have been made by JB HiFi ((JBH)) and Harvey Norman ((HVN)), as well as Wesfarmers' Officeworks ((WES)).

Pressure on margins from higher costs should abate as IT spending picks up and Dicker Data's Access and Surveillance business grows, with over 20% margins.

The loss of the Autodesk and Dahua contracts impacted on the first half. Recently secured Adobe is expected to contribute going forwards.

Goldman Sachs is Neutral rated with a $9.80 target price. Jarden sits at $10.60 with a Buy rating.

Daily monitored brokers at FNArena generate a consensus target price of $10.567 with two Buys (including an upgrade from Neutral to Buy by UBS) and an Equal-weight (Neutral) from Morgan Stanley.

Mineral Resources in the eye of the lithium storm

Lithium and iron prices have been in the firing line with Mineral Resources ((MIN)) in focus for Jarden incorporating one of the catchiest report titles..**"oxygen masks will be deployed".**

Is it any wonder Chris Ellison was quoted at the end of August by the AFR as saying it's the "s---tiest time" to run a business exposed to a prolonged downturn in lithium prices?

While the boss may have admitted challenges, Jarden's synopsis of the state of Mineral Resources post the FY24 results and FY25 update is sprinkled with irony and concerns. The broker displayed frustration at the ability to gauge just where the company is at strategically when it comes to lithium.

Jarden points to concerns around FY25 production guidance across lithium assets, suggesting the cuts reflect cash constraints and supply side behaviour which is "at odds with well-funded peers lower on the cost-curve".

Both Mt Marion and Wodgina production guidance was significantly reduced bringing into question whether the joint venture partners motivations are not in the best interest of Mineral Resources shareholders.

In response Jarden removes Wodgina Train 4 from the valuation model, reducing the net present value by -$6.50/share.

Capex took a steep upwards step in FY25 guidance to almost -$2bn despite production misses. Onslow's capex is cited as coming in higher than expected.

Post the disappointing guidance, Jarden believes the company's balance sheet is in "a precarious position". Too much debt and not enough cashflow as pricing weakness in iron ore and lithium engulfs Mineral Resources.

Goldman Sachs gives Mineral Resources more benefit of the doubt, although the notable company's 20-year track record could be "tested" over the next few years, the analyst states.

Although the company is anticipated to be cashflow negative in FY25, Goldman Sachs believes a lot of bad news is already in the share price and thus has upgraded the stock to Neutral from Sell with a $43 target price.

Jarden is less than convinced, retaining a Sell rating while slicing the target price to $32 from $44.70.

Red 5 adjusts to a new norm

Red 5 ((RED)) caught a cold at the FY24 results, not because the company missed earnings expectations in the year that was, rather management turned out what was viewed by the market as less than impressive FY25 guidance. Shares declined -12% compared to peers retreating between -1% to -3%, according to Moelis's observation.

Petra Capital notes the inclusion of Silver Lake for the last 12-days of the fiscal year, which inspired some market enthusiasm and a 50c rally in the share price in the run up, which Moelis highlights has been largely priced out.

The dispersion of sentiment is expected to settle now that management has provided commentary around the outlook.

Moelis expects more guidance from management around the two to three-year outlook but don't hold your breath as the analyst assesses more internal number crunching needs to take place.

Both Petra and Moelis take the forecasting knife to earnings on the back of the guidance downgrade.

Red 5's FY25 production guidance of 390-430koz and costs of $2350koz at the mid-point compare with Petra's estimates of 419koz at $2022/oz.

Tax charges are expected to be lower with disclosed tax losses in Australia (-$381m) and Canada (-CA$255m).

Although lower cashflow is expected in FY25, Moelis anticipates stronger results from King of the Hills, and "bolstered" production from Mount Monger with a move forward to restart at Sugar Zone.

Post FY24 year-end, the company repaid its debt. Cash on hand was boosted with the sale of RED 5 treasury shares for $136.8m.

Moelis is Buy rated with a 50c target price. Petra Capital sits at 44c, following a -14% revision in the target, with a Buy rating.

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 06-09-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

ACCENT GROUP LIMITED ((AX1)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

Accent Group's FY24 Gross Profit Margins missing consensus by only -34bps is more than offset by a 1.2% cost of doing busines
beat, further cost-out in FY25-27, and a strong trading update for the first seven weeks of FY25, Jarden suggests.

The broker considers the sell-off an overreaction, particularly given Accent has multiple significant growth drivers in the medium
term as it buys back Athlete's Foot franchisees, closes unprofitable stores, annualises FY24 cost-outs, and continues to expand its network.

Jarden upgrades to Buy from Overweight to Buy, with Accent presenting further upside through improving potentially conservative store guidance, potential FX gross margin tailwinds and clarity regarding the extent of FY25-27 cost-out at the next update.

Target rises to $2.29 from $2.28.

DICKER DATA LIMITED ((DDR)) Buy by Jarden.B/H/S: 0/0/0

After adjusting for bad debts, Dicker Data's 1H profit (PBT) met the consensus forecast but opex was higher-than-expected due to an increased headcount needed to support new vendor additions, explains Jarden.

The broker's target falls to $10.60 from $11.38 largely due to forecast downgrades for the adjusted PBT margin on the back of increased FY24-FY26 opex forecasts.

The Buy rating is unchanged, with the analysts reiterating Dicker Data is a 2H/FY25 story partly due to benefits from the refresh cycle and the tailwind from AI PC's.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED ((EOS)) Upgrade to Speculative Buy from Hold by Petra CapitalB/H/S: 0/0/0

As was the case in 2H23, Electro Optic Systems' 1H24 results demonstrate the company's ability to operate at scale and deliver a net profit margin of 5% excluding current debt servicing costs, Petra Capital notes.

But for the company to sustain this level of underlying profitability, further contract wins are required. Petra thinks Electro can do this,
and accordingly upgrades to a Speculative Buy rating from Hold.

Target falls to $1.85 from $1.89.

HANSEN TECHNOLOGIES LIMITED ((HSN)) Upgrade to Buy from Neutral by Goldman Sachs.B/H/S: 0/0/0

Goldman Sachs raises its target for Hansen Technologies to $5.10 from $4.95 on higher earnings forecasts across FY25-27 and upgrades to Buy from Neutral.

The broker has increased confidence in the organic growth outlook and management's ability to extract synergies from Powercloud.

Further analysis of FY25 guidance by Goldman suggests sales in the core business (ex Powercloud) are accelerating to circa 8% year-on-year, largely driven by the structural tailwinds for digital transformation in the Energy vertical.

The broker expects healthy earnings in FY26 from Powercloud, noting a key re-rate catalyst would be further evidence on cost synergies.

INTEGRAL DIAGNOSTICS LIMITED ((IDX)) Upgrade to Overweight from Market Weight by Wilsons and Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

Integral Diagnostics is upgraded to Overweight from Market Weight with a revised target price of $2.88.

Wilsons like the merger with Capitol Health ((CAJ)) and view it is a win for all shareholders.

FY24 revenue was a slight miss on Wilsons' forecast, due to an uptake in market share and cost-out initiatives. The broker sees an improved pathway to 21%-22% margins after $1m in savings.

Overweight. Target $2.88.

Integral Diagnostics reported FY24 underlying profit 1.5% ahead of Jarden. The company delivered on guidance, achieving
a material improvement in earnings margin in the second half.

With FY24 now a solid base for both Integral Diagnostics and Capitol Health ((CAJ)) to build on, the upside potential of a combined group would be attractive, the broker suggests.

Target rises to $2.83 from $2.59 and the broker upgrades its rating to Overweight from Neutral given the earnings profile and upside potential from the proposed Capitol Health merger.

JUMBO INTERACTIVE LIMITED ((JIN)) Upgrade to Overweight from Underweight by Jarden.B/H/S: 0/0/0

Jumbo Interactive delivered on guidance in FY24, with underlying EBITDA of $79.3m in line with Jarden. The broker lowers estimates for FY25 by -3.6%, largely driven by the smallest managed services segment of the business.

The broker notes the company has made efforts to reset and strengthen its offshore base before pursuing future growth. Guidance takes into consideration a normalisation of jackpots which appears conservative.

The share price response to the results, down -16%, appears overdone and Jarden increases the rating to Overweight from Underweight. Target is reduced to $14.70 from $15.20.

LYNAS RARE EARTHS LIMITED ((LYC)) Upgrade to Buy from Hold by Canaccord Genuity.B/H/S: 0/0/0

Canaccord Genuity continues to believe neodymium (Nd) and praseodymium (Pr) pricing is at a cycle bottom and is more constructive on price increases into the end-2024 and 2025. However, shorter-term forecasts are marked-to-market and lowered.

The broker's long-term pricing remains anchored to "incentive" levels of US$120/kg NdPr, and US$430/kg and US$1,600/kg, respectively, for dysprosium (Dy) and terbium (Tb).

For Lynas Rare Earths, the broker's target rises to $7.15 from $6.25. The rating is upgraded to Buy from Hold to reflect updated reserves, inclusion of separated Dy/Tb, minor increases in NdPr production in FY25 and revisions to modelled production costs.

MINERAL RESOURCES LIMITED ((MIN)) Upgrade to Neutral from Sell by Goldman Sachs.B/H/S: 0/0/0

Goldman Sachs observes FY24 results for Mineral Resources were broadly in line excluding the substantial increase in gearing with around a $3bn rise in net debt.

A recent decline in both the iron ore and lithium price is also noted with management cutting lithium volumes at Mt Marion and deferring the Wodgina lithium Train 3 and Ashburton iron ore stage 2.

Capex is still expected to advance around $2bn in FY25, well above the broker's estimate.

Goldman Sachs adjusts EPS forecasts by 125% and -35% for FY25/FY26, respectively.

Target price falls to $43, down -9%. Upgrade to Neutral from Sell.

SOUTHERN CROSS MEDIA GROUP LIMITED ((SXL)) Upgrade to Buy from Hold by Canaccord Genuity.B/H/S: 0/0/0

Canaccord Genuity highlights Southern Cross Media's core audio business is returning to revenue growth, a FY25 dividend yield of 10.5% is forecast, and there is potential for a near-term divestment of the company's Regional TV asset.

Following broadly in-line FY24 results, showing gathering momentum in the 2H which continued into early-FY25, the broker raises its target to 96c from 90c and upgrades to Buy from Hold.

According to management, digital audio should be cash flow positive in FY25. The focus is upon paying down debt, explain the analysts, so no final dividend was declared.

VITURA HEALTH LIMITED ((VIT)) Upgrade to Speculative Buy from Hold by Petra Capital.B/H/S: 0/0/0

Following in-line FY24 results and improved FY25 margin guidance, Petra Capital raises its target for Vitura Health to 12c from 9c and upgrades to Speculative Buy from Hold.

Management noted the lower margin in FY24 (27.6%, down from 34.5% in FY23) was due to intensified competitive pressures within the medicinal cannabis sector. Despite this, unit sales increased by 7% in FY24 via the Canview platform, observes the analyst.

<u>Downgrade</u>

LOVISA HOLDINGS LIMITED ((LOV)) Downgrade to Neutral from Buy by Jarden.B/H/S: 0/0/0

Lovisa Holdings' FY24 profit beat Jarden's estimate by 2%. The 2H24 gross profit margin beat the broker and cost of doing business was below.

The FY25-to-date trading update nevertheless disappointed relative to estimates, with sales growth of only 2% year on year despite cycling a comparable of -6% and estimated price increases of 3-5% that were not in the comparable.

The store rollout update (up 8 net) is weak on top of the number of stores at the end of FY24 being -14 below consensus, although this was expected.

The impending exit of Lovisa's CEO is likely to raise execution and sentiment risk in the short term and as a result Jarden downgrades to Neutral from Buy, highlighting a preference in the sector for Universal Store ((UNI)) and Accent Group ((AX1)).

Target falls to $30.59 from $33.08.

MCMILLAN SHAKESPEARE LIMITED ((MMS)) Downgrade to Hold from Buy by Canaccord Genuity.B/H/S: 0/0/0

While McMillan Shakespeare revealed a "strong" (in-line with consensus) FY24 result, in Canaccord Genuity's view, the broker's rating is downgraded to Hold from Buy.

Key positives, according to the analyst, were strong cashflows leading to an increased net corporate cash position of $86.8m, along with
the Group Remuneration Services (GRS) EBITDA margin holding at around 45%.

The broker lacks some conviction around the short-term earnings outlook and slightly reduces novated lease yields forecasts, and, by extension, margins within GRS for FY25.

The target falls to $18.50 from $21.80.

NICKEL INDUSTRIES LIMITED ((NIC)) Downgrade to Hold from Buy by Canaccord Genuity.B/H/S: 0/0/0

Nickel Industries' first half earnings missed Canaccord Genuity's forecast due to higher expenses and lower than previously reported earnings from its HPAL operations.

The broker has adjusted its price target for the result, cash position, and lower enterprise multiple resulting in a target cut to 85c from 95c.

Nickel Industries is approaching a period of investment, and Canaccord believes low cash flow with elevated debt, hence a downgrade to Hold from Buy.

TOURISM HOLDINGS LIMITED ((THL)) Downgrade to Market Weight from Overweight by Wilsons.B/H/S: 0/0/0

With revised guidance the -33% fall in FY24 net profit for Tourism Holdings Rentals was broadly in line with Wilsons' expectations.

NZ reported a record EBIT result which was offset by weakness in other parts of the business, including a writedown of goodwill for the UK.

The RV sector remains challenged the broker highlights. When combined with lower capex, slower fleet growth is likely.

Wilsons lowers earnings forecasts by -5% to -10% for FY25 to FY27.

Downgrade to Market Weight from Overweight. Target price falls -10% to $1.90.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ACCENT GROUP LIMITED	Buy	Buy	Jarden
2	DICKER DATA LIMITED	Buy	Buy	Jarden
3	ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED	Buy	Buy	Petra Capital
4	HANSEN TECHNOLOGIES LIMITED	Buy	Neutral	Goldman Sachs
5	INTEGRAL DIAGNOSTICS LIMITED	Buy	Neutral	Wilsons
6	INTEGRAL DIAGNOSTICS LIMITED	Buy	Neutral	Jarden
7	JUMBO INTERACTIVE LIMITED	Buy	Sell	Jarden
8	LYNAS RARE EARTHS LIMITED	Buy	Neutral	Canaccord Genuity
9	MINERAL RESOURCES LIMITED	Neutral	Sell	Goldman Sachs
10	SOUTHERN CROSS MEDIA GROUP LIMITED	Buy	Neutral	Canaccord Genuity
11	VITURA HEALTH LIMITED	Buy	Neutral	Petra Capital
Downgrade				
12	LOVISA HOLDINGS LIMITED	Neutral	Buy	Jarden
13	MCMILLAN SHAKESPEARE LIMITED	Neutral	Buy	Canaccord Genuity
14	NICKEL INDUSTRIES LIMITED	Neutral	Buy	Canaccord Genuity
15	TOURISM HOLDINGS LIMITED	Neutral	Buy	Wilsons

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
29M	29Metals	$0.35	Canaccord Genuity	0.32	0.34	-5.88%
ABB	Aussie Broadband	$3.64	Wilsons	3.62	3.32	9.04%
ADH	Adairs	$1.96	Jarden	2.04	2.09	-2.39%
			Wilsons	1.95	2.00	-2.50%
AGN	Argenica Therapeutics	$0.79	Petra Capital	1.14	1.00	14.00%
ALC	Alcidion Group	$0.06	Canaccord Genuity	0.09	0.10	-10.00%
ALK	Alkane Resources	$0.40	Petra Capital	1.00	1.13	-11.50%
AMA	AMA Group	$0.06	Canaccord Genuity	0.10	0.14	-28.57%
ANG	Austin Engineering	$0.53	Petra Capital	0.60	0.67	-10.45%
APA	APA Group	$7.21	Jarden	8.45	8.70	-2.87%
APX	Appen	$1.14	Canaccord Genuity	1.20	0.80	50.00%
AQZ	Alliance Aviation Services	$2.89	Wilsons	4.22	4.49	-6.01%
ARU	Arafura Rare Earths	$0.16	Canaccord Genuity	0.25	0.40	-37.50%
ASG	Autosports Group	$2.08	Jarden	2.90	3.20	-9.38%
ASN	Anson Resources	$0.10	Petra Capital	0.41	0.40	2.50%
ATA	Atturra	$0.89	Moelis	1.28	1.25	2.40%
AX1	Accent Group	$2.31	Jarden	2.29	2.28	0.44%
BEN	Bendigo & Adelaide Bank	$11.82	Jarden	11.20	10.20	9.80%
BGL	Bellevue Gold	$1.16	Goldman Sachs	1.70	2.20	-22.73%
BHP	BHP Group	$38.91	Goldman Sachs	49.10	48.40	1.45%
BOQ	Bank of Queensland	$6.32	Jarden	6.00	5.80	3.45%
BRE	Brazilian Rare Earths	$2.61	Petra Capital	4.55	4.36	4.36%
BSA	BSA	$0.91	Canaccord Genuity	1.62	1.40	15.71%
BTH	Bigtincan Holdings	$0.12	Canaccord Genuity	0.40	0.80	-50.00%
CKF	Collins Foods	$7.64	Canaccord Genuity	7.70	9.20	-16.30%
CLG	Close the Loop	$0.21	Canaccord Genuity	0.53	0.65	-18.46%
COE	Cooper Energy	$0.19	Canaccord Genuity	0.30	0.27	11.11%

			Goldman Sachs	0.25	0.15	66.67%
			Jarden	0.25	0.26	-3.85%
			Petra Capital	0.40	0.38	5.26%
COL	Coles Group	$18.40	Jarden	17.10	16.90	1.18%
CTT	Cettire	$1.36	Petra Capital	1.15	1.20	-4.17%
CUV	Clinuvel Pharmaceuticals	$14.82	Wilsons	30.16	31.38	-3.89%
CXL	Calix	$0.89	Canaccord Genuity	2.40	7.70	-68.83%
DDR	Dicker Data	$8.95	Goldman Sachs	9.80	9.85	-0.51%
			Jarden	10.60	11.38	-6.85%
DEG	De Grey Mining	$1.10	Goldman Sachs	1.40	1.35	3.70%
DRE	Dreadnought Resources	$0.02	Canaccord Genuity	0.05	0.07	-28.57%
DSK	Dusk Group	$1.09	Canaccord Genuity	1.60	1.15	39.13%
DXB	Dimerix	$0.41	Petra Capital	1.33	1.36	-2.21%
EDV	Endeavour Group	$4.99	Jarden	6.00	6.30	-4.76%
EML	EML Payments	$0.76	Wilsons	1.20	1.17	2.56%
EMN	Euro Manganese	$0.06	Canaccord Genuity	0.20	1.15	-82.61%
EOS	Electro Optic Systems	$1.38	Canaccord Genuity	1.85	1.95	-5.13%
			Petra Capital	1.85	1.89	-2.12%
EQT	EQT Holdings	$29.65	Wilsons	33.50	33.90	-1.18%
EVT	EVT Ltd	$10.14	Jarden	12.46	12.44	0.16%
FLT	Flight Centre Travel	$21.05	Jarden	24.60	24.00	2.50%
			Wilsons	28.56	28.96	-1.38%
FMG	Fortescue	$16.13	Jarden	15.84	17.52	-9.59%
FWD	Fleetwood	$1.78	Moelis	2.09	2.10	-0.48%
GDG	Generation Development	$2.73	Moelis	3.33	2.94	13.27%
GDI	GDI Property	$0.67	Moelis	0.98	1.00	-2.00%
GLN	Galan Lithium	$0.12	Petra Capital	0.38	0.51	-25.49%
GMD	Genesis Minerals	$2.14	Moelis	2.50	2.15	16.28%
GNG	GR Engineering Services	$1.70	Taylor Collison	N/A	2.52	-100.00%
GNP	GenusPlus Group	$2.24	Moelis	2.78	1.65	68.48%
GTN	GTN	$0.47	Canaccord Genuity	0.65	0.70	-7.14%
GYG	Guzman y Gomez	$37.47	Wilsons	41.14	31.98	28.64%
HAS	Hastings Technology Metals	$0.27	Canaccord Genuity	0.35	2.20	-84.09%
HLO	Helloworld Travel	$1.91	Jarden	3.10	3.70	-16.22%
HSN	Hansen Technologies	$4.42	Goldman Sachs	5.10	4.95	3.03%
HVN	Harvey Norman	$4.61	Goldman Sachs	4.50	4.60	-2.17%
IDX	Integral Diagnostics	$2.58	Canaccord Genuity	2.50	2.10	19.05%
			Jarden	2.83	2.59	9.27%
			Wilsons	2.88	2.12	35.85%
IEL	IDP Education	$15.57	Goldman Sachs	19.85	21.75	-8.74%
			Jarden	19.60	17.75	10.42%
IGO	IGO	$5.27	Canaccord Genuity	4.70	4.80	-2.08%
			Goldman Sachs	6.35	6.75	-5.93%
ILU	Iluka Resources	$5.79	Canaccord Genuity	6.30	6.70	-5.97%
ING	Inghams Group	$3.00	Goldman Sachs	2.90	3.15	-7.94%
			Jarden	3.65	3.95	-7.59%
IPD	ImpediMed	$0.05	Wilsons	0.17	0.18	-5.56%
IPG	IPD Group	$5.05	Moelis	5.76	5.05	14.06%
JIN	Jumbo Interactive	$13.50	Jarden	14.70	15.40	-4.55%
JLG	Johns Lyng	$3.67	Canaccord Genuity	6.23	8.75	-28.80%
			Moelis	5.03	7.42	-32.21%
KAR	Karoon Energy	$1.51	Jarden	2.20	2.25	-2.22%
			Wilsons	2.64	2.59	1.93%
KGN	Kogan.com	$4.67	Canaccord Genuity	8.20	8.00	2.50%
			Jarden	4.70	4.30	9.30%
KLS	Kelsian Group	$3.97	Canaccord Genuity	6.10	7.60	-19.74%
LBL	Laserbond	$0.56	Canaccord Genuity	1.10	1.25	-12.00%
LFG	Liberty Financial	$3.47	Jarden	3.75	4.00	-6.25%
LIN	Lindian Resources	$0.13	Canaccord Genuity	0.45	0.50	-10.00%
LOV	Lovisa Holdings	$31.87	Canaccord Genuity	31.20	29.00	7.59%
			Jarden	30.59	33.08	-7.53%
			Wilsons	35.50	30.40	16.78%

LYC	Lynas Rare Earths	$6.74	Canaccord Genuity	7.15	6.25	14.40%
M7T	Mach7 Technologies	$0.56	Wilsons	1.00	1.05	-4.76%
MAC	Metals Acquisition	$15.19	Wilsons	24.00	25.00	-4.00%
MAQ	Macquarie Technology	$76.50	Canaccord Genuity	116.00	118.00	-1.69%
			Goldman Sachs	84.90	90.20	-5.88%
			Petra Capital	87.81	90.27	-2.73%
			Wilsons	97.27	81.65	19.13%
MDR	MedAdvisor	$0.38	Canaccord Genuity	0.57	0.45	26.67%
			Moelis	0.53	0.58	-8.62%
MEI	Meteoric Resources	$0.09	Canaccord Genuity	0.40	0.45	-11.11%
MIN	Mineral Resources	$32.20	Goldman Sachs	43.00	47.00	-8.51%
			Jarden	32.00	44.70	-28.41%
MMS	McMillan Shakespeare	$16.11	Canaccord Genuity	18.50	21.80	-15.14%
MPL	Medibank Private	$3.85	Jarden	3.95	3.85	2.60%
MXI	MaxiPARTS	$1.83	Canaccord Genuity	2.50	2.62	-4.58%
MYX	Mayne Pharma	$4.61	Wilsons	5.93	7.09	-16.36%
NAN	Nanosonics	$3.56	Canaccord Genuity	3.12	5.00	-37.60%
NHF	nib Holdings	$6.02	Jarden	6.25	8.00	-21.88%
NIC	Nickel Industries	$0.77	Canaccord Genuity	0.85	0.95	-10.53%
NWC	New World Resources	$0.02	Petra Capital	0.10	0.13	-23.08%
NXD	NextEd Group	$0.17	Petra Capital	0.27	0.31	-12.90%
NXT	NextDC	$17.42	Wilsons	18.90	19.41	-2.63%
PAN	Panoramic Resources		Canaccord Genuity	N/A	0.22	-100.00%
PFP	Propel Funeral Partners	$5.76	Moelis	6.01	5.64	6.56%
PLY	Playside Studios	$0.55	Canaccord Genuity	1.05	0.85	23.53%
PPM	Pepper Money	$1.36	Goldman Sachs	1.55	1.67	-7.19%
			Jarden	1.60	1.55	3.23%
PPS	Praemium	$0.52	Canaccord Genuity	0.85	0.86	-1.16%
			Moelis	0.75	0.67	11.94%
			Wilsons	0.73	0.55	32.73%
PPT	Perpetual	$19.21	Jarden	21.85	21.75	0.46%
PSQ	Pacific Smiles	$1.79	Wilsons	1.80	1.40	28.57%
QAN	Qantas Airways	$6.84	Jarden	7.10	7.20	-1.39%
QOR	Qoria	$0.33	Wilsons	0.45	0.46	-2.17%
RDY	ReadyTech Holdings	$2.85	Jarden	3.54	3.50	1.14%
			Wilsons	3.74	3.91	-4.35%
REA	REA Group	$205.51	Goldman Sachs	223.00	221.00	0.90%
RED	Red 5	$0.31	Canaccord Genuity	0.43	0.46	-6.52%
			Moelis	0.50	0.58	-13.79%
			Petra Capital	0.44	0.51	-13.73%
REG	Regis Healthcare	$5.20	Jarden	4.46	3.64	22.53%
RMC	Resimac Group	$0.90	Jarden	0.98	0.93	5.38%
RUL	RPMGlobal	$2.60	Moelis	2.82	2.90	-2.76%
S32	South32	$3.04	Goldman Sachs	3.60	3.70	-2.70%
SDF	Steadfast Group	$6.37	Goldman Sachs	6.50	6.10	6.56%
			Jarden	6.55	6.10	7.38%
SDR	SiteMinder	$4.90	Goldman Sachs	5.70	5.50	3.64%
			Jarden	5.89	5.85	0.68%
SFR	Sandfire Resources	$8.15	Jarden	8.80	9.10	-3.30%
SGF	SG Fleet	$2.95	Canaccord Genuity	3.55	3.65	-2.74%
SHJ	Shine Justice	$0.82	Moelis	0.93	0.90	3.33%
SHL	Sonic Healthcare	$27.14	Jarden	25.88	26.19	-1.18%
SLH	Silk Logistics	$1.39	Moelis	1.67	1.88	-11.17%
SMR	Stanmore Resources	$2.70	Petra Capital	5.46	5.73	-4.71%
SNL	Supply Network	$28.67	Moelis	30.50	26.00	17.31%
SOM	SomnoMed	$0.43	Wilsons	0.42	0.36	16.67%
SPZ	Smart Parking	$0.59	Canaccord Genuity	0.75	0.70	7.14%
			Petra Capital	0.73	0.83	-12.05%
SXL	Southern Cross Media	$0.54	Canaccord Genuity	0.96	0.94	2.13%
TAH	Tabcorp Holdings	$0.39	Jarden	0.65	0.80	-18.75%
THL	Tourism Holdings Rentals	$1.91	Wilsons	1.90	2.12	-10.38%
TLX	Telix Pharmaceuticals	$17.44	Jarden	22.59	22.55	0.18%

TPG	TPG Telecom	$4.97	Goldman Sachs	4.40	4.35	1.15%
TRJ	Trajan Group	$1.14	Canaccord Genuity	1.40	1.20	16.67%
TYR	Tyro Payments	$1.04	Wilsons	1.18	1.30	-9.23%
VHM	VHM	$0.57	Canaccord Genuity	1.15	1.20	-4.17%
VIT	Vitura Health	$0.09	Petra Capital	0.12	0.09	33.33%
WDS	Woodside Energy	$25.00	Goldman Sachs	31.70	33.50	-5.37%
WEB	Webjet	$7.62	Jarden	9.45	10.30	-8.25%
			Wilsons	9.52	10.04	-5.18%
WES	Wesfarmers	$69.21	Goldman Sachs	66.60	69.20	-3.76%
WGX	Westgold Resources	$2.90	Canaccord Genuity	3.55	3.50	1.43%
			Petra Capital	3.75	3.67	2.18%
WOR	Worley	$14.76	Goldman Sachs	17.75	17.50	1.43%
WOW	Woolworths Group	$34.35	Jarden	38.60	39.90	-3.26%
WPR	Waypoint REIT	$2.66	Moelis	2.84	2.79	1.79%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

ACE ACUSENSUS LIMITED

Transportation & Logistics Overnight Price: $0.68

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

Acusensus posted FY24 results that were in line with expectations with revenue growth of 18% and gross profit growth of 22%.

Canaccord Genuity found the outlook positive, with FY25 expected to show high revenue growth in the US and UK amid more modest growth in the Australian business.

The balance sheet strength and "land grab opportunity" provides the business with a first mover advantage and Canaccord Genuity retains a Buy rating and $1.30 target.

This report was published on August 27, 2024.

Target price is **$1.30** Current Price is **$0.68** Difference: **$0.62**
If **ACE** meets the Canaccord Genuity target it will return approximately **91%** (excluding dividends, fees and charges).
The company's fiscal year ends in July.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** 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 48.57**.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** EPS of **minus 0.90** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 75.56**.

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

AQZ ALLIANCE AVIATION SERVICES LIMITED

Transportation & Logistics Overnight Price: $2.96

Wilsons rates ((AQZ)) as Overweight (1)

FY24 EBITDA from Alliance Aviation Services was ahead of Wilsons, implying stronger margins per aircraft. The company has noted continued growth in activity as additional aircraft enter its fleet.

FY25 is expected to be active for part sales as airlines globally deal with engine reliability issues. Wilsons was impressed with the growth trajectory, noting industry demand/supply dynamics remain favourable. Overweight. Target is reduced to $4.22 from $4.49.

This report was published on August 30, 2024.

Target price is **$4.22** Current Price is **$2.96** Difference: **$1.26**
If **AQZ** meets the Wilsons target it will return approximately **43%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **39.30** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.53**.

Forecast for FY26:

> Wilsons forecasts a full year **FY26** dividend of **17.10** cents and EPS of **46.30** cents.
> At the last closing share price the estimated dividend yield is **5.78%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **6.39**.

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

ATA ATTURRA LIMITED

Software & Services Overnight Price: $0.90

Moelis rates ((ATA)) as Buy (1)

Attura delivered a strong FY24 result, Moelis observes, with acquisitions contributing to 27.4% of revenue growth. The broker's estimates going forward are broadly unchanged while FY26 and FY27 are expected to benefit from higher FY25 client wins and tendering volumes.

Having outperformed guidance for FY24 the broker remains confident in the outlook for revenue for the next 12 months. Buy rating. Target is $1.28.

This report was published on August 26, 2024.

Target price is **$1.28** Current Price is **$0.90** Difference: **$0.38**
If **ATA** meets the Moelis target it will return approximately **42%** (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 **5.20** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **17.31**.

Forecast for FY25:

> Moelis forecasts a full year **FY25** dividend of **0.00** cents and EPS of **6.50** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **13.85**.

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

BOE BOSS ENERGY LIMITED

Uranium Overnight Price: $2.55

Canaccord Genuity rates ((BOE)) as Speculative Buy (1)

Boss Energy's FY24 profit of US$45m was just shy of Canaccord Genuity's US$48m forecast and well ahead of the US$22m expected by consensus.

Management maintained FY25 production target for Honeymoon of at least 850klbs of U3O8.

One potentially positive share price catalyst, according to the broker, will be the start-up of IX columns 2 and 3 at Honeymoon targeted for completion in the September and December quarters, respectively.

Speculative Buy and $5.85 target retained.

This report was published on August 30, 2024.

Target price is **$5.85** Current Price is **$2.55** Difference: **$3.3**
If **BOE** meets the Canaccord Genuity target it will return approximately **129%** (excluding dividends, fees and charges).
Current consensus price target is **$4.86**, suggesting upside of **91.4%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **16.50** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.45**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **12.2**, implying annual growth of **4.9%**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **20.8**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **37.90** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **6.73**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **53.7**, implying annual growth of **340.2%**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **4.7**.

Market Sentiment: **0.8**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

BTH BIGTINCAN HOLDINGS LIMITED

Cloud services Overnight Price: $0.12

Canaccord Genuity rates ((BTH)) as Hold (3)

Following elevated customer churn, consolidation of prior acquisitions, and a material cost base restructure in the 1H for Bigtincan Holdings, FY24 results illustrated business stabilisation, according to Canaccord Genuity.

Management provided an upbeat outlook with a return to "ARR growth in FY25" and an "EBITDA target of more than $14m" (FY24 $12m), which implies to the broker adjusted EBITDA of more than $16m.

The 40c target and Hold rating are unchanged.

This report was published on August 30, 2024.

Target price is **$0.40** Current Price is **$0.12** Difference: **$0.275**

If **BTH** meets the Canaccord Genuity target it will return approximately **220%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **0.10** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **125.00**.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** 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 **62.50**.

Market Sentiment: **0.0**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

BSA BSA LIMITED

Industrial Sector Contractors & Engineers Overnight Price: $0.93

Canaccord Genuity rates ((BSA)) as Buy (1)

FY24 results from BSA, which were pre-released, reflected a significant period of refocusing the business back on core operations, Canaccord Genuity notes.

Momentum appears strong with FY25 expected to show similar volumes and the business targeting double-digit EBITDA margins for the medium term. The broker retains a Buy rating and lifts the target to $1.62 from $1.40.

This report was published on August 27, 2024.

Target price is **$1.62** Current Price is **$0.93** Difference: **$0.695**
If **BSA** meets the Canaccord Genuity target it will return approximately **75%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **18.30** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **5.05**.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** dividend of **1.00** cents and EPS of **19.50** cents.
> At the last closing share price the estimated dividend yield is **1.08%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **4.74**.

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

CLG CLOSE THE LOOP LIMITED

Industrial Sector Contractors & Engineers Overnight Price: $0.22

Canaccord Genuity rates ((CLG)) as Buy (1)

Close the Loop posted revenue and earnings that were in line with expectations and guidance. Canaccord Genuity suspects that net debt, which increased by $16m in the June half year, was the main driver of the drop in the share price.

The broker believes the business should be able to convert closer to 90% of EBITDA into cash noting the shares continue to trade at very low multiples.

Buy rating is retained as the current valuation appears to compensate investors for the risk in the business. Target is reduced to $0.53 from $0.65.

This report was published on August 26, 2024.

Target price is **$0.53** Current Price is **$0.22** Difference: **$0.31**
If **CLG** meets the Canaccord Genuity target it will return approximately **141%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **5.10** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **4.31**.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** EPS of **6.10** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **3.61**.

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

CXL CALIX LIMITED

Industrial Sector Contractors & Engineers Overnight Price: $0.91

Canaccord Genuity rates ((CXL)) as Buy (1)

FY24 results from Calix signalled much reduced cash usage and sets the business up well for FY25, Canaccord Genuity asserts. The broker lowers FY25 revenue estimates by -4%, driven by a slight reduction in Magnesia but an increase in Leilac.

R&D expenditure is now modelled to the level of revenue from engineering studies and grant income. The broker changes its methodology in the current market environment, stripping the valuation back to tangible aspects of the business.

As a result the target is reduced to $2.40 from $7.70, although still offering significant upside to the current share price. Buy rating.

This report was published on August 28, 2024.

Target price is **$2.40** Current Price is **$0.91** Difference: **$1.495**
If **CXL** meets the Canaccord Genuity target it will return approximately **165%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** EPS of **minus 10.50** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 8.62**.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** EPS of **minus 5.90** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 15.34**.

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

DSK DUSK GROUP LIMITED

Household & Personal Products Overnight Price: $1.09

Canaccord Genuity rates ((DSK)) as Buy (1)

Canaccord Genuity describes "ebullient" early-FY25 trading demonstrating an unfolding turnaround for Dusk Group. Stronger 2H momentum was also noted within pre-released FY24 numbers.

In the first eight weeks of FY25, like-for-like sales, online sales and bricks and mortar sales grew by 12.1%, 39.1%, and 14.4%, respectively.

The new store rollout in FY24 was strong, suggests the analyst, with the opening of four net new stores.

The broker is encouraged by management's planned growth initiatives including more frequent collaborations and activation of new customer cohorts.

The Buy rating is maintained. Target rises to $1.60 from $1.15.

This report was published on August 30, 2024.

Target price is **$1.60** Current Price is **$1.09** Difference: **$0.51**
If **DSK** meets the Canaccord Genuity target it will return approximately **47%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **8.00** cents and EPS of **12.00** cents.
At the last closing share price the estimated dividend yield is **7.34%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **9.08**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **11.00** cents and EPS of **16.00** cents.
At the last closing share price the estimated dividend yield is **10.09%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **6.81**.

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

HLO HELLOWORLD TRAVEL LIMITED

Travel, Leisure & Tourism Overnight Price: $2.02

Jarden rates ((HLO)) as Overweight (2)

Helloworld Travel's result met FY24 earnings guidance, with underlying profit 2% ahead of Jarden. It was a strong result, the broker suggests, as the company benefited from the recovery in travel, Express Travel acquisition and higher profit from associates.

Pleasingly for the broker, June Q total transaction value trends lifted modestly to 46% year on year with demand from travel advisors solid. Disappointingly, few comments were made on outlook.

The key question for Jarden is management's ability to execute on cost control and capitalise on increased air capacity in 2025 and positive elasticity from easing air ticket prices. Target falls to $3.10 from $3.70.

Overweight retained, but the broker has a preference for Flight Centre ((FLT)) and Webjet ((WEB)) in the travel space.

This report was published on September 2, 2024.

Target price is **$3.10** Current Price is **$2.02** Difference: **$1.08**
If **HLO** meets the Jarden target it will return approximately **53%** (excluding dividends, fees and charges).

Current consensus price target is **$2.82**, suggesting upside of **41.5%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** EPS of **23.60** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.56**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **21.3**, implying annual growth of **11.1%**.
Current consensus DPS estimate is **11.3**, implying a prospective dividend yield of **5.7%**.
Current consensus EPS estimate suggests the PER is **9.3**.

Forecast for FY26:

Jarden forecasts a full year **FY26** EPS of **27.70** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.29**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **22.8**, implying annual growth of **7.0%**.
Current consensus DPS estimate is **12.3**, implying a prospective dividend yield of **6.2%**.
Current consensus EPS estimate suggests the PER is **8.7**.

Market Sentiment: **0.7**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

IPD IMPEDIMED LIMITED

Medical Equipment & Devices Overnight Price: $0.05

Canaccord Genuity rates ((IPD)) as Buy (1)

FY24 results for ImpediMed were in line with quarterly reporting in July. However, Canaccord Genuity suggests share price pressure reflects a level of impatience as investors await sales execution, with a material uplift in new installed Sozo units remaining elusive.

Management highlighted actions to manage cash burn including a FY25 operating cash spend -10% lower than the FY24 level.

The broker suggests management's aim to be breakeven by July 2025 is very optimistic, and the analyst's forecasts assume a capital injection.

The Buy rating and 14c target are unchanged.

This report was published on August 30, 2024.

Target price is **$0.14** Current Price is **$0.05** Difference: **$0.092**
If **IPD** meets the Canaccord Genuity target it will return approximately **192%** (excluding dividends, fees and charges).

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

LBL LASERBOND LIMITED

Mining Sector Contracting Overnight Price: $0.59

Canaccord Genuity rates ((LBL)) as Buy (1)

Laserbond's FY24 gross margin of 52% came in below Canaccord Genuity's forecast for 53% driven by a lower gross margin in the Services segment. Revenue growth slowed to 11% year-on-year for this segment in the 2H from 15% in the 1H.

Products Division revenues did not catch up to the extent the broker had anticipated in the 2H, due to lingering problems with raw material supply from the 1H.

The underperformance by the Products segment is the main reason for the broker's new target of $1.10, down from $1.25. The Buy rating is unchanged.

This report was published on August 26, 2024.

Target price is **$1.10** Current Price is **$0.59** Difference: **$0.51**
If **LBL** meets the Canaccord Genuity target it will return approximately **86%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **1.70** cents and EPS of **6.00** cents.
At the last closing share price the estimated dividend yield is **2.88%.**
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **9.83**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **1.80** cents and EPS of **7.80** cents.
At the last closing share price the estimated dividend yield is **3.05%.**
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.56**.

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

M7T MACH7 TECHNOLOGIES LIMITED

Healthcare services Overnight Price: $0.56

Wilsons rates ((M7T)) as Overweight (1)

Wilsons believe FY24 has been a transformative year for Mach7 Technologies including improved product quality and better demand in the US market.

The broker highlights the market's negative reaction to the FY24 results is due to the 12-month delay in reaching profitability.

Management guided to revenue growth of 15%-25% in FY25 and opex to remain below revenue growth.

Wilsons maintains an Overweight rating and $1.00 target.

This report was published on August 29, 2024.

Target price is **$1.00** Current Price is **$0.56** Difference: **$0.44**
If **M7T** meets the Wilsons target it will return approximately **79%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 3.60** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 15.56**.

Forecast for FY26:

Wilsons forecasts a full year **FY26** dividend of **0.00** cents and EPS of **minus 0.30** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 186.67**.

Market Sentiment: **1.0**

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

MDR MEDADVISOR LIMITED

Healthcare services Overnight Price: $0.39

Canaccord Genuity rates ((MDR)) as Buy (1)

MedAdvisor's FY24 result was in line with the June Q update. Execution has been very strong across the US and Australian segments, Canaccord Genuity notes, particularly with the THRiV omnichannel offering.

Scale has also started to come through at the operating level, and with additional investment into tech, systems and infrastructure, the broker sees a clear pathway to improved operating leverage in FY26 onward.

The longer-term structural growth story is shaping up nicely, Canaccord suggests, as pharma customers reap the benefits of MedAdvisor's direct-to-patient marketing tools. Target rises to 57c from 45c, Buy retained.

This report was published on August 29, 2024.

Target price is **$0.57** Current Price is **$0.39** Difference: **$0.18**
If **MDR** meets the Canaccord Genuity target it will return approximately **46%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **0.00** cents.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **2.00** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **19.50**.

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

NXD NEXTED GROUP LIMITED

Education & Tuition Overnight Price: $0.17

Canaccord Genuity rates ((NXD)) as Buy (1)

NextEd Group's FY24 result shaped better than Canaccord Genuity expected on 2H24 costs and stronger closing cash, which led to
a relief rally from depressed levels.

Increasing international vocational student numbers were pleasing to see, demonstrating execution around new course delivery and student take-up.

While the broker acknowledges near-term revenue has uncertainties, especially given ongoing government intervention, management looks to be taking a disciplined approach to managing profitability and cash balances under a range of revenue outcomes.

Buy and 60c target retained.

This report was published on August 30, 2024.

Target price is **$0.60** Current Price is **$0.17** Difference: **$0.435**
If **NXD** meets the Canaccord Genuity target it will return approximately **264%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 3.00** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 5.50**.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **minus 1.00** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 16.50**.

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

PLY PLAYSIDE STUDIOS LIMITED

Gaming Overnight Price: $0.61

Canaccord Genuity rates ((PLY)) as Buy (1)

There were no material surprises within FY24 results for Playside Studios due to the recent July trading up-date, explains Canaccord Genuity.

The broker points out Playside now enters a well flagged "development period" which will see a step-up for capex, and management reiterated all existing projects can be funded on balance sheet.

The Buy rating and $1.05 target are unchanged.

This report was published on August 26, 2024.

Target price is **$1.05** Current Price is **$0.61** Difference: **$0.44**
If **PLY** meets the Canaccord Genuity target it will return approximately **72%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **2.00** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **30.50**.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **2.00** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **30.50**.

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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