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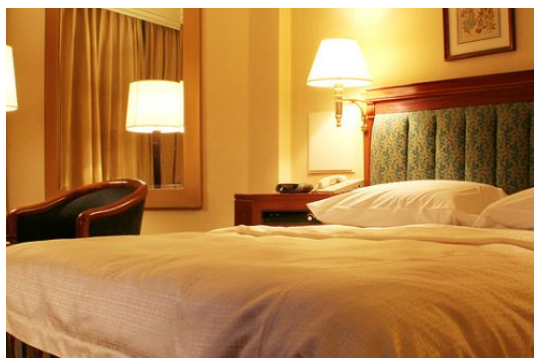
Friday, 18 October 2024



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AUSTRALIA

The Market In Numbers - 12 Oct 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	12 Oct 2024	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
NZ50	12845.640	1.79%	3.40%	3.40%	9.13%	9.63%
All Ordinaries	8491.50	0.89%	-0.55%	-0.55%	8.46%	5.96%
S&P ASX 200	8214.50	0.79%	-0.67%	-0.67%	8.22%	5.75%
S&P ASX 300	8157.60	0.82%	-0.63%	-0.63%	8.25%	5.83%
Communication Services	1609.30	0.66%	1.03%	1.03%	1.33%	7.20%
Consumer Discretionary	3803.80	1.64%	-0.91%	-0.91%	17.39%	8.32%
Consumer Staples	12415.00	0.99%	-0.40%	-0.40%	0.85%	0.30%
Energy	9317.50	-1.87%	2.07%	2.07%	-12.29%	-7.12%
Financials	8222.20	2.40%	0.01%	0.01%	22.38%	7.38%
Health Care	45320.70	1.66%	2.83%	2.83%	7.04%	2.41%
Industrials	7438.50	1.09%	-0.11%	-0.11%	8.34%	9.21%
Info Technology	2724.40	2.46%	0.26%	0.26%	48.64%	16.35%
Materials	17507.20	-1.43%	-4.42%	-4.42%	-10.17%	3.73%
Real Estate	4021.00	-1.13%	-0.75%	-0.75%	20.11%	12.85%
Utilities	9034.10	-0.29%	0.57%	0.57%	10.45%	-2.70%
A-REITs	1834.20	-1.15%	-0.75%	-0.75%	22.08%	12.92%
All Technology Index	3562.20	2.90%	2.54%	2.54%	32.23%	13.52%
Banks	3422.20	2.30%	-0.54%	-0.54%	23.12%	7.10%
Gold Index	8745.20	1.50%	0.27%	0.27%	18.70%	18.86%
Metals & Mining	5720.70	-1.53%	-4.52%	-4.52%	-11.53%	3.07%

The World

Index	12 Oct 2024	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
FTSE100	8253.65	-0.33%	0.20%	0.20%	6.73%	1.10%
DAX30	19373.83	1.32%	0.25%	0.25%	15.65%	6.24%
Hang Seng	21251.98	-6.53%	0.56%	0.56%	24.66%	19.94%
Nikkei 225	39605.80	2.51%	4.45%	4.45%	18.35%	0.06%
DJIA	42863.86	1.21%	1.26%	1.26%	13.73%	9.57%
S&P500	5815.03	1.11%	0.91%	0.91%	21.91%	6.49%
Nasdaq Comp	18342.94	1.13%	0.85%	0.85%	22.19%	3.44%

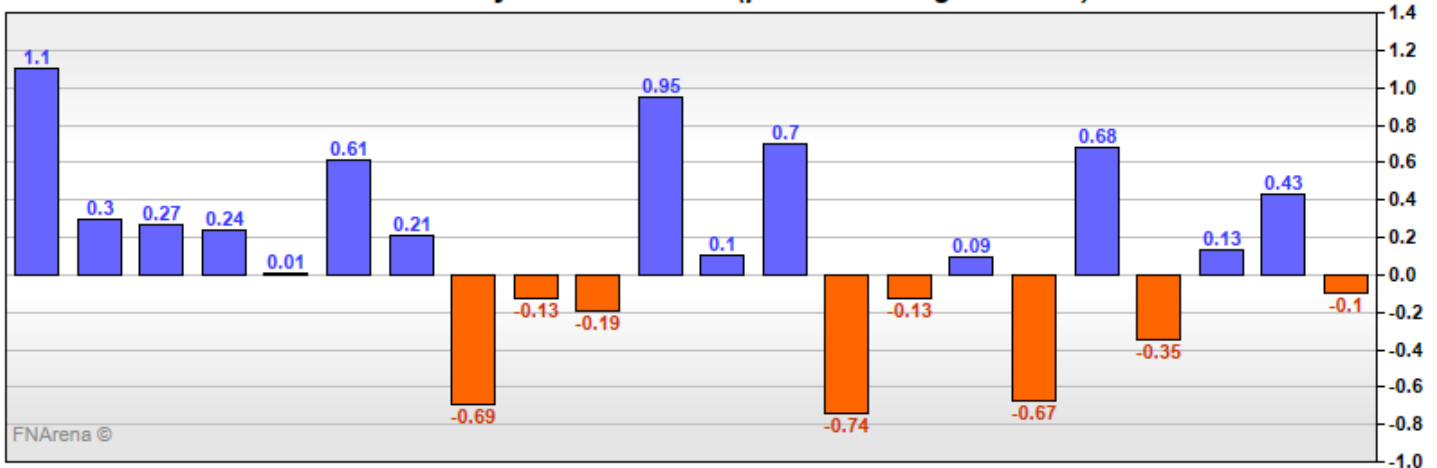
Metals & Minerals

Index	12 Oct 2024	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
Gold (oz)	2647.15	-1.07%	-1.28%	-1.28%	29.48%	13.23%
Silver (oz)	31.37	-2.85%	-1.69%	-1.69%	28.67%	7.25%
Copper (lb)	4.4480	-2.13%	-3.27%	-3.27%	16.81%	2.64%
Aluminium (lb)	1.1660	-1.85%	-1.74%	-1.74%	19.92%	3.69%
Nickel (lb)	4.5557	-43.20%	-40.59%	-40.59%	-38.74%	-41.43%
Zinc (lb)	1.3945	-0.68%	0.61%	0.61%	24.00%	5.16%
Uranium (lb) weekly	83.00	1.22%	1.22%	1.22%	-3.49%	-0.30%
Iron Ore (t)	105.81	-2.31%	13.80%	13.80%	-23.45%	-0.66%

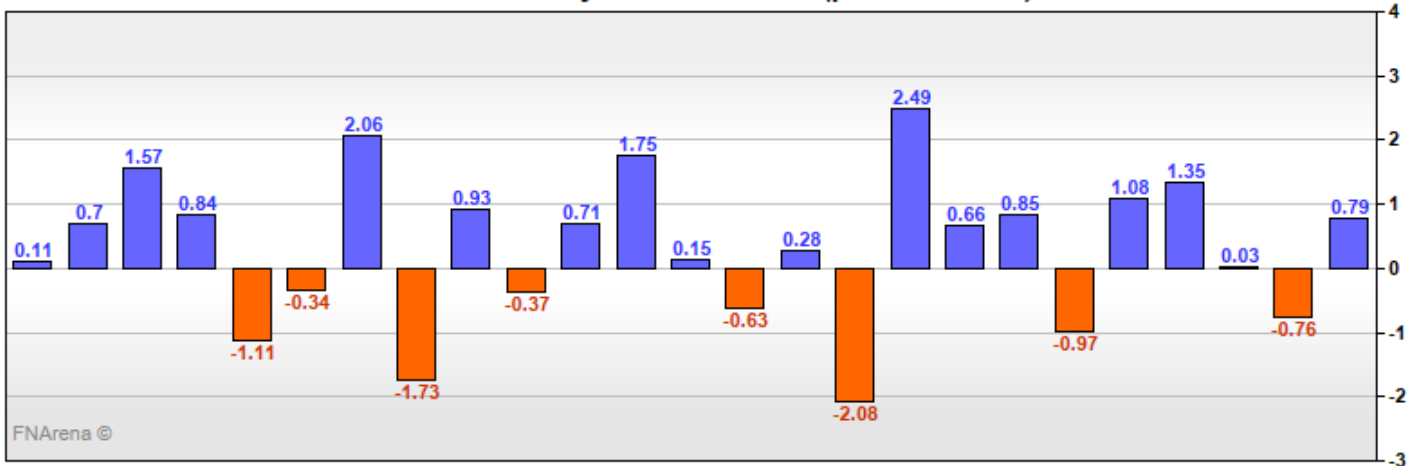
Energy

Index	12 Oct 2024	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
West Texas Crude	75.62	2.62%	10.17%	10.17%	2.45%	-7.62%
Brent Crude	79.06	1.83%	10.51%	10.51%	-0.25%	-7.47%

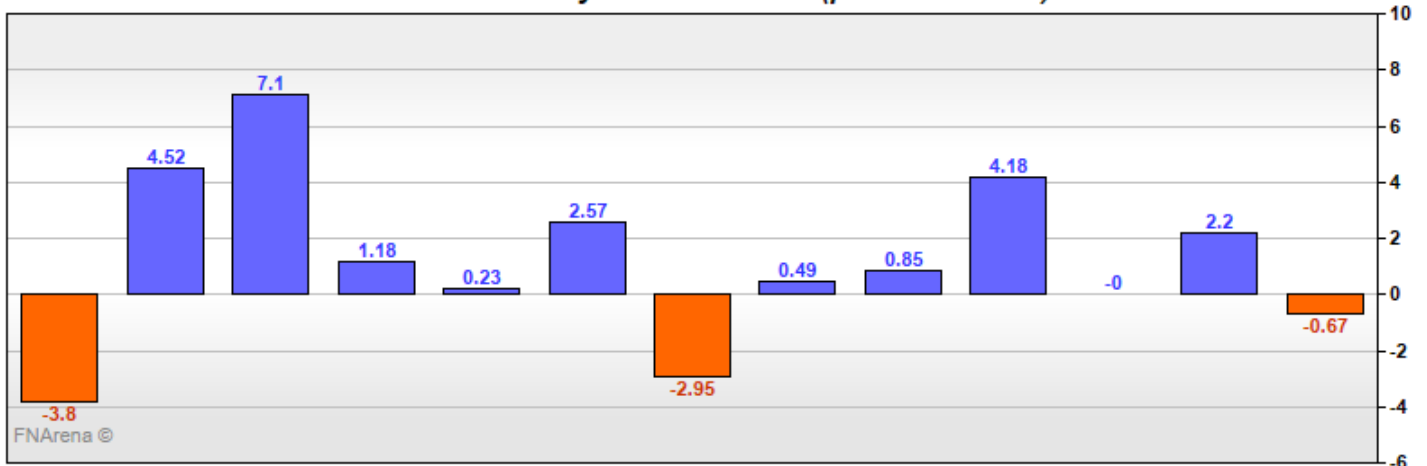
ASX200 Daily Movement in % (past 22 trading sessions)



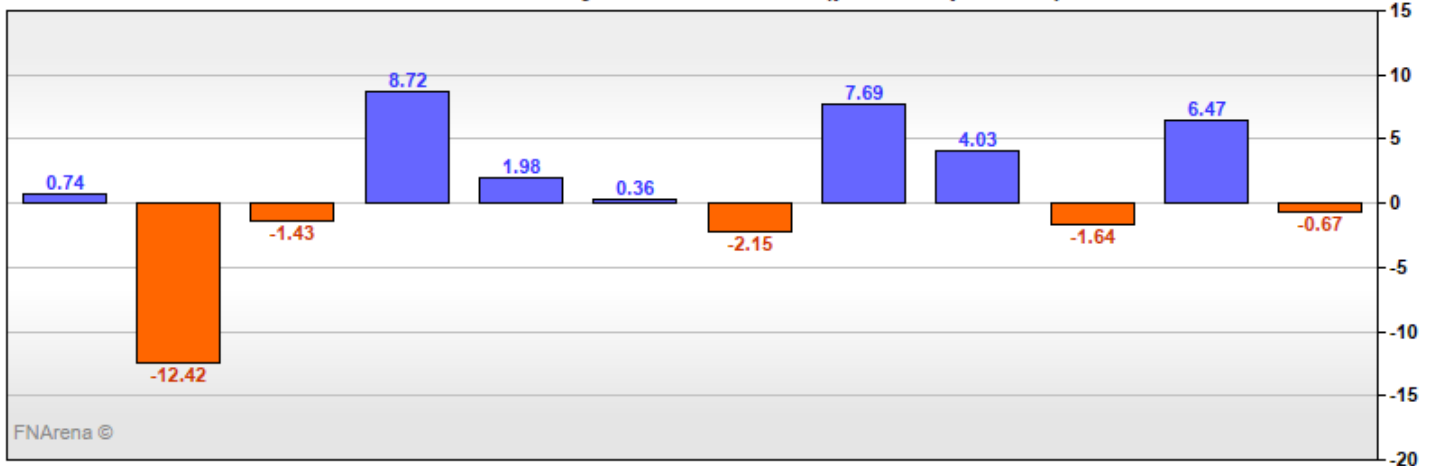
ASX200 Weekly Movement in % (past 25 weeks)



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.

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COMMODITIES

Material Matters: Oil's Uncertain Path

A glance through the latest expert views and predictions about commodities: After the recent oil price rally, brokers weigh the competing forces of geopolitical turmoil against negative oil market fundamentals.

- Updated oil price forecasts post disruption fears
- OPEC-Plus capacity and weak demand weigh
- Favoured ASX-listed oil exposures

By Mark Woodruff

There is a broad range of potential outcomes for the oil market in the weeks and months ahead, making forecasting a challenge for commodity analysts as weak underlying market fundamentals are counterbalanced by the unpredictable but highly inflammable geopolitical landscape.

Prior to last night's pullback, oil prices had increased by around 10% in the past three weeks to be trading at around US\$74/bbl (Brent) in anticipation of potential Israeli military action against Iran.

While there are market concerns around potential supply disruption arising from events in the Middle East, the OPEC-Plus alliance of 23 countries has spare capacity, which means it can compensate for sizeable supply losses, explains Morgan Stanley.

Further, the broker points out oil demand has continued to come in lower-than-expected in recent weeks mostly driven by weakness in China, and, to a lesser extent, India, the Middle East, Japan, and Korea.

Analysts at Jarden also highlight rising market concerns about the global economic growth outlook (particularly via China), while sentiment has taken a hit from recent media reports suggesting Saudi Arabia is threatening to increase output.

This broker maintains its US\$80/bbl near-term oil price forecast despite material upside and downside risks from the rising tensions in the Middle East. Upside should a supply disruption occur and downside if no disruption eventuates, explain the analysts.

Jarden's Brent oil price forecasts for 2025 and 2026 are also kept at US\$80/bbl.

Over at Goldman Sachs, the near-term price forecast falls to US\$70-85/bbl from US\$75-90/bbl though a temporary peak at US\$90/bbl is considered possible in the event of disruptions to Iranian supply.

Regarding LNG, Goldman continues to expect an upcoming wave of supply growth will soften prices from 2025/26.

The broker's commodities team also raises its Japan Korea Marker (JKM) forecasts (the key LNG benchmark for Northeast Asia) by 18% and 15%, respectively, for the second half of 2024 and 2025 to US\$13.5/mmbtu and US\$12.2/mmbtu.

While Citi maintains its crude oil price forecast for the fourth quarter of 2024 and the first quarter of 2025 at US\$74/bbl and US\$65/bbl, respectively, this broker's bull case scenario for both periods rises to US\$120/bbl from US\$80/bbl.

Concerns range from an attack on a refinery leading to disrupted crude oil and liquids supply, to losing most of Iran's crude oil exports, and a range of negative impacts on oil flows through the Strait of Hormuz, though Citi analysts consider the latter unlikely.

Highlighting forecasting difficulties, Citi assigns a 20% (up from 10%) probability the bull case scenario occurs, but also applies a 20% likelihood to a bear case with the oil price potentially dropping to US\$60/bbl.

Current supply-demand fundamentals show supply growth could exceed demand growth for multiple years, highlights the broker.

Overall, Morgan Stanley believes geopolitics will continue to support prices in the coming weeks or months.

This view is reflected in the broker's fourth quarter 2024 Brent oil forecast which increases to US\$80/bbl from US\$75/bbl.

And in the case of no actual supply disruption? At some point the analysts expect a temporary period of lower prices might be required to resolve the issue of Morgan Stanley's 2025 forecast surplus of 1.3mb per day.

As a result of this surplus beckoning, this broker predicts Brent oil will end 2025 at US\$70/bbl, down from the prior estimate for US\$75/bbl.



Preferred oil exposures

From among stocks under coverage by Morgan Stanley, Overweight-rated Santos ((STO)) is the preferred exposure while Beach Energy ((BPT)) is least desired with an Underweight rating. Citi, on the other hand, has a Neutral rating for Santos and Sell ratings for both Beach Energy and Woodside Energy ((WDS)).

A dividend cut appears necessary at Woodside, stated Macquarie last week, due to a near doubling of LNG portfolio scale by 2031-32.

The analyst is concerned gearing is set to rise to the top end of management's range in 2025, at a point when oil supply/demand balances are fundamentally loosening. Macquarie's target for Woodside was lowered by -18% to \$27 and the rating downgraded to Neutral from Outperform.

While the company is investing to reposition for the long-term, the broker suggested a prolonged heavy capex commitment will likely limit any share price re-rating for now.

Garnering widespread approval, Karoon Energy ((KAR)) has Buy ratings from Citi, Jarden and Goldman. While Morgan Stanley has an Equal-weight rating, four other brokers (including Citi) have Buy (or equivalent) ratings in the FNArena database.

Goldman also likes Buy-rated Strike Energy ((STX)) and the refiners Ampol ((ALD)) and Viva Energy ((VEA)) despite lowering gasoline and diesel crack spread estimates by -12% and -18%, respectively, to US\$11/bbl and US\$16/bbl.

Lower spread forecasts are due to falling Singapore light and middle distillate cracks against Dubai over the September quarter primarily on weak demand in China.

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ESG FOCUS

How the Tides Turn: Water Scarcity And Services In Australia

If climate change is primarily a water scarcity crisis, as the UN thinks it is, then ASX-listed De.mem might find its ambitions are supported by the next global megatrend.

- World's focus will shift to the importance of water (scarcity)
- Technologies to filter and purify water to become more crucial
- ASX-listed De.mem could find itself in operational sweet spot

By Ed Kennedy

It's often said that "water will be the oil of the 21st century." If one accepts that numerous wars of the past century took place over the acquisition and securing of oil supplies, one can't deny the sad reality that similar conflicts are likely to occur this century surrounding water. When a resource is scarce as water will increasingly become due to the impacts of climate change motivated parties will move to seize control of it.

But it doesn't need to be this way. With the use of the right technologies, there is the potential for a better path ahead, one where water security is enhanced and the safety of those who need it is ensured. The application of technologies like water filtration systems is a prime example of this. It's why the work of De.mem Ltd ((DEM)) is not just relevant in a local context but a global one not only for water security but for security as a whole.

Seeking Solutions That Won't Run Dry

To understand the reality of water scarcity and how to address it, it's essential to distinguish between sustainable and unsustainable water management practices. As the United Nations notes, "climate change is primarily a water crisis".

Yet, it also adds that "water can fight climate change. Sustainable water management is central to building the resilience of societies and ecosystems and reducing carbon emissions".

The Promise and Perils for Australia Regarding Water

The Australian government states that 81% of the nation is defined as rangelands commonly seen as part of the Outback and contends that 70% of the continent's land is semi-arid or arid. Despite these challenges, Australia has several advantages regarding the future of its water security. For instance, its achievements in developing water conservation management plans and improving irrigation efficiency in the agricultural sector are noteworthy.

Additionally, the rapid growth of solar power in Australia and the immense potential the nation possesses to become a "solar superpower" if the right steps are taken offers significant promise. This is due to solar power's capacity to be used in powering water treatment operations.

While initiatives like the Murray-Darling Basin Plan are not without critics, and solar power's potential does not guarantee outcomes, there is no doubt that Australia has the resources to develop a robust and resilient water management strategy.

Nonetheless, water scarcity and water management will become increasingly important considerations in the future both in Australia and globally. The value of companies that can offer solutions to these issues will grow, and firms like De.mem should indeed be monitored with interest, both for their activities in Australia and worldwide.



Pouring Over DEM's Progress

Founded in 2013, De.mem has established a domestic presence in Melbourne, Brisbane, Perth, and Launceston, while an international footprint via operations in Singapore and Germany. Over the years, its Australian operations have grown significantly, marked by acquisitions such as Akwa-Worx in 2017, and Pumptech Tasmania in 2019.

In 2021, De.mem acquired Capic, an Australian company DEM held to be "highly complementary by product, geography, and customer base, providing substantial cross/up-sell opportunities."

Despite these successes, De.mem has also experienced a turbulent performance on the ASX since its listing in April 2017 at just under 40 cents. While the stock saw a high of around 35 cents in October 2019 and around 34 cents in January 2021, it has also faced lows, hitting approximately 13 cents in August 2018, and approximately 10 cents in February 2024.

De.mem's Services On Tap

De.mem offers customised water treatment systems for use in commercial - specifically, facilities management - manufacturing, and industrial settings. The precise form these offerings take can be seen in the company's range of boilers, reverse osmosis systems, cooling water towers, and other products. In addition to the aforementioned sectors, De.mem also caters to the mineral processing and energy sectors, among others.

A key driver of the company's offerings is its 'membrane technology'. In September 2021, the company launched its proprietary 'graphene oxide-enhanced membrane technology', which incorporates GO nanoparticles into its existing polymer membranes.

This innovation is designed to lower operating costs and improve filtration performance by increasing water throughput and reducing fouling. De.mem also offers a range of other advanced technologies, including hollow fibre nanofiltration and ultrafiltration membranes.

The Ways and Means of Other Water Operators

Several major global players operating alongside De.mem affirm the intensity of competition in the space. Veolia Water Technologies, headquartered in France, is one of the largest companies in the water sector, as is Suez Water Technologies and Solutions, also based in France. In turn, companies like Fluence - headquartered in the USA with offices in Sydney and Melbourne - focus on decentralised water solutions, similar to De.mem.

Then, there's Aquatec Maxcon, headquartered in Ipswich, Queensland. Since its establishment in 1970 it has expanded to host another five offices across Australia, in addition to two abroad in Thailand and Indonesia. Alongside its Australian operations, it has also exported its offerings to nations throughout Asia including New Zealand, Papua New Guinea, Vietnam, and India.

Increasing the Flow

While it's indisputable that increasing water scarcity can lead to conflict, as highlighted earlier, the outbreak of hostilities or the maintenance of stability among stakeholders disputing water resources will depend on a multitude of factors.

That said, while much attention is focused on climate change action with significant media coverage always surrounding events like the UN's annual COP conference and its discussions about achieving net-zero emissions it's important to remember that even if all harmful emissions ceased today, the world would continue warming for many years to come.

Therefore, even the most ardent advocates of climate action must acknowledge the importance of climate change mitigation activities alongside efforts to reduce emissions.

In this context, organisations that enhance access to water through filtration and treatment provide valuable opportunities, particularly for Australia. Progress in this field, especially on this dry continent prone to droughts, could offer promising models for other nations seeking sustainable and effective solutions.

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Research reports on ASX-listed companies, to download in full.

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And another

one: <https://fnarena.com/index.php/download-article/?n=8B3B79DD-9189-4A81-F38E3FF6E2B52888>

Plus another

one: <https://fnarena.com/index.php/download-article/?n=8B63E0D7-A9D1-020A-920EC52774317A60>

-AFT Pharmaceuticals ((AFP)) by Edison Research:

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And another

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-Argent Biopharma ((RGT)) by Edison

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Research: <https://fnarena.com/index.php/download-article/?n=8BA87C46-0200-1E62-E2FB65ECB0667F2A>

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And another

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-October: <https://fnarena.com/index.php/download-article/?n=8C2D96EF-0279-C6C0-A2DD4A0FBF8805E0>

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INTERNATIONAL

Why US Small And Mid-cap Stocks Shine In Presidential Election Years

The health of the US economy trumps presidential politics, argues Federated Hermes' Charlotte Daughtrey, with quality smaller cap companies to benefit most.

By Charlotte Daughtrey, Equity Investment Specialist at Federated Hermes

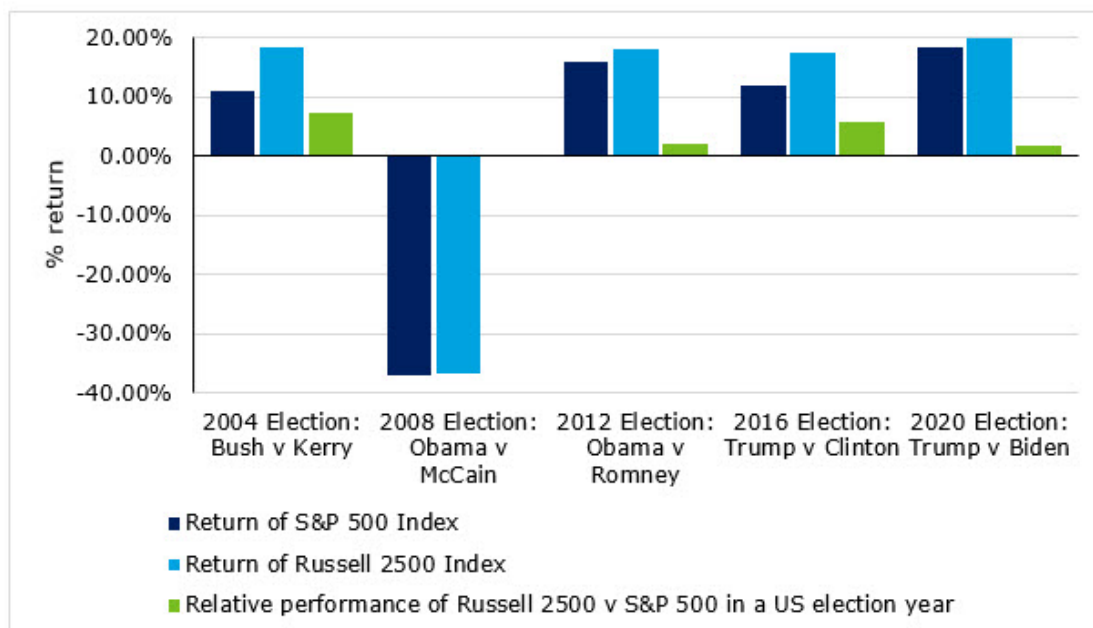
US election years, such as 2024, tend to be good periods for small and mid-cap (SMID) investors as the higher relative domestic exposure of these companies (c.70-80% versus c.50% for the S&P) typically benefits performance.

Presidential candidates across the political spectrum recognise that a strong economy wins votes and domestic smaller companies - the backbone of the US economy benefit from this.

Since the Hoover administration, the S&P500 has delivered an average of 6.2% annualised return in an election year. The Russell2500 doesn't have data going back to the 1930s, but since its inception in 2003, it has outperformed the S&P500 in every election year.

Notable also to the negative is the 2008 election, held in the midst of a significant economic downturn. While the returns from both indices were very poor, SMID did not meaningfully underperform large cap. While one datapoint doesn't make a trend, it is something for those waiting on the sidelines (or hiding in safe' mega-cap tech) to perhaps ponder.

Performance of US Equities in an election year



Will 2024 follow this pattern? The Presidential race so far has been fraught, with two failed assassination attempts on Trump and the clumsy withdrawal from the Presidential race of Biden.

Up to that point, most pundits had concluded that a Trump win was all but insured (and the market had responded accordingly) but since the entry of Harris into the race, much has changed.

The betting markets now see the outcome as much more finely balanced with either candidate a possible winner and the result ultimately depending on a small number of swing states and a matter of only a few

thousand voters. We shall see.

Given this uncertain backdrop, we believe that the best way to invest is in high quality companies with durable competitive advantage and sustainable growth, which are likely to continue to perform irrespective of who ends up in the White House. This will be our investment team's fourth election cycle, and a key lesson has been that economics pardon the pun always appears to trump politics.

So, let's look at the Federal Reserve: we are anticipating -150bps of further cuts over the coming months (in addition to the recent -50bps cut) which should act as a helpful tailwind to the economy and aid in achieving the much desired soft landing (we would take a bumpy landing, which we feel may be more realistic.).

Inflation appears to be moving in the right direction and cracks in the economy (particularly the lower end consumer) seem to be contained at this stage. Employment, although patchy in places, remains robust.

Yet the valuation of SMID cap companies remains low, both relative to large caps and their own history as much bad news has been baked into stock prices. This is likely to change over the coming quarters, in our view, as the broadening out' trade which we saw in July reasserts itself.

Specifically, we would anticipate ongoing profit taking in the "Magnificent 7" stocks coupled with reinvestment in a broader section of the market. This should reduce the valuation gap (currently 25%+) from historically large levels. A change in earning momentum is likely to be the catalyst for this: the winners of the last few years may not prove to be the biggest winners in the market going forward.

Elections typically generate a lot of noise. That said, it is important not to get distracted and remain focused on company fundamentals. As we stand now, the economic outlook appears acceptable, rates and inflation are heading down and SMID valuations are low.

This gives us confidence that, as in previous election years, the outlook for US SMID companies is promising. Since the team's inception in 2009 they have delivered an annualised return of 15.2% (net of fees).

A strategy focused on high quality, cash generative businesses bought at reasonable valuations has ensured attractive long-term returns, whichever party held the White House. There doesn't seem to be any reason to change that expectation now.

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

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INTERNATIONAL

China, What's Next?

Chinese authorities will have to do a whole lot more to fix their local economy, and share market, concludes XTB MENA's Hani Abuagla.

By Hani Abuagla Senior Market Analyst at XTB MENA

In recent weeks, we have seen a sizable gains in funds allocated to equity investments in China, primarily through the Hong Kong stock exchange.

Announced tools to stimulate the economy led to a strong rise in stock prices in late September and early October.

At one point, gains on the Hang Seng China Enterprises index exceeded those recorded by the world's most important index, the S&P 500, which has also been shining triumphs of late and trading at historic peaks day after day.

However, considerable disappointment over the lack of new plans to support the economy means that gains on Chinese stocks have already been capped by nearly -15%. Does it still make sense to bet on increases in the Chinese stock market?

Chinese authorities have decided to take directional action regarding the real estate market.

They have decided to cut a number of interest rates and to directly support banks, which would mobilise funds for loans or also allocate a certain amount of funds for stock purchases (primarily those companies related to the real estate market).

China's problems, however, are rather structural and are not solely about the weakness of one sector.

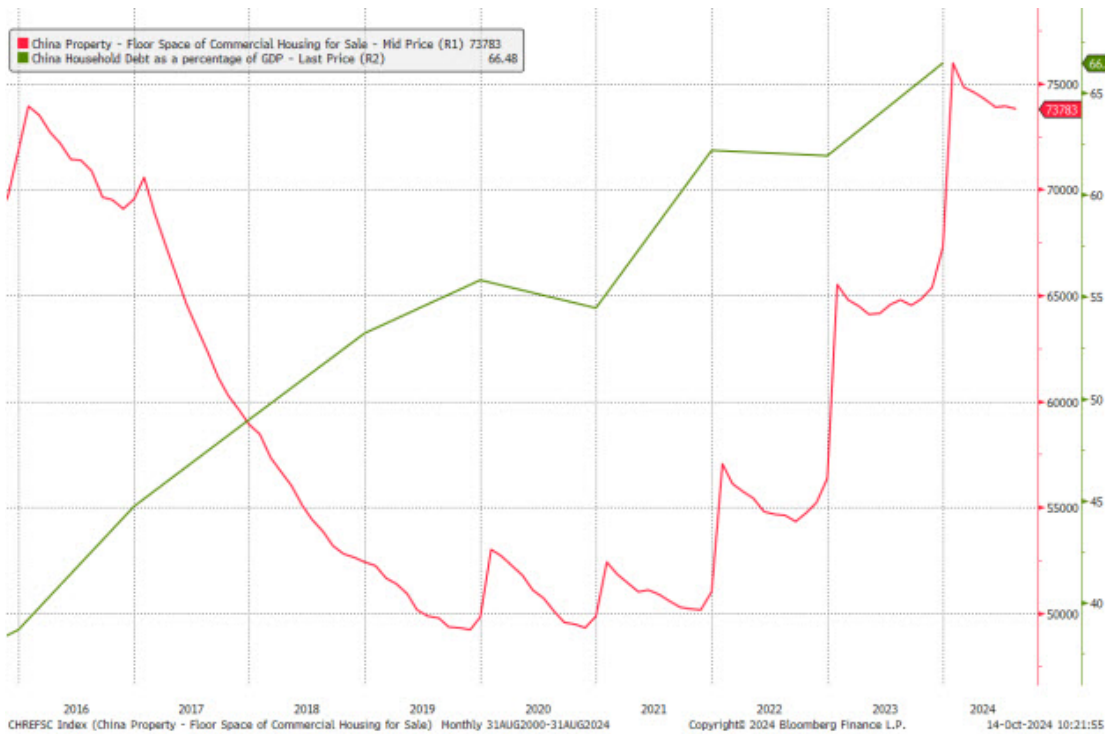
The problem is primarily that Chinese citizens no longer want to invest their funds in the real estate market and, just as importantly, they also have limited behaviour for the stock market, so there is a growing desire to save through ordinary deposits.

The number of vacant apartments for sale is now more than 60m, and the number of square meters exceeds 700m. This is a supply that, without the construction of new properties, would be enough for a 3-year sale.

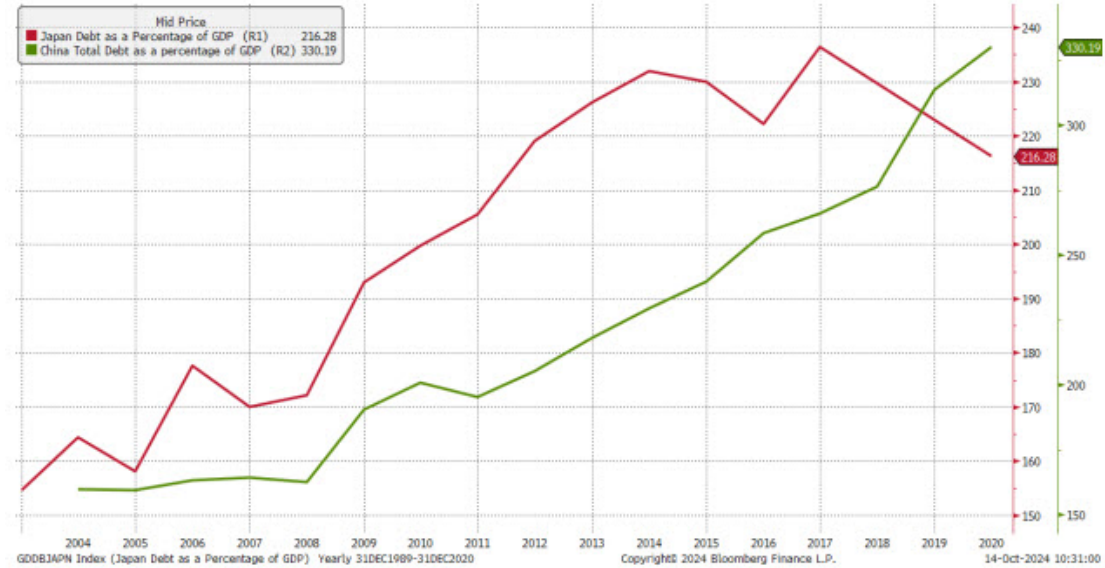
What's more, it should be noted that more and more citizens will be depleted in the near future, as China is likely to follow the path set by Japan a dozen years ago.

China also infamously boasts a far higher debt-to-GDP ratio, reaching over 300% in total and over 60% from a household perspective.

In view of this, it is apparent that the recent plan presented, without a clear commitment of fiscal policy, may not be sufficient.



The supply of housing when viewed from the perspective of square meters currently exceeds 700 million in China. This would be enough for 3 years of sales, without taking into account the construction of new apartments. Source: Bloomberg Finance LP



China's debt now exceeds 300% of GDP. Source: Bloomberg Finance LP, XTB

In view of this, at this point, it seems that the current measures are another blowout that will not lead to a permanent improvement in the situation.

Nevertheless, most likely this is not the end of the action and the authorities will try to improve the situation and meet their goals of achieving economic growth of 5% this year.

There have been multiple reports that the government intends to issue CNY2trn worth of bonds, which would be used to recapitalise banks, among other things.

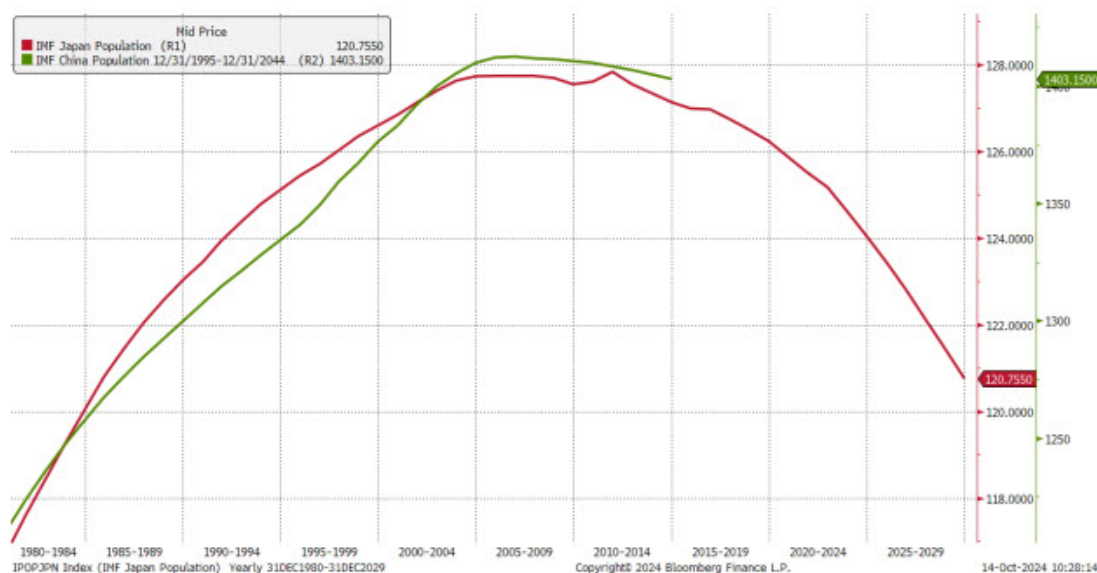
The Hang Seng China Enterprises index has lost about -15% since this month's peak and is already below its September close.

From the perspective of the 2021 peaks, the index is losing about -40%, and from the perspective of the historic 2007 peaks, the index is trading near -70%.

Chinese stocks are still very cheap, so with the announcement of the next support plan, a continuation of the current recovery cannot be ruled out.

In the longer term, however, without action to address the structural problems, there is nothing to count on the increases we see on Wall Street, or even on Japan's Nikkei 225.

However, it also cannot be ruled out that the PBOC's policy will follow in the footsteps of the Bank of Japan and include buying back shares through ETFs, which has been the basis for sustaining increases in the Japanese stock market for many years.



China may follow the Japanese scenario, given its declining population, which is obviously a very negative factor for the real estate market. Source: Bloomberg Finance LP



The Hang Seng CE is about -40% below its 2021 peaks. Despite the lack of a bright outlook for the economy, Chinese stocks are still cheap. Source: xStation5

Opinions expressed are not by association FNArena's.

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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RUDI'S VIEWS

Rudi's View: Five Key Risks To Consider

By Rudi Filapek-Vandyck, Editor

Can we trust our fellow-investors?

Many years ago, a local strategy update by UBS made that question the central premise of a share market assessment that, ultimately, resulted in the conclusion it was probably best to pull some profits to the sideline and prepare for more volatile times ahead.

With share markets near all-time record highs, and the forward-looking PE multiple for the ASX200 above 18x, a level seldom witnessed without a sell-off beckoning, while there are plenty of 'risks' lingering, it's probably an apposite question to ask ourselves.

In last week's edition, I explained how the resilience of markets and the steady rise in valuations this year can be explained by investors' forward-looking focus. It may still be the case that, come 2025, this year's confidence proves accurate and justified.

But markets are not 100% rational; they are made and moved by people.

The Nasdaq index year to date is up in excess of 22%, with the S&P500 not far behind and the Dow Jones (DJIA) up by 13.73%, ex dividends. In Australia, the local market including dividends has returned nearly 10% year-to-date. Many gains from individual equities have been multiple times larger.

Can we trust our fellow-investors to stay "confident" and "relaxed" when the proverbial hits the fan?

It used to be general market wisdom that 'bad things tend to happen when markets trade on elevated valuations', but it has been a while since I heard anyone referencing it.

Markets have been strong, for sure, and overall volatility has remained low. Outside of Australian banks, and the occasional hyped-up growth story, there hasn't been too much around to genuinely worry markets.

For every profit warning that came out of nowhere, like Web Travel Group's ((WEB)) on Monday, there are equally as many solid business stories around that offer lots of promise and upside. Appeased by central bank rate cuts, and the promise of a brave new world on the back of megatrends Gen.Ai, GLP-1s and others, markets have firmly kept their focus on the positives.

Let's assume, for our own general risk-assessment, that bad news does tend to happen when markets only take into account the positives from the future on the assumption that no interruptions will occur, what risks are there we can identify?



Key Risk Number One

I suspect the immediate threat to current tranquility resides within the Israeli war with Iran and its neighbouring proxies.

Thus far, US president Biden has managed to prevent direct Israeli attacks on Iranian oil infrastructure, but general sentiment inside the US capital is that Biden's influence seems to be waning.

A fresh update from analysts at RBC Capital concludes: "There is an expectation in Washington that Israel will indeed launch a major strike that will cause substantial damage".

If correct, I worry Iran will equally retaliate with force. Markets will have to price in the risk of broad escalation in the region.

RBC Capital: *"While administration officials hope that Iran will opt for a more calibrated counteraction to enable an offramp, the Iranian leadership is not expected to sit on its hands and do nothing."*

"While some officials at UNGA indicated that the newly elected reformist President Pezeshkian was exercising a restraining influence on Supreme Leader Khamenei, the Iranian Revolutionary Guard apparently drove the decision to launch the missile strike and may hold considerable sway in the coming weeks."

"We also continue to highlight that the US election calendar may also influence Netanyahu's war calculations, with American support potentially at its peak before the polls close on November 5."

"We believe that there is a corner of the market that will hit the sell button on any sign that Israel is taking a pass on hitting Iranian oil facilities, and wind the clock back by several weeks."

"We would caution that we may be entering the most dangerous retaliatory spiral of this one-year war, and the risk of a full regional confrontation will remain appreciably high, even if Kharg Island is spared in the next Israeli strike."

"Moreover, based on our conversations here, Israel apparently has a serious contingency plan on the books to inflict a devastating blow on Iran's oil industry."

Key Risk Number Two

I am not a political expert, but could a spike in hostilities between Israel and Iran turn into the much talked about 'October surprise' that turns election momentum decisively in favour of a second Trump presidency?

In that case, markets' focus will turn to the most obvious intentions that have been expressed; the slapping of import tariffs as high as 60% on Chinese products. Yes, there will likely be corporate tax cuts too, but those require procedure and time, while the promise is for tariffs to be applied from Day One of the new administration.

Right now, Wall Street has quietly accepted a win by Kamala Harris with a divided Congress remains the most likely outcome, and it is considered the least disruptive scenario too. But that's assuming a non-favourable

outcome won't be challenged by Trump and his loyal base, which I think is but a plausible scenario.

Key Risk Number Three

The US economy might escape recession this year and in 2025, but global momentum is still on a downward-sloping trajectory, also emphasised by ongoing sluggish momentum for the economy in China. This has weighed down commodity prices and share prices for the likes of BHP Group ((BHP)) and Rio Tinto ((RIO)).

September witnessed a rapid turnaround when China indicated fresh stimulus measures will be announced to pull GDP growth up to the government-targeted 5%, but that early enthusiasm remains very much dependent on Chinese authorities' ability to sustain investor confidence that all shall be rosy in the end.

That, by all means, remains far from guaranteed as the Chinese economy is now burdened by multiple structural headwinds and authorities are acutely aware they cannot simply throw more debt upon debt to remedy all internal problems, as it will create an even larger problem further out.

Not helping their cause is the fact export destinations in Europe and the US are no longer willing to accept cheap Chinese products that destroy their own manufacturing jobs. The challenge to keep the Chinese economy on song will only become more prominent if Trump's 60% tariffs turn into reality.

The Chinese economy is now burdened by an over-supply in houses and infrastructure, while construction companies have taken on too much debt. The resultant decline in property prices is sending builders to the wall, and weighing on consumer confidence generally while local governments are facing less income from land sales.

It should also be noted the Chinese population is shrinking and public debt is now one of the highest in the world. Among the positives is the authorities' resolve to continue supporting their domestic economy; one key difference with Japan after the bursting of its bubble in the early 1990s.

But also: total 'leverage' in China, combining public and private debt, as a percentage of GDP is now larger than for the US.

Chinese authorities know where the problems are. Their fix it initiatives aim to prop up the share market, at least stabilise property dynamics, support bank balance sheets and local government budgets, and restore consumer confidence. In the absence of a Big Bazooka stimulus program similar to what was applied during the GFC, it's going to take a while before concrete results can be observed and measured.

Which is why the resource sector's resurgence in September remains all about news flow, expectations, and general sentiment. At least for the short to medium term.

The one opposing thought that comes to mind is if the situation inside China would deteriorate decisively, be it because of a broader war or the Trump tariffs, the chances for another Big Bazooka stimulus program would plausibly increase.

Key Risk Number Four

Economic disappointment in the US and/or in China is by no means off the table, but a great deal of next year's corporate profit forecasts relies on strong margins as much as it depends on robust economic momentum.

While high valuations in 2024 can be justified on those projections, needless to say they are still projections and any changes in underlying dynamics can have material consequences. One added positive (which hopefully remains just that) is next year's margins should see the early impacts from businesses incorporating Gen.Ai.

Recent research by analysts at UBS has found virtually all of the corporate margin improvement in the US to date has come from interest rate cuts, lower taxes and technology companies. UBS struggles to find cyclical "attractive" but also notes most of the time cyclical and markets move in the same direction.

As far as economic indicators and signals are concerned, within the current context and markets set-up it's probably fair to say both mildly negative and mildly positive signals are supportive of markets, but sentiment can turn in case of more decisive negative or positive signalling.

One stand-out negative development would occur if earnings momentum for US corporates deteriorates. UBS

research states whenever this happens, markets tend to fall in 40% of occasions and in 47% of the time over the next year. Using a 13 weeks moving average, UBS believes US earnings momentum is starting to roll over.

The Q3 reporting season in the US has only just started. Its importance in the current context can hardly be over-stated.

Key Risk Number Five

Key risk number five is of a completely different nature; it's the melt-up that occurs after central banks have been forced to inject even more liquidity in markets. A coordinated policy loosening by China and the US could well provide such a trigger, analysts at UBS have suggested.

On their assessment, share market 'bubbles' tend to happen when equities have sharply outperformed bonds over a prolonged period of time, with corporate profits coming under pressure, helped by a narrative of 'this time is different' and with the memory of a previous precedent at least 25 years old.

The key ingredient that is missing today, UBS argues, are benign monetary conditions. That would change if the Fed cuts its cash rate to below 3% and Beijing announces its next Bazooka stimulus, including the People's Bank of China "printing" money. The broker adds there is US\$6.3trn currently stationed in money market funds in the US.

Some experts are calling out 'bad technicals', but there's certainly no agreement in that department, while the same observation can be made about investor positioning and/or 'sentiment'.

Putting it all together, and without any need for panic or onerous, outsized adjustments, the **FN Arena/Vested Equities All-Weather Model Portfolio** is lifting its allocation to cash on the sideline where it can wait for further developments and be re-allocated when opportunities start opening up.

In line with the philosophy behind this Portfolio, exposure includes multiple defensives including CSL ((CSL)), Woolworths ((WOW)) and Telstra ((TLS)), also with a skew towards larger-cap companies, as well as gold.

There's never a watertight guarantee on how markets and each stock individually might perform, but at this stage we remain confidently relaxed, also realising the risks mentioned are just that, not inevitabilities.

Last week's edition:

Part One: <https://fnarena.com/index.php/2024/10/09/rudis-view-market-reflects-risk-opportunities/>

Part

Two: <https://fnarena.com/index.php/2024/10/10/rudis-view-china-scepsis-energy-preferences-the-us-election/>

All-Weather Model Portfolio

The switch in market momentum in September has meant the All-Weather Model Portfolio could not keep up with the local index, but that's not such a bad thing in light of the significant gap in performance over the year past.

Among the positive contributors for the Portfolio in September were WiseTech Global, Goodman Group, Aristocrat Leisure, Macquarie Group, TechOne and gold. All these positive contributions have accumulated over multiple years, which fits in well with the underlying philosophy as well as the core of my personal research.

Period Ending 30/09/2024							
Name	Code	Type	1 mth	3 mths	6 mths	1 year	3 years
All Weather Portfolio	M00701	Capital	0.87%	7.36%	9.34%	28.72%	9.90%
All Weather Portfolio	M00701	Income	0.50%	0.72%	1.07%	2.09%	1.81%
All Weather Portfolio	M00701	TR	1.37%	8.08%	10.41%	30.81%	11.71%

FY24 review for the All-Weather Model Portfolio:

<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-C777-1A3EDA640E2F5BF>

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

FY21: <https://fnarena.com/index.php/download-article/?n=DFE82691-E53E-3CF5-17A2337D72CDB54F>

Video: Why FNArena & All-Weather Stocks

I've used my participation to the InvestmentMarkets' conference in July 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>

Model Portfolios, Best Buys & Conviction Calls

This section appears from now on every Thursday morning in a separate update on the website. See Rudi's Views for the archive going back to 2006 (not a typo).

FNArena Subscription

A subscription to FNArena (6 or 12 months) comes with an archive of Special Reports (21 since 2006); examples below.



(This story was written on Monday, 14th October, 2024. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

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

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

RUDI'S VIEWS

Rudi's View: AI, Lithium, Uranium & Steadfast

Part Two of this week's Weekly Insights contains:

- Profit forecasts in Australia and the USA
- Uranium stocks on the move
- Lithium spurred on by take-over enthusiasm
- Steadfast Group
- October Global Fund Manager Survey by Bank of America
- Best Buys & Conviction Calls
- FN Arena Talks

By Rudi Filapek-Vandyck, Editor

The local share market looks "expensive"?

On Macquarie's number crunching the market's Price-Earnings (PE) ratio has now reached 19x next year's (FY25) forecast EPS. Added info: on Macquarie's forward-looking projections the average EPS in Australia will be another negative -4.3%, following on from the negative -4.4% recorded for FY24.

Readers who pay attention will have noticed Macquarie's numbers look worse than market consensus which still assumes a recovery in local profits that has the average EPS growing (positive) by some 3%. UBS is expecting an upgrade cycle that will lift that number to circa 6% by mid next year.

The difference, it turns out, is Macquarie is a whole lot more negative on the resources sector; projected EPS -15.7%, having already printed a negative -17.4% for FY24. But even ex-resources, Macquarie's projections remain below average with projected FY25 EPS ex-resources sitting at 1.6% positive.

Whatever is our personal bias towards these projections, Australia remains positioned in the low-to-no-growth basket of global markets. Elsewhere around the globe analysts' forecasts are projecting a generally robust recovery in corporate profits with developed markets generally expected to see profit growth of 13% and with the USA yet again outperforming with an expected 15% growth on average.

It does make one wonder what exactly is the secret elixir that turns corporate America into the Obelix of the world, time and again?

One obvious ingredient, it turns out, is Gen.Ai. Past the millions of dollars in investments made into data centres and power generation capabilities, corporate America has become an enthusiastic integrator of the new technological breakthrough into business processes and supply chain management.

The result, if everything works out according to plan, is for extra growth acceleration through higher margins and/or additional revenues. Growth that otherwise would not be on offer.

But how confident exactly can investors be these forecasts do not end up as pie in the sky? Equity indices continue to reach for fresh all-time record highs and multiples look elevated including Gen.Ai benefits that are yet to show up, hence a little bit of skepticism looks at least a little bit justified.

Analysts at **Morgan Stanley** interviewed decision makers in 400 businesses over six different industries spread over five countries and it appears the early signals are supportive of analysts' forecasts. There's still plenty of hesitancy around, but those projects that are put in place are proving "surprisingly positive" outcomes, the analysts report.

In particular larger companies are noticing the benefits.

The survey also revealed a distinctive gap between larger and smaller-sized 'adopters' whereby the larger companies are focused on cost reduction (i.e. margin expansion) in contrast to smaller companies that are looking to increase revenues (i.e. grow the business).

Bottom line: Morgan Stanley's confidence in the delivery of concrete benefits through Gen.Ai via corporate profits in 2025 has only been strengthened. Wouldn't be the first time America is leading the rest of the world either.

Elsewhere, US strategists at the firm remain skeptical whether smaller caps in America are now poised to outperform the bigger end of the market. Many an investor is hoping for a small cap blast after 3.5 years of painful underperformance, but Morgan Stanley stoically refuses to join the crowd.

For small caps to decisively outperform, the economy needs to start firing on all cylinders, the strategists explain. By all means, there's no sign such acceleration in momentum is imminent. Morgan Stanley has upgraded US small caps to Neutral. That's as far as the strategists are prepared to shift at this point.

I'd be looking at buying some exposure to **uranium**, I suggested back in late July.

Share prices in ASX-listed uranium exposures were weakening noticeably and with the fundamental outlook for yellow cake only strengthening further, notably weaker share prices didn't seem to make much sense.

As it turned out, share prices continued to weaken for another two months. The tide seems to have turned in recent weeks and in particular this week robust rallies can be seen in share prices of Paladin Energy ((PDN)), Boss Energy ((BOE)), Lotus Resources ((LOT)), and others.

Over in North America, shares in industry leader Cameco have followed a similar pattern, quickly surging to an all-time record high this week.

As also reported in FNarena's **Weekly Uranium** report, short positions in ASX-listed exposures had been steadily on the rise throughout 2024, placing all three companies mentioned inside the Top Ten of most shorted stocks on the Australian bourse.

It'll be interesting to watch the ASIC data on shorts in the coming weeks to find out how many of those short positions are staying put.

My story from late July:

<https://fnarena.com/index.php/2024/07/25/rudis-view-how-to-invest-allans-300k-part-2/>

FNarena's **The Short Report**: <https://fnarena.com/index.php/analysis-data/the-short-report/>

A complete different dynamic has descended upon the local **lithium** sector this month. Having been the flavour *du jour* throughout 2021 and 2022, lithium producers and hopefuls have experienced the toughest of times since. If analysts' assessment of underlying demand versus supply dynamics proves correct, there's no quick end in sight for the industry's dire situation either.

Now enter Rio Tinto ((RIO)) paying up to acquire Arcadium Lithium ((LTM)), itself a merger between Australia's Allkem and Livent of the US that was only concluded in January this year.

Rio Tinto's move is remarkable given bigger brother BHP Group ((BHP)) has steadfastly refused to seriously consider moving into this sector as its in-house philosophy requires long-dated assets on relatively low costs to extract, which always proves invaluable when the elongated downturn arrives, as it now has for lithium.

Rio Tinto must have a different strategy then. My hunch is the company is banking on its size and balance sheet which, in comparison with all the lithium producers combined, remains gargantuan. Plus lithium will be no more than a small side-show in comparison with the cash flows derived from iron ore, copper and aluminium. Being by far the biggest in a tiny sector must have its advantages too.

Rio Tinto's acquisition of Arcadium Lithium did trigger renewed interest in other beaten-down share prices with

speculation rife as to whom might become the next corporate target.

Not sure whether there's any substance to such enthusiasm, however. As stated, BHP is not interested. I'll have the opportunity to meet up with local management at the Big Australian next month and I expect no change in view on this matter. Other Elephants in the mining industry, such as Vale and Anglo American, have no appetite either, local mining analysts suggest.

This puts the focus on the two giants inside the lithium industry, Albemarle and SQM, but both are reportedly hunkering down to sit out this nasty downturn. We probably shouldn't expect any moves from them either.

So who's left then?

A recent sector update by **Evans and Partners** suggests interest might come from industrial companies such as energy producers and chemicals companies. After all, assets are relatively cheap and sector dynamics will not remain as dire forever. Evans and Partners' sector favourite is Pilbara Minerals ((PLS)).

A sceptical Macquarie is not buying into the hype and decided to downgrade its ratings across the sector this morning. Rio Tinto's acquisition does validate the long-term value on offer, the broker suggests, and lithium prices might well have seen the bottom, but none of these two factors implies share prices should continue to rally.

Macquarie also downgraded Rio Tinto to Neutral, having a preference for BHP at the upper end of the sector.

Lots of questions have been asked by subscribers about my thoughts on insurance broker **Steadfast Group** ((SDF)). As most would know, an investigation by the ABC's Four Corners in September has put a big dent in the share price trajectory and the market is clearly hesitant to move back onto the register with gusto.

That investigative reporting unearthed what looks like a deliberate corporate strategy to strangle the Australian strata management market and keep pricing benefits artificially inflated. The company itself denies all allegations, as is always the case.

Firstly, I have liked the business for a long while. At some point I added it to my curated lists as a potential All-Weather and the robustness of this type of business itself is mirrored in overseas experiences.

As clearly shown on the ten year price chart, Steadfast has been great for shareholders, which is equally reflected in the financial numbers and metrics that underpin that share price performance up until September this year.

But what now?

My response to questions received has been two-fold:

Yes, indeed, the shares look undervalued and 'cheaply' priced, but one has to consider the potential for intervention by either the regulator or the government. This is why the market lacks confidence about what likely follows next.

Will we see imminent action? Strata management is corrupted in Australia. One has to feel for the many apartment owners confronted with very little recourse or oversight, but then housing is in a real crisis and that's when governments often feel compelled to do something. Even if it is only for positive optics.

The second consideration is a personal choice. If part of Steadfast's robust and reliable performance is based on an immoral stranglehold over a large chunk of local apartment owners, is owning shares in this company still okay and in line with one's own values and principles?

As said, that second consideration is personal and equally applies when considering gambling companies, coal producers, military weapons manufacturers, tobacco and alcohol, and the like. Running a business successfully tends to contrast with keeping clean hands and a pure conscience generally as also illustrated, yet again, by the latest accusations regarding supermarket owners Coles Group ((COL)) and Woolworths Group ((WOW)).

The same observations involve the local banks who won't miss a chance to slap an extra fee or reduce a

payment (let's not forget the insurers either).

Back to Steadfast; its growth trajectory will increasingly become a US-centric story where management and the board are on the look-out for acquisition opportunities. Lots of them.

In line with Weekly Insights part one as communicated first via email on Monday, the **FN Arena-Vested Equities All-Weather Model Portfolio** has decided to take some money off the table this month. To facilitate a slight increase in cash, the Portfolio has sold its exposure to Steadfast.

The company will remain on my personal selection, as investors can make up their own mind.

Regarding the above, the **October Global Fund Manager Survey by Bank of America** has recorded the biggest jump in investor optimism since June 2020. Direct triggers have been the Fed rate cut, China stimulus and increased confidence in a 'soft landing' for the US economy.

BofA analysts can clearly see "froth on the rise", but their Bull & Bear Indicator is still only at 7.1; not yet the big sell signal that is triggered when this indicator reaches 8.0.

In line with the spike in market optimism, the survey equally reveals the biggest jump in global equity allocation since June 2020 alongside a record drop in allocation to bonds. The big rotation has been in Emerging Market equities and discretionary and industrials ('cyclicals'), away from staples and utilities ('defensives').

The average cash level has now fallen below 4%, at 3.9%. Historically, reports BofA, this triggers a contrarian sell signal for the next three months.

The key negative coming out of the upcoming US election is seen with either party sweeping into a majority in Congress. 47% of respondents sees this outcome as a negative for the S&P500, also leading to higher bond yields and a stronger USD. Although views on the dollar are less uniform.

Best Buys & Conviction Calls

Ord Minnett has communicated its most preferred choices on the ASX:

- AGL Energy ((AGL))
- Alliance Aviation ((AQZ))
- ARB Corp ((ARB))
- Brambles ((BXB))
- CSL ((CSL))
- EQT Holdings ((EQT))
- Insurance Australia Group ((IAG))
- Judo Capital ((JDO))
- James Hardie ((JHX))
- Medibank Private ((MPL))
- Newmont Corp ((NEM))
- nib Holdings ((NHF))
- Pinnacle Investment Management ((PNI))
- Qantas Airways ((QAN))
- Regis Healthcare ((REG))
- Rio Tinto ((RIO))
- ResMed ((RMD))
- SRG Global ((SRG))
- Santos ((STO))
- Strike Energy ((STX))
- Telstra ((TLS))
- Vault Minerals ((VAU))
- Vicinity Centres ((VCX))
- Westpac Bank ((WBC))
- Waypoint REIT ((WPR))
- Xero ((XRO))

Wilsons' update on **Highest Conviction** investment ideas has led to the inclusion of Santos ((STO)) with Car Group ((CAR)), James Hardie, Hub24 ((HUB)) and Aristocrat Leisure ((ALL)) retaining their spot among domestic favourites.

Among **Research Ideas**, the following six names are seen as **Long Term Growth ideas**:

- Flight Centre ((FLT))
- Ridley Corp ((RIC))
- Universal Stores ((UNI))
- ARB Corp ((ARB))
- Neuren Pharmaceuticals ((NEU))
- Siteminder ((SDR))

For those with a more speculative mindset, Wilsons puts forward PYC Therapeutics ((PYC)). In the Resources sector, the choice is Beach Energy ((BPT)).

Wilsons' **Australian Equity Focus Portfolio** consists of the following:

- CAR Group
- Aristocrat Leisure
- WEB Travel Group ((WEB))
- Lottery Corp ((TLC))
- Collins Foods ((CKF))
- Breville Group ((BRG))
- Santos
- ANZ Bank ((ANZ))
- National Australia Bank ((NAB))
- Macquarie Group ((MQG))
- Westpac Bank
- Hub24
- Steadfast Group
- CSL
- ResMed
- Telix Pharmaceuticals ((TLX))
- Worley ((WOR))
- Xero
- TechnologyOne ((TNE))
- BHP Group
- James Hardie
- Evolution Mining ((EVN))
- South32 ((S32))
- Metals Acquisition ((MAC))
- Arcadium Lithium ((LTM))
- Sandfire Resources ((SFR))
- HealthCo Healthcare & Wellness REIT ((HCW))
- Goodman Group ((GMG))

New inclusions are: Web Travel Group, Santos, BHP, James Hardie and Metals Acquisition.

See

also: <https://fnarena.com/index.php/2024/10/10/rudis-view-china-scepsis-energy-preferences-the-us-election/>

FNArena Talks

Danielle has interviewed Nilesh Jasani, founder of GenInnov Global Innovation Fund. The video has been added to the website and is also available via YouTube:

<https://youtu.be/0mVrFMA2CUY>

Part One of Weekly Insights this

week: <https://fnarena.com/index.php/2024/10/16/rudis-view-five-key-risks-to-consider/>

(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.*

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SMALL CAPS

Guzman y Gomez Defying Consumer Squeeze

Mexican food chain Guzman y Gomez initially confounded the critics when it took off to an astronomical valuation, but brokers have since come to appreciate what's on offer.

- Guzman y Gomez explodes onto the fast food scene
- Healthy food at a higher price point
- Ambitious store growth goals
- Opinion remains split on valuation

By Greg Peel

Guzman y Gomez ((GYG)) opened its first Mexican fast food store in trendy Newtown, Sydney, in 2006. Newtown has in the past had a reputation as a graveyard for fast food chains. McDonalds opened there, then closed.

Guzman y Gomez is still in Newtown. Guzman y Gomez now has 210 stores; 185 in Australia and the rest spread across Japan, Singapore and the US. Guzman y Gomez must be doing something right.

The company's operations and performance have proved a bright spot in a difficult industry, Ord Minnett noted earlier this month, resilient in the face of pressures in the broader economy and consumer constraints.

Feedback from players in the broader fast-food industry, or quick service restaurants (QSR) as the sector likes to be referred to, suggests current trading conditions are tough, with sales growth hard to come by as strained consumers choose cheaper-value options and margins are being squeezed by persistent cost inflation. Securing the best-located real estate for medium and longer-term store expansion also remains a challenge.

Guzman y Gomez offers familiar Mexican dishes at a higher price point than burger and chicken joints. Ord Minnett sees the company's positioning as the "healthier" fast food choice largely compensating for its price disadvantage. According to the company, "Clean is the new healthy".

"Clean", in the context, does not just mean they wash the lettuce. The food, according to the website, has no added preservatives, artificial flavours, colours, or unacceptable additives.

Guzman y Gomez IPO'd in June at \$22 but shot up to \$30 on listing. By mid-September the stock was at \$40. The listing price had analysts shaking their heads. The fact the stock only rose thereafter was mind-boggling. QSRs do not attract that sort of over-the-top PE ratio.



Hard to Stomach?

Ord Minnett initiated coverage of Guzman y Gomez in mid-June, ahead of listing, with no rating and a \$15 target price, compared to the IPO price of \$22.

The broker viewed the company as a relatively small operator in a highly fragmented market and forecast the company could grow the store network three-fold over the next ten years. But despite impressive growth to date, Ord Minnett pointed to returns on investment below the cost of capital. The broker saw more value in Collins Food ((CKF)) (KFC, Taco Bell) and Domino's Pizza ((DMP)).

Since Ord Minnett's early scepticism, more initiations followed, but not until July and August when brokers had given the operation more scrutiny.

Morgans anticipated significant long-term growth potential, with earnings to benefit from strong operating leverage. This broker initiated coverage with an Add rating and \$30.80 target, noting near-term forecasts were broadly in line with prospectus estimates.

Morgan Stanley opened with Overweight and a \$31.80 target, highlighting several positives including: a unique offering that resonates with consumers; strong unit economics; and the ability to scale via a capital-light franchisee model. Volume growth will drive operational leverage, according to Morgan Stanley, and provide a significant tailwind to margins and profitability over the next three to five years.

On UBS' assessment, Guzman y Gomez offers attractive operational and financial attributes, featuring a large store network, total addressable market and quick new-store payback. Post the share price performance since the June IPO, UBS initiated coverage with a Neutral rating seeing the risk reward as more balanced against its \$31.00 target.

By late August, Morgans had downgraded to Hold from Add, but lifted its target to \$37.70 from \$30.80.

The company had revealed a robust start to FY25, with its sales growth for the first seven weeks ahead of guidance. Morgans noted the comparables Guzman y Gomez has to cycle would also get easier. 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.

But share price appreciation was the issue. Nevertheless, Guzman y Gomez has since been included in the ASX200.

Goldman Sachs initiated coverage early this month. This broker is cautiously optimistic on the QSR outlook now that consumer sentiment is trending positively and as interest rate expectations and recent tax cuts are now being factored in. Recent elevated population growth and a forecast return to growth in real disposable income and consumption are other factors behind Goldman's positive thesis.

Goldman Sachs opened with a Sell rating, suggesting the long-term store expansion goal appears overstated and due to an overblown valuation.

Ay Caramba

The index inclusion, and the company's first quarter trading update earlier this month, have been responsible for share price appreciation, Ord Minnett suggests. At some point, this broker had moved from "No Rating" to Hold, and had lifted its target from an early \$15.00 to \$27.70. White-labeling research from Morningstar had been traded-in for wholesale securities analysis conducted by Barrenjoey.

On the first quarter results, Ord Minnett (Barrenjoey) lifted again, to \$41.00.

Guzman y Gomez reported first quarter same store sales growth of 8.7%, above consensus and prospectus forecasts. For weeks 8-13, comparative sales growth accelerated to 10.2%, up from 7.4% in the first seven weeks. According to management, the uptick was due a strong delivery performance and successful execution of the "Clean is the New Healthy" campaign.

Furthermore, customer demand for value menu items such as the \$12 Chicken Mini Meal provided a boost.

Group sales rose 20.7% against 32.8% in the first quarter last year with five new store openings and management reconfirming the FY25 target of 31 new restaurants. The apparent slowdown is shrugged off by brokers given the faster pace of new store openings a year ago.

While management expects the company to meet FY25 prospectus guidance, consensus is optimistic guidance will be beaten.

UBS had downgraded its rating to Sell from Hold, and was unmoved by the strong result. All the good news is already well and truly in the share price, the broker argues. UBS lifted its target from \$35.00, which had earlier been \$31.00, to \$37.00.

Wilsons chimed in with an Overweight rating and \$41.14 target.

All Day, and All Of The Night

Guzman y Gomez is looking to expand its business into 24/7 operations to exploit the opportunities available in the breakfast and late-night markets, which would boost its average unit volume (AUV), i.e. average sales per store, which Ord Minnett notes a key metric in assessing performance of fast-food chains.

The broker's analysis shows breakfast and late-night sales make up just 7% of current total sales. This compares to McDonalds, the industry's largest player, which generates 33% of its sales from this segment. A ramp-up of drive-through sites by Guzman y Gomez to serve this segment will benefit its AUV, even as its breakfast option is more expensive relative to its competitors' offerings.

Following the analysis, Ord Minnett has raised its forecast for Guzman y Gomez's AUV in FY30 to \$6.3m from \$5.5m, noting McDonalds' local operations show a current AUV of \$7m.

Guzman y Gomez has ambitious growth targets with its prospectus targeting more than 1,000 Australian stores within 20 years, from less than 200 currently. Its business model offers an attractive investment opportunity and the potential for robust growth in revenue, earnings, and cash flow over a long-term horizon, suggests Ord Minnett.

Valuation multiples remain very stretched, however, leading the broker to maintain a Hold recommendation despite its target price rising to \$41.00 from \$27.70 due to the above-mentioned upgrade to AUV forecasts.

At the time of writing, Guzman y Gomez was trading at \$37.48.

There are four brokers monitored daily by FNArena covering Guzman y Gomez. Their ratings are split across one Buy or equivalent rating, two Hold and one Sell, with an average target of \$39.48 in a relatively tight range.

Wilsons is on Overweight with \$41.14 target, although the broker currently has that under review post the first quarter update. Goldman Sachs is on Sell with \$33.20.

Pass the guacamole.

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SMALL CAPS

What Happened To WEB Travel's Growth Outlook?

WEB Travel has downgraded revenue margin guidance for the second time in four months, raising questions of whether there are structural issues in the once buoyant European region.

- WEB Travel downgrades revenue margin guidance, again
- Europe the major culprit
- Forecasts slashed across the board
- Longer term valuation/optimism relies on sustainable margin

By Greg Peel

Late in September, Webjet implemented a demerger of its business-to-business and business-to-consumer divisions into two separate entities. The move was overwhelmingly approved by shareholders.

The B2B division became WEB Travel Group ((WEB)), specialising in the wholesale hotel bed bank market (WebBeds). The B2C division became Webjet Group ((WJL)), the online travel agency (OTA). Brokers applauded the opportunity for the much larger WEB Travel to unlock value and re-rate, while the smaller Webjet would benefit from greater focus.

A majority of brokers rated WEB Travel as a Buy, with the others on Hold. It didn't take long, nonetheless, for the wheels to start falling off.



At the Margin

In FY23 and FY24, when the two divisions were still part of the one company, the B2B division delivered revenue margins of 8%, which was in line with pre-covid levels. At the company's March strategy day,

management offered FY26-26 revenue margin guidance of 7.0-7.5%.

At the AGM in August, margin guidance of 7.0% was provided. This week, first half FY25 guidance has been lowered to 6.4%.

WebBeds' total transaction value (TTV) is up 26% year on year, in line with forecasts, yet margins are materially lower at 6.4%, below consensus of 7.1%. Implied first half FY25 revenue of \$168m represents -10% downgrade to consensus. A first half FY25 earnings margin of 44%, versus 52% a year ago, implies a -22% miss of consensus.

Operating expenses are up 15% year on year, 2% above consensus with the second half expected to be in line with the first. There was no mention of any change to a goal of \$5bn of TTV by FY25.

The deterioration in WEB Travel's margins in such a short period of time couldn't make the timing of the demerger worse, says Morgans, especially given it introduces additional costs. Whereas mergers bring about synergy opportunities in administration, demergers imply dis-synergies as administration is replicated.

What's going on in Europe?

Management pointed to three drivers of lower margins in Europe specifically, with Europe previously the company's highest margin region. Increased competition is an issue, as are volume rebates paid to customers.

Those rebates, known as "overrides", are expected to continue through to FY26. Overrides are payments made to WebBeds' customers (OTA's, apps etc) once they hit certain volume/TTV thresholds. Shaw and Partners anticipates override agreements with customers are renegotiated every 6-18 months which leaves a revenue drag of rising financial incentive payments to customers as TTV grows.

The other driver was a tough June-July period in Europe when WebBeds was impacted by tour operator FTI filing for insolvency, the European Football Championships and the Olympics.

Morgans struggles to understand the deterioration in the revenue margin in such a short period of time and why Europe has structurally been reset lower.

The step-down in revenue margins is problematic, Shaw suggests, with the region historically offering the highest revenue margins across WebBeds' key markets. This broker suspects macro weakness in Europe is compounding one-off factors, lowering its TTV mix within the group from the 37% recorded in FY24.

Revenue margins closer to 6.4% imply some -20% of revenue decrease in four months, Citi notes. This appears to be occurring despite positive European hotel RevPar (revenue per available room) data and strong transatlantic airline volumes and pricing. As a result, Citi estimates this implies a more idiosyncratic B2B risk unfolding.

Despite the one-off issues reversing (FTI, Football, Olympics), the new lower revenue margin guidance appears reflective of more structural change. Citi estimates increased competition from two larger industry players, and a new start-up from ex-Webjet employees in the Middle East as drivers. Nevertheless, more importantly is the rapid change in the competitive environment that will probably raise question marks around visibility, Citi warns, and whether there is elevated forecast risk.

[Side note: The IPO of said start-up, Hotelbeds, has been delayed until next year given uncertainty created by both Middle East conflict and the US election.]

UBS understands WEB Travel has now assumed its European revenue margin is structurally lower and more in line with its other regions. This doesn't completely add up to the broker given Europe is a more fragmented market with a greater number of independent hotels versus the US and Asia which are dominated by the hotel chains and OTAs and are more domestic markets.

Despite this, the FY26 earnings margin (EBITDA) is expected to rise to 50%. However, this would imply, UBS notes, that operating costs only increase by 4% in FY26 versus 13.4% in FY25.

Downgrades

The impact of WEB Travel's updated guidance has been material downgrades to broker earnings forecasts over FY25-27. The impact on the stock market was a -32% share price crash on the day.

Citi makes material revisions to forecasts following the update and its target price decreases to \$5.55 from \$8.25. The broker downgrades WEB Travel to Neutral from Buy on account of increased uncertainty and the rapid pace of change.

WEB Travel deserves to trade on a similar multiple to its domestic peers (FY26 PE of 14-15x), says Morgans.

Given earnings uncertainty and lacking any near-term catalysts, this broker has downgraded to Hold from Add. To become more positive on the stock, WEB Travel must deliver both strong top line and bottom-line growth, Morgans suggests. Target falls to \$5.25 from \$8.60.

Longer term, Macquarie expects WEB Travel will successfully grow TTV, however, a lack of visibility concerning revenue margins and opex and capex outlooks makes this broker cautious on the company's ability to drive operating leverage as it scales.

Management has guided to first half opex growth of 15% (largely from including corporate overheads) and flat half-on-half second half opex. This implies no underlying cost growth in FY25. Macquarie believes this is unsustainable longer term and forecasts cost growth returning to some 10% pa from FY26, in line with management's prior commentary. Opex growth is required to support staff increases as the company grows volumes in regions where it is less established.

Macquarie retains a Neutral rating, lowering its target to \$5.12 from \$7.63 and then, upon further consideration, lowering its target to \$4.48.

Ord Minnett suggests the first half trading update is likely to be remembered as much for the way in which the downgrade was communicated. The absence of a conference call created disappointment, confusion and selling in the face of a step-change in revenue margins. Despite all this, the investment thesis comes down to one simple question, the broker believes: Is the 6.5% FY25 revenue margin achievable moving forward and if so what levels of earnings (albeit rebased) does this imply?

Ord Minnett has dropped its target to \$6.14 from \$10.48, but that is complicated by the fact the broker also took the opportunity to remove the B2C division from its model. Ord Minnett nevertheless retains a Buy rating based on a 12-month timeframe.

Morgan Stanley has an Equal-weight rating and a \$7.00 target.

Shaw and Partners views FY25 as a rebasing year, with 20% earnings growth to resume in FY26. The broker's target falls to \$6.10 from \$9.80, but again has now removed the B2C division. Buy maintained.

UBS' Buy rating and \$10.00 target are now moot, ahead of the broker revising its modeling.

The seven brokers monitored daily by FNArena covering WEB Travel now have three Buy or equivalent and four Hold ratings between them. The consensus target has fallen to \$6.36 from \$8.82 (still including UBS).

Beyond, Goldman Sachs has cut its target to \$6.70 from \$8.20 and retains Buy. Jarden has an Overweight rating and target of \$7.10, while Wilsons has placed its Overweight rating and target under review.

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SMALL CAPS

COG Financial Services Screens 'Too Cheap'

A cheap valuation and chunky dividend yield make COG Financial Services a compelling story.

- Setting the macro stage
- In the growth slipstream
- Bolt-ons consolidate market share
- COG Financial Services shares too cheap to ignore

By Danielle Ecuyer

A Christmas rate cut in the offing

As share indices including the ASX200 hit all-time highs, investors may well start to cast their eyes over small cap laggards with scope for some earnings tailwinds from lower interest rates.

Thus far, Commonwealth Bank is one of the bravest to signal inflation will trend down sufficiently towards the end of 2024, allowing RBA Governor Michele Bullock and her board to deliver a surprise cut to the cash rate before Christmas.

Most economists have penciled in February next year, or maybe a little later.

Very few question the next RBA move will be to the downside, exact timing as yet unknown, and this likely opens the door to bombed out share prices of small cap companies on the ASX.

Enter COG Financial Services ((COG)), a rollup that has acquired over twenty companies since January 2020 and spent \$292m since December 2015, to evolve into a \$194m market cap diversified financial services group.

Acquisitions maketh the company

The company has three main segments, broking and equipment leasing, novated leases, asset management and lending.

The largest segment is broking and aggregation in equipment leasing for small-and-medium sized businesses. It has exposure across all Australian states and territories. NSW and Victoria are the largest.

In FY24, the company owned 795 broking firms, with 1767 brokers, 8637 novated lease customers and 38,584 salary packaging customers.

Bell Potter emphasised at FY24 results in August the company's "successful" track record in acquiring bolt on acquisitions at attractive valuations, with no signs of a slow down in FY25. Novated leasing is in the target range for management with almost \$91m in cash and \$3.8m in un-drawn acquisition finance debt available to use.

Casting an eye over the historical financials, Morgans explains COG is Australia's largest asset finance broker and aggregator. The company has settled since FY16 net asset finance at a 16% compound average growth rate to \$8.9bn in the latest FY24 earnings.

Since FY18 the company has expanded its commercial equipment net asset finance market share by a factor of three times to 21% from 7%.

Morgans, which initiated coverage this week, believes COG has a robust strategic position to capitalise on a fragmented sector, leaving the door open to being the only "acquirer" of scale in broking and aggregation locally.

Favourable demographics via immigration, population growth, increasing infrastructure spending, all, underpin positive tailwinds for SME business lending growth which has expanded at an average 5.5% annual rate over the last 20 years.

Lower interest rates would be the icing on the cake.

Recent acquisition Paywise contributed some \$18.3m in revenue over FY24 to the novated leasing business and boosted this division's margins to 11.8%, an increase of 3% on FY23.

Novated leasing has continued to benefit from the growth in electric vehicle demand with Morgans estimating COG has a relatively small market share of 5% to 10%, offering scope to grow, including via acquisitions. Favourable fringe benefit incentives for electric vehicles should continue to underwrite volume growth, the broker expects.



Digging into the financials

Breaking down the revenue split for the company, finance broking and aggregation was the largest contributor at \$281m in FY24, followed by novated leasing at circa \$147m and asset management/lending at around \$68m.

COG has reported an ongoing decline in its bad debt ratio to 0.45% in FY24 from 1.16% in FY20. Impaired assets have also declined to \$3m in the latest results, from \$8m in FY20, Morgans highlights, which is a reflection of the improved credit quality, as well as a greater emphasis on loans rather than leases which have more elevated loss rates.

The company's funds from wholesale markets which means lower interest rates will decrease funding costs and improve net interest margins.

For investors, management targets a 70% payout ratio with the latest estimated dividend yield on offer estimated by Morgans at 9%, calculated off a circa 60% payout ratio.

From a valuation perspective, the stock trades at a notable discount to the small ordinaries index, of eight times prospective price-earnings against 26x times for the index.

Compared to EPS growth expectations of around 12% for COG versus 16% for the index, Morgans, again, believes the discount is excessive in comparison to COG's growth outlook.

Admittedly, the last two fiscal years earnings haven't been quite up to investors' expectations or as Morgans describes "underwhelming" at -10% in FY23 and 0% in FY24. Several factors impacted including lower volume incentives in finance broking and aggregation, higher funding costs in asset management and runoff of the TL Commercial leasing book. Completion of the runoff is expected to generate \$5m in cashflow for COG.

COG is covered by three FNARENA daily monitored brokers; all with Buy-equivalent ratings. Morgans is the most conservative stressing a "speculative" aspect and the lowest of the targets at \$1.25.

Bell Potter's and Ord Minnett's targets are \$1.75 and \$1.63, respectively. All analysts highlight the compelling valuation and consensus forecast dividend yield of 8.9% (pre-franking).

While being upbeat about the company, both Morgans and Bell Potter acknowledge issues such as the

complexity of the business; the risks associated with novated leasing and possible regulatory changes, while a bolt-on acquisition strategy comes with its integration and adverse capital allocation decisions.

On balance, many of those perceived risks are viewed as discounted in the share price.

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WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 11-10-24

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

By Mark Woodruff

Guide:

The FN Arena 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 October 7 to Friday October 11, 2024

Total Upgrades: 2

Total Downgrades: 10

Net Ratings Breakdown: Buy 60.03%; Hold 32.08%; Sell 7.89%

For the week ending Friday October 11, 2024, FN Arena recorded two upgrades and eleven downgrades for ASX-listed companies by brokers monitored daily.

While percentage increases in average target prices were slightly greater than declines, changes in earnings forecasts were broadly equal as can be seen in the tables below.

Three brokers in the FN Arena database downgraded Arcadium Lithium to Hold from Buy (or equivalent) as 12-month targets were raised following the prospective takeover by Rio Tinto.

If successful, Rio will become the number three lithium miner globally, only behind US-based Albemarle and SQM in Chile.

Certainly, the analysts at Morgans believe a competing offer is unlikely to emerge and Arcadium shareholders will most probably vote in favour of the US\$6.7bn cash price offer.

Management at Arcadium assessed the offer as "compelling", which is unsurprising to Ord Minnett given the 90% premium to the undisturbed share price on October 4, prior to confirmation of takeover talk.

Rio shareholders generally consider the bid is counter-cyclical and makes sense, according to Citi, noting the 'cheaper to buy versus build' thesis is playing out.

Unsurprisingly, Arcadium Lithium heads up the positive change to target price list below, followed by Netwealth Group and Judo Capital.

For Netwealth, its September quarterly business update showed record first quarter FY25 growth in funds under administration due to net inflows of \$4bn, up from \$1.2bn in July.

The group registered \$7bn in funds under management for the first time, with market movements well ahead of consensus expectations, observed Morgan Stanley.

Management has a "high level of confidence" in the net flow outlook for FY25.

Judo Capital's average target price increased by around 7% mainly due to new research coverage by UBS with a

target of \$2.10, well above the prior average in the FNArena database of \$1.64.

Management's ambitions to scale are likely to be supported by structural drivers within the broader business banking market and via further commercial broker channel penetration, according to the analysts at UBS.

Some brokers are upbeat on the outlook for Judo while Citi remains sceptical as explained here: <https://fnarena.com/index.php/2024/10/11/strong-growth-prospects-for-judo-capital/>

Champion Iron received the largest percentage upgrade to earnings forecasts last week.

Rising ore grades at the company's Bloom Lake Mining Complex in Canada raised broker expectations for an increasing price premium against the iron ore benchmark.

A new high-grade direct reduction pellet feed (DRPF) project is 36% complete while the nearby Kami project is progressing towards both a feasibility study and a partnering process.

Apart from the ongoing payment of dividends, an investment in Champion Iron may also appeal to prospective shareholders to play the decarbonisation theme as explained in <https://fnarena.com/index.php/2024/10/10/quality-ore-elevates-a-champion/>

Operationally, "Guzman y Gomez is flying", noted Morgans last week, helping explain the company's second position on the earnings upgrade table.

A first quarter FY25 trading update showed Australian (including Singapore and Japan) network sales rising by 21.1%, compared to the 19.4% consensus forecast.

This broker noted a strong delivery performance and successful execution of the 'Clean is the New Healthy' campaign, while customer demand for value menu items such as the \$12 Chicken Mini Meal also provided a boost.

The US operation performed in line with expectations, Morgan Stanley highlights, with sales from new stores contributing.

Not everyone is convinced. While lifting its target to \$37 from \$35, Sell-rated UBS believes the good news is already well and truly in the share price.

The gold sector is also flying, helping lift Regis Resources into third place on the earnings upgrade table below.

Should the gold price hold around the current level and companies deliver on guidance, Citi sees plenty of potential share price upside within the sector.

The analysts forecast a \$3,000/oz Australian dollar gold price in 2025. For the long-term (in US\$), the broker's forecast was increased to US\$1900/oz from US\$1,850/oz early last week.

These forecast changes lifted the broker's target for Regis to \$2.20 from \$1.85

Following a September quarter operational update later in the week, Bell Potter also decided to lift its target to \$2.48 from \$2.02, largely due to its own higher gold price forecasts.

On the flipside, Liontown Resources experienced the largest fall in average earnings forecasts by brokers in the FNArena database last week, though the percentage decrease was exaggerated by small forecast numbers.

Bell Potter lowered its lithium price forecasts as supply deficits are now expected to develop a year later than previously forecast; in 2027.

This broker kept a Speculative Buy rating for Liontown, noting the current debt capacity is sufficient to take the Kathleen Valley project through to steady state production and positive free cash flow.

Because of Bell Potter's lower lithium price forecasts, Pilbara Minerals and IGO Ltd also appear third and fifth, respectively, on the earnings downgrade table.

In what has become a regular occurrence of late, Star Entertainment also features (second) on the negative change to earnings table.

Morgans lowered its FY25 earnings forecast by -65% due to negative operating leverage as year-on-year revenue is expected to fall, predominately due to regulation (mandatory carded play reducing turnover).

At the same time, Star's NSW jobs guarantee and elevated compliance costs, mean year-on-year opex reductions are materially less than revenue reductions.

Brokers also dished out a rough week for APA Group, ensuring fourth place on the earnings downgrade table

and second for percentage fall in average target price.

UBS lowered its target for the group to \$6.60 from \$8.05 and downgraded to Sell from Neutral after a review of growing commercial and funding pressures resulted in a sharp reduction in the broker's long-term earnings forecast.

The analysts suggested management's growth ambitions are constrained by the balance sheet, and a combination of new equity (up to \$1bn), hybrids, and/or cutting the dividend may be required.

The broker also acknowledged other options are available for the pipeline owner such as selling off assets either in full or partially.

Total Buy ratings in the database comprise 60.03% of the total, versus 32.08% on Neutral/Hold, while Sell ratings account for the remaining 7.89%.

Upgrade

MAGELLAN FINANCIAL GROUP LIMITED ((MFG)) Upgrade to Neutral from Underperform by Macquarie .B/H/S: 0/3/1

Management's key strategies are yet to deliver sustained relative investment outperformance at Magellan Financial after several difficult years, observes Macquarie.

While outflows have stabilised, the analyst fails to see how meaningful inflows can be generated until investment performance metrics consistently outperform benchmarks.

First quarter FY25 retail outflows spiked to -\$1.8bn as Magellan Global Fund (MGF) close-ended funds under management (FUM) was converted to open-ended.

As the funds management multiple now represents more reasonable value, the broker's rating for Magellan Financial is upgraded to Neutral from Underperform. The target rises to \$9.50 from \$9.45.

SELECT HARVESTS LIMITED ((SHV)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 2/1/0

Post the Australian Almond Conference last week, Ord Minnett believes the issues faced by Select Harvests which resulted in an emergency capital raisings and earnings downgrade were industry systemic rather than company specific.

The company has been let off the hook for not scoring an "own goal".

The industry is expecting a return of volumes in 2024 as well as a good start to 2025 crop season.

Better industry conditions helped raise the target price to \$4.60 from \$4.35 and upgrade the stock to Accumulate from Hold.

Downgrade

APA GROUP ((APA)) Downgrade to Sell from Neutral by UBS .B/H/S: 2/2/1

UBS has downgraded APA Group to Sell with a sharply reduced price target of \$6.60 from \$8.05 prior. The broker's review of growing commercial and funding pressures has resulted in a sharp reduction in long-term earnings forecasts.

UBS sees APA Group's ambitions constrained by the balance sheet. A combination of new equity (up to \$1bn), hybrids and/or cutting the dividend may be required to fund management's growth ambitions, the broker suggests.

The pipeline owner does have options available, such as selling off assets, in full or partially, the broker acknowledges.

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

Increasing downside risk to Bell Potter's 2024 revenue forecast for DroneShield forces the analysts to lower the SaaS revenue forecast over 2025 and 2026.

Year-to-date, the broker had expected more than \$40m in contract wins instead of \$31.3m after the recent \$13.5m contract from a repeat US Government customer.

The target remains at \$1.35, but the rating is downgraded to Hold from Buy.

GRAINCORP LIMITED ((GNC)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 3/2/0

Bell Potter removes around -1mt of grain from its FY25 estimate to reflect the potential impact of crop losses after reports of 50-60% frosting in some parts of the Wimmera-Mallee.

For GrainCorp, the broker reduces FY25 and FY26 profit forecasts by -6% and -1%, respectively, on a lower FY25 winter crop forecast.

The broker lowers the target to \$9.80 from \$10.20 and downgrades to Hold from Buy.

ARCADIUM LITHIUM PLC ((LTM)) Downgrade to Hold from Buy by Ord Minnett and Downgrade to Hold from Buy by Bell Potter and Downgrade to Hold from Add by Morgans .B/H/S: 2/4/0

Matching the takeover offer price by Rio Tinto, Ord Minnett raises its target for Arcadium Lithium to \$8.60, positioning the former as the number three lithium miner globally, only behind US-based Abemarle and SQM in Chile.

Management at Arcadium Lithium assessed the offer as "compelling", which is unsurprising to the broker given the 90% premium to the undisturbed share price on October 4, prior to confirmation of takeover talks.

Ord Minnett downgrades Arcadium to Hold from Buy.

Bell Potter has downgraded lithium price forecasts due to the current supply/demand outlook. The broker anticipates supply deficits will now develop a year later than previously forecast in 2027. Higher incentive prices are expected from 2026.

The broker believes the approach from Rio Tinto ((RIO)) to acquire Arcadium Lithium makes strategic sense given Rio's aim to develop lithium operations at scale.

Arcadium Lithium offers the company a lower-risk profile with approved development and expansion projects, as well as an "integrated chemicals business" at the lower end of the cost curve.

Rating downgraded to Hold from Buy. Target price lifts to \$6.55 from \$6.25.

Having initiated coverage of Arcadium Lithium with an Add rating and \$5.40 target price earlier this month, Morgans raises the target to \$8.60 to align with the takeover price agreed to with Rio Tinto ((RIO)).

As the share price is now approaching this new target price, the broker's rating for Arcadium is downgraded to Hold from Add.

The analysts believe it unlikely a competing offer will emerge, and also unlikely shareholders will vote against the offer.

NATIONAL AUSTRALIA BANK LIMITED ((NAB)) Downgrade to Reduce from Hold by Morgans .B/H/S: 1/0/4

Morgans retains an Underweight view on the major banks due to stretched valuation metrics with the following order of preference: Westpac, ANZ Bank, National Australia Bank and CommBank.

Interestingly, when it comes to quality the broker's preference changes to CommBank, NAB, Westpac and ANZ. Outside of the big four, the analysts remain attracted to Judo Capital's outstanding growth potential.

For National Australia Bank, the Hold rating is kept, and the target falls to \$31.61 from \$32.61.

NETWEALTH GROUP LIMITED ((NWL)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 2/5/0

Ord Minnett raises its target for Netwealth Group to \$27 from \$22 and downgrades to Hold from Accumulate following an "excellent" 1Q trading update. Management has a "high level of confidence" in the net flow outlook for FY25.

Global equity markets provided a strong boost and net flows of \$4.0bn beat the \$3.5bn forecast by the analysts.

Group funds under management (FUA) of \$95.4bn at quarter's end was ahead of the broker's \$92.5bn estimate.

STAR ENTERTAINMENT GROUP LIMITED ((SGR)) Downgrade to Reduce from Hold by Morgans .B/H/S: 0/3/1

Star Entertainment reported FY24 results in line with June's guidance, the analyst at Morgans highlights.

The appointment of Steve McCann is believed to be positive and may improve the chances of "reclaiming" the license in Sydney. But the broker remains concerned about the change to mandatory card play (MCP) and cash limits in NSW.

MCP will be enforceable across entire gaming floors by October which is considered likely to result in a further decline in trading into September from August's fall of -11%. The policies may eventually be put in place in Qld.

Rising costs are also impacting with the possibility of brand cannibalisation of the Gold Coast property from Queens Wharf Brisbane, the broker suggests.

Morgans decreases EPS forecasts substantially, almost -600% in FY25 and -41.4% in FY26.

Stock is downgraded to Reduce from Hold with a 22c target price.

WOODSIDE ENERGY GROUP LIMITED ((WDS)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/4/1

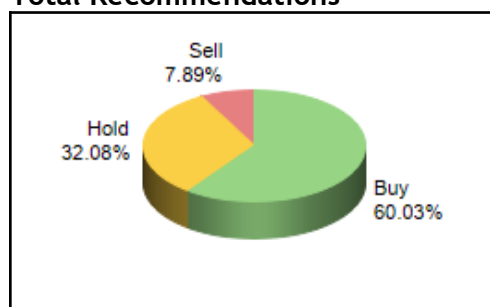
Following Woodside Energy's recent acquisitions and the Louisiana LNG final investment decision (FID), Macquarie sees a near doubling in LNG portfolio scale by 2031-32.

Because of the company's aggressive growth strategy which entails a prolonged heavy capex period, the broker expects a lower dividend outlook.

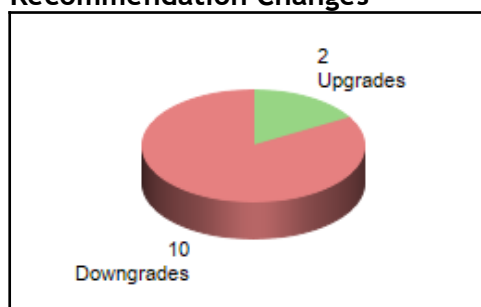
After implementing a dividend cut and selling down -50% of Louisiana LNG, the broker still has Woodside at the top end of its gearing range over 2025-28.

Macquarie lowers its target for Woodside Energy by -18% to \$27.00 after assuming a lower multiple to reflect a 35/65 weighting of US/EU peers from the 75/25 split prior. The rating is downgraded to Neutral from Outperform.

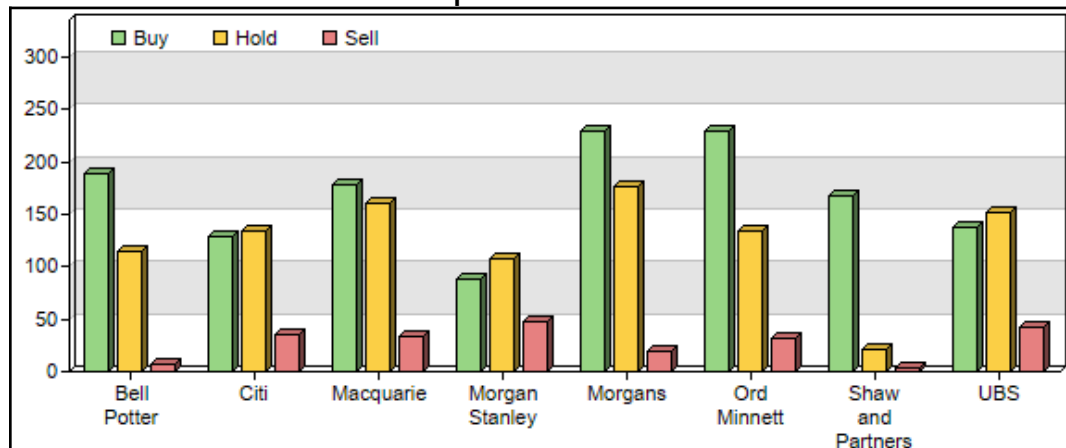
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	MAGELLAN FINANCIAL GROUP LIMITED	Neutral	Sell	Macquarie
2	SELECT HARVESTS LIMITED	Buy	Neutral	Ord Minnett
Downgrade				
3	APA GROUP	Sell	Neutral	UBS
4	ARCADIUM LITHIUM PLC	Neutral	Buy	Bell Potter
5	ARCADIUM LITHIUM PLC	Neutral	Buy	Ord Minnett
6	ARCADIUM LITHIUM PLC	Neutral	Buy	Morgans
7	DRONESHIELD LIMITED	Neutral	Buy	Bell Potter
8	GRAINCORP LIMITED	Neutral	Buy	Bell Potter
9	NATIONAL AUSTRALIA BANK LIMITED	Sell	Neutral	Morgans

10	NETWEALTH GROUP LIMITED	Neutral	Buy	Ord Minnett
11	STAR ENTERTAINMENT GROUP LIMITED	Sell	Neutral	Morgans
12	WOODSIDE ENERGY GROUP LIMITED	Neutral	Buy	Macquarie

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	LTM	ARCADIUM LITHIUM PLC	7.017	5.600	25.30%	6
2	NWL	NETWEALTH GROUP LIMITED	24.929	22.193	12.33%	7
3	JDO	JUDO CAPITAL HOLDINGS LIMITED	1.753	1.638	7.02%	6
4	RRL	REGIS RESOURCES LIMITED	2.106	1.990	5.83%	7
5	SGP	STOCKLAND	5.530	5.263	5.07%	4
6	CNI	CENTURIA CAPITAL GROUP	1.972	1.886	4.56%	5
7	RPL	REGAL PARTNERS LIMITED	4.483	4.300	4.26%	3
8	ARF	ARENA REIT	4.353	4.188	3.94%	4
9	GOZ	GROWTHPOINT PROPERTIES AUSTRALIA	2.650	2.550	3.92%	3
10	SCG	SCENTRE GROUP	3.684	3.550	3.77%	5

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	SGR	STAR ENTERTAINMENT GROUP LIMITED	0.315	0.385	-18.18%	4
2	APA	APA GROUP	7.934	8.562	-7.33%	5
3	LTR	LIONTOWN RESOURCES LIMITED	0.975	1.042	-6.43%	6
4	WDS	WOODSIDE ENERGY GROUP LIMITED	27.890	29.140	-4.29%	6
5	PMT	PATRIOT BATTERY METALS INC	0.930	0.960	-3.13%	5
6	KAR	KAROON ENERGY LIMITED	2.276	2.316	-1.73%	5
7	IGO	IGO LIMITED	5.725	5.825	-1.72%	6
8	BPT	BEACH ENERGY LIMITED	1.461	1.483	-1.48%	7
9	MIN	MINERAL RESOURCES LIMITED	49.357	49.929	-1.15%	7
10	PWR	PETER WARREN AUTOMOTIVE HOLDINGS LIMITED	1.827	1.847	-1.08%	3

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	CIA	CHAMPION IRON LIMITED	61.293	47.696	28.51%	3
2	GYG	GUZMAN Y GOMEZ LIMITED	14.733	11.800	24.86%	4
3	RRL	REGIS RESOURCES LIMITED	24.960	21.780	14.60%	7
4	COE	COOPER ENERGY LIMITED	0.833	0.767	8.60%	4
5	MIN	MINERAL RESOURCES LIMITED	-50.417	-52.433	3.84%	7
6	LTM	ARCADIUM LITHIUM PLC	14.700	14.180	3.67%	6
7	AGL	AGL ENERGY LIMITED	96.200	93.150	3.27%	4
8	BOQ	BANK OF QUEENSLAND LIMITED	45.060	43.660	3.21%	6
9	PRU	PERSEUS MINING LIMITED	35.507	34.575	2.70%	4
10	WBC	WESTPAC BANKING CORPORATION	192.450	190.700	0.92%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	LTR	LIONTOWN RESOURCES LIMITED	-4.875	2.500	-295.00%	6
2	SGR	STAR ENTERTAINMENT GROUP LIMITED	-1.833	-0.700	-161.86%	4
3	PLS	PILBARA MINERALS LIMITED	2.820	3.280	-14.02%	6
4	APA	APA GROUP	17.867	20.780	-14.02%	5
5	IGO	IGO LIMITED	7.725	8.725	-11.46%	6
6	FBU	FLETCHER BUILDING LIMITED	14.370	15.068	-4.63%	4
7	ELD	ELDERS LIMITED	44.350	45.033	-1.52%	6
8	EVN	EVOLUTION MINING LIMITED	32.420	32.880	-1.40%	5
9	PWR	PETER WARREN AUTOMOTIVE HOLDINGS LIMITED	17.167	17.400	-1.34%	3
10	BSL	BLUESCOPE STEEL LIMITED	128.325	129.950	-1.25%	4

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: Nuclear Support Broadening

Technological innovation in nuclear energy power generation is the growing narrative behind a positive outlook on uranium.

- Sprott Physical Uranium Trust actively buying
- U308 companies top of the short positions in ASX200
- US administration pushes technological innovation

By Danielle Ecuyer

Spot market doing its thang

Last week's spot market was characterised by "fluctuations" in the U308 price, industry consultants at TradeTech report, with spot pricing ending the week up US\$0.50 to US\$83lb.

This brings the recent rally over the previous four weeks to 5% or a 19% gain on a year earlier.

Volumes in the spot market remain "subdued" TradeTech highlights, although the Sprott Physical Uranium Trust has been in the market, acquiring 400k pounds of U308 in the last month. This includes 100k purchased last Friday, the consultants note.

TradeTech's Mid-Term U308 price indicator stood at US\$86lb and its Long-Term price indicator at US\$82lb.

Short interests won't budge

ASIC data on short positions in the Australian sharemarket show four out of the local Top 20 are uranium stocks. Paladin Energy ((PDN)) is sitting as the third largest short at 13.79%, up from 10.1% a month ago, and steady on a week earlier at 13.92%.

Boss Energy ((BOE)) shows the fourth largest short interest at 13.51% compared to 12.66% a week earlier and 9.35% four weeks previously.

Deep Yellow ((DYL)) is number eight in the top twenty at 9.88%, versus 9.86% a week ago and 8.45% a month earlier. Lotus Resources ((LOT)) comes in at number twelve with an 8.37% short interest.

Bell Potter highlighted this week Boss Energy is highly leveraged to the spot price as the company is largely uncontracted. The analyst recently visited the opening ceremony for the Alta Mesa site which is co-owned with enCore Energy under a 70/30 joint venture. Alta Mesa commenced production in June as an in-situ recovery style operation in South Texas.

The broker stressed execution at Honeymoon remains "critical", retaining a Buy rating and \$5.70 target price.

FN Arena's Short Report: <https://fnarena.com/index.php/analysis-data/the-short-report/>

Macro bullish narratives bubble up

In contrast to the short positions, RBC Capital has added Cameco to its Top 30 Global Ideas for 2024:

"We see long-term upside potential in the shares as we believe Cameco is well-positioned to benefit from positive uranium market fundamentals and a nuclear energy rebirth, as a Western-based producer with top-tier uranium mines and a significant ownership in the Westinghouse nuclear services business."

There lays a more nuanced medium to longer term take on the uranium sector for one of the world's largest uranium producers with capacity of 30m pounds annually and 485m pounds of proven and probable mineral reserves.

Technological Innovation in the fore

On the macro front, several events stacked up for the bullish longer-term nuclear energy backdrop.

In the past week, the Biden Administration's Climate Adviser Ali Zaidi presented at Reuter's Sustainability conference in New York with an emphasis on re-starting decommissioned nuclear power plants as a priority to increase energy supplies.

Two recent examples include Holtec's Palisades Nuclear Power Plant in Michigan and a unit at Constellation Energy's Three Mile Island plant in Pennsylvania.

TradeTech also refers to the US Department of Energy's move to support the development of high-assay low-enriched uranium, referred to as HALEU which is required to support the evolution of more advanced reactors.

Six contracts were awarded to assist in the technological advancement of a US supply chain for these fuels. From a technical perspective, the contracts support the evolution of equipment and the like to "de-convert HALEU from uranium hexafluoride to uranium oxide or uranium metal forms", TradeTech reports.

Centrus Energy, one of the company's awarded a contract describes HALEU "uranium that has been enriched so that the concentration of the fissile isotope uranium-235 (U-235) is between 5% and 20% of the total uranium mass. This is higher than the 3-5% U-235 concentration found in traditional low-enriched uranium (LEU) fuel used in most current commercial nuclear reactors.

Google also joined the hyperscaler transition, following in Amazon, Microsoft and Oracle's footsteps, to support technological innovation and offtake agreements for nuclear power.

The company has agreed to purchase power from Kairos Power, a developer of a small modular reactor called Hermes Low-Power Demonstration reactor which is backed by the US Department of Energy.

The technology is aiming to use molten fluoride salt instead of water as a coolant. Water is employed in traditional large-scale reactors.

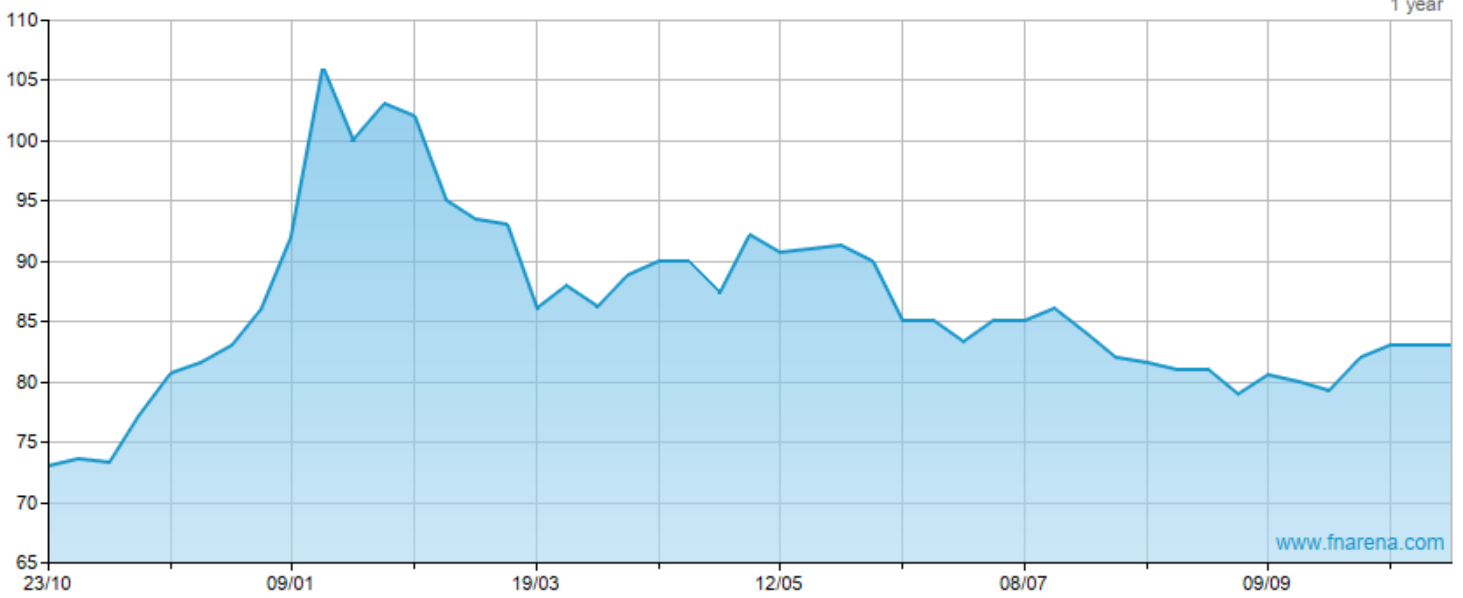
With a goal of 2030 for activation for the first reactor with more coming on stream by 2035, adding 500MWs of power to the grid, Google exemplifies the evolving relationship between the world's largest technology companies and the evolution of nuclear power.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	11/10/2024	0.0500	0.00%	\$0.19	\$0.03			
AEE	11/10/2024	0.1500	0.00%	\$0.33	\$0.11			
AGE	11/10/2024	0.0500	▼ -2.13%	\$0.08	\$0.03		\$0.100	▲100.0%
AKN	11/10/2024	0.0100	0.00%	\$0.07	\$0.01			
ASN	11/10/2024	0.0800	0.00%	\$0.20	\$0.07			
BKY	11/10/2024	0.3400	▲4.62%	\$0.45	\$0.26			
BMN	11/10/2024	3.2900	▲0.31%	\$4.87	\$1.90		\$7.400	▲124.9%
BOE	11/10/2024	3.4200	▲0.88%	\$6.12	\$2.38	24.4	\$4.280	▲25.1%
BSN	11/10/2024	0.0300	▼-3.13%	\$0.21	\$0.02			
C29	11/10/2024	0.0700	0.00%	\$0.12	\$0.06			
CXO	11/10/2024	0.1200	▼-4.00%	\$0.40	\$0.08		\$0.090	▼-25.0%
CXU	11/10/2024	0.0200	0.00%	\$0.06	\$0.01			
DEV	11/10/2024	0.1400	0.00%	\$0.45	\$0.11			
DYL	11/10/2024	1.4300	▼-1.73%	\$1.83	\$0.91	-79.4	\$1.900	▲32.9%
EL8	11/10/2024	0.3800	▼-7.32%	\$0.68	\$0.26			
ERA	11/10/2024	0.0100	▼-18.18%	\$0.08	\$0.00			
GLA	11/10/2024	0.0100	0.00%	\$0.04	\$0.01			
GTR	11/10/2024	0.0100	0.00%	\$0.02	\$0.00			
GUE	11/10/2024	0.0800	0.00%	\$0.18	\$0.05			
HAR	11/10/2024	0.0400	0.00%	\$0.28	\$0.03			
I88	11/10/2024	0.5100	▲6.00%	\$1.03	\$0.14			
KOB	11/10/2024	0.1200	▼-21.43%	\$0.18	\$0.07			
LAM	11/10/2024	0.7550	▲4.14%	\$1.04	\$0.48			

LOT	11/10/2024	0.2700	▲ 5.77%	\$0.49	\$0.20	\$0.540	▲100.0%
MEU	11/10/2024	0.0400	▲ 2.78%	\$0.06	\$0.03		
NXG	11/10/2024	10.4300	▲ 5.19%	\$13.66	\$7.89	\$16.200	▲55.3%
ORP	11/10/2024	0.0400	▼ -20.00%	\$0.12	\$0.04		
PDN	11/10/2024	11.9100	▲ 0.68%	\$17.98	\$8.15	23.8 \$14.160	▲18.9%
PEN	11/10/2024	0.1000	▼ - 1.01%	\$0.15	\$0.07	33.3 \$0.260	▲160.0%
PNX	11/10/2024	0.0040	0.00%	\$0.01	\$0.00		
SLX	11/10/2024	4.4600	▼ - 3.88%	\$6.74	\$3.01	\$7.200	▲61.4%
TOE	11/10/2024	0.2700	▼ - 5.45%	\$0.70	\$0.01		
WCN	11/10/2024	0.0300	▲20.00%	\$0.03	\$0.01		

Uranium - U3O8



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FN Arena is proud about its track record and past achievements: [Ten Years On](#)

WEEKLY REPORTS

The Short Report - 17 Oct 2024

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

Summary:

Week Ending October 10th, 2024 (most recent data available through ASIC).

10%+

DTEC 20.90
PLS 19.00
IEL 14.11
PDN 13.76
BOE 13.60
SYR 12.86
MIN 12.17
LTR 10.47

In: **DTEC**

9.0-9.9%

LYC
DYL

Out: **CTT**

8.0-8.9%

LOT
SYA
KAR
CTT

In: **CTT**

7.0-7.9%

LIC
SEK
ADT

Out: **CHN, NUF**

6.0-6.9%

BGL
DMP
CHN
GMD
STX
SGR
WBT
WEB
FLT
SFR
IMU

In: CHN, SGR Out: RIO

5.0-5.9%

CUV
RIO
IDX
CTD
NUF
DXS
SLX
NVX
A2M
BOQ

In: NUF, RIO Out: SGR

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.4	0.4	NAB	0.7	0.7
ANZ	0.5	0.5	QBE	0.5	0.7
BHP	0.5	0.5	RIO	5.8	6.4
CBA	1.5	1.4	STO	0.8	0.9
COL	0.7	0.6	TCL	0.7	0.8
CSL	0.4	0.4	TLS	0.2	0.2
FMG	0.8	0.8	WBC	0.9	0.9
GMG	0.9	1.0	WDS	2.3	2.2
JHX	0.7	0.8	WES	0.8	0.8
MQG	0.6	0.6	WOW	0.5	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: Lithium, Brazilian Rare Earths & Fineos

Potential lithium stock targets for M&A; Brazilian Rare Earths in focus and Fineos' second major client a possible game changer.

- Have lithium prices bottomed?
- A rare earth minnow showing upside potential
- Fineos looks to emulate a winning strategy

By Danielle Ecuyer

Quote of the week is from Professor James Lovelock's 2006 book *The Revenge of Gaia* due to the global interest in uranium stocks and nuclear energy.

"We have no time to experiment with visionary energy sources; civilisation is in imminent danger and has to use nuclear the one safe, available, energy source now or suffer the pain soon to be inflicted by our outraged planet"

Lithium stocks, more to go?

The on-again-off-again China stimulus rally has Evans and Partners examining the outlook for lithium cross border globally with a catchy title "Under the hood on EVs - Can the lithium sector trade higher from here?"

Taking a top-down macro approach, the work on EV demand from Wood Mackenzie was highlighted, revealing a shifting global landscape due to geopolitics.

US/European EV demand forecasts have fallen because of Chinese tariffs and a lack of competition from western EV producers.

China, by contrast, is expected to experience higher growth rates as EV market share has already reached 50%.

US/Europe are experiencing growth in demand for plug-in EVs which are forecast by Wood Mackenzie to hold a 37% market share in 2030 and 55% in 2050, against 16% in 2023. This translates to a 16% compound average growth rate pre-2030 and 6% post 2030.

The consultant envisages plug-in EVs as a "stop-gap" for electrification of vehicles as the companies work through supply chain and other issues, such as cost of production and affordability. Evans and Partners confirmed expectations from meetings with OEMs, lithium producers and industry experts, that lower cost western EVs are unlikely before 2026.

Battery electric vehicles growth in terms of global market share is forecast to increase from 11% in 2023 to 28% in 2030 and 48% in 2040.

The **Arcadium Lithium** ((LTM)) deal with **Rio Tinto** ((RIO)) is observed as marking the bottom of the cycle for lithium M&A and prices.

Casting an eye over the Australian lithium sector, the broker poses the question "who else could be an M&A target?"

Pilbara Minerals ((PLS)) and **Liontown Resources** ((LTR)) are quoted as possibilities with Hancock needing to give the nod of approval in the case of Liontown.

Industrial companies and large mining companies may prefer the hard-rock sector while global energy would tilt more towards brine operations with expertise in chemicals/liquid know-how.

Evans and Partners prefers Pilbara due to the balance sheet with \$1.6bn in cash, alongside a competitive cost structure and growth options when prices recover.

The broker has a Positive view on the company with a \$4 valuation.

Mineral Resources also carries a Positive View with a \$67 valuation. The broker anticipates higher grade at Mt Marion. Some explanation on recent cost out targets is expected from management. Train 3 at Wodgina is unlikely to be placed into care and maintenance with the "optionality" it offers alongside an eventual recovery in prices.

Rare earths under appreciated

Sticking in the mining space, Petra Capital focused on **Brazilian Rare Earths ((BRE))** with the broker reiterating a Buy rating on the stock.

Why so positive?

Well, that comes down to the quality of the grades reported by the company. Petra stresses it has **"some of the highest rare earth grades ever reported"**.

The analyst notes magnet rare earths represent 68% of the in-situ value per tonne at Monte Alto, which has 18 of 50 minerals outlined as critical by the US government.

As well as the rare earths, there are concentrations of uranium, niobium, scandium and tantalum with the analyst's estimates only including revenue from magnet rare earths such as Nd, Pr, Dy and Tb.

Petra estimates using the weighted average grades of drilling at Monte Alto hard rock zone generates a basket value of US\$3,051/t. At current gold spot prices that is equivalent to 35.9g/t at a time when the gold price is at a record high and critical mineral prices at a cyclical low.

Although processing rare earths is more challenging than gold, you get the gist about the potential value upside.

Petra expects Brazilian Rare Earths to sell concentrate to start with an estimated 44% price achievement and be equivalent to gold grade of 10.8g/t.

The icing on the cake is Monte Alto has higher uranium grades than most stand-alone uranium projects on the ASX.

The analyst expects the company to start generating revenue and earnings by 2028. Target price \$4.55.

Fineos takes a leaf from a US\$15bn SaaS giant

Changing industries, Moelis examined the recent takeouts from Guidewire Software Inc's Investor Day, a US based insurance technology company that is often compared to ASX-listed **Fineos Corp ((FCL))**.

The broker observes a similar strategy to Fineos with the transfer of legacy on premise software to a cloud-based SaaS model. The two companies do not directly compete, but both are offering SaaS based solutions to assist insurance companies with improving efficiency and flexibility.

Moelis emphasises many insurers are still on decadal old systems including mainframe infrastructure which uses older languages such as COBOL.

In a panel discussion at Guidewire's Investor Day, customers explained the benefits of transitioning to the cloud, although there has been strong resistance from insurers in the property and casualty sector.

Part of the strategy for migration has been to build partnerships with Systems Integrators with a robust understanding of Guidewire to help develop confidence in the customers and help the implementation strategy.

Similarities exist with Fineos as the company needs to "support" higher costs to roll out its strategy, while showcasing reference customers post transition. Moelis points to the company's second client AdminSuite which started a "soft go live" in September.

The stock is Buy rated with a \$1.80 target price.

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WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 18-10-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

AUCKLAND INTERNATIONAL AIRPORT LIMITED ((AIA)) Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

Auckland International Airport has completed a NZ\$1.4bn capital raising which Jarden views as sufficient to support the company's NZ\$6.6bn planned aeronautical investment program and capex, with the NZ Commerce Commission's draft PSE4 pricing report also supportive.

The company has signed an -NZ\$800m contract for the development of the domestic jet terminal building as part of the NZ\$2.2bn project.

Jarden raises net profit forecasts by 8% to 12% for FY25 to FY27 on the back of lower interest expenses. EPS estimates are essentially unchanged for FY26/FY27.

Rating is upgraded to Overweight from Neutral with a higher target price of NZ\$7.79, up from NZ\$7.59.

SITEMINDER LIMITED ((SDR)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

Jarden is ever more confident SiteMinder is one of the "higher quality tech" companies in the Small Ordinaries index as the optimal channel manager for small to medium sized hotels.

The analyst stresses a high level of confidence in the company's new products succeeding due to a robust market positioning and fit, a positive track record for adding new products and net new transaction product adds increasing to 630 per month from around 350 per month in the past three years.

The rating is upgraded to Buy from Overweight. Target price lifts to \$7.48 from \$5.89. Jarden believes consensus is not adequately including the potential for significant revenue growth from new products.

Downgrade

NUIX LIMITED ((NXL)) Downgrade to Hold from Buy by Petra Capital.B/H/S: 0/0/0

Petra Capital downgrades Nuix to a Hold from Buy due to the strong price appreciation since coverage was initiated in July.

Momentum has been assisted with investor events in Sydney, London and Nashville with an introduction to cognitive Ai in the new NEO product offering, the broker explains.

Nuix guided to a rise in annualised contract values for FY25 of around 15% in August, above market expectations. NEO sales were also revealed as positive with 23 licenses of \$12.1m in contract value accretion.

Hold with a rise in the target price to \$6.73 from \$5.43.

ORIGIN ENERGY LIMITED ((ORG)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Jarden maintains its US\$80/bbl near-term Brent oil price forecast despite material upside and downside risks from rising tensions in the Middle East. Upside should a supply disruption occur and downside if no disruption

eventuates, explain the analysts.

The broker's Brent oil price forecasts for 2025 and 2026 are also kept at US\$80/bbl.

Separately, the broker notes rising market concerns about the global economic growth outlook (particularly the impact of China). Media reports Saudi Arabia is threatening to increase output has also weakened sentiment.

Regarding upcoming quarterly results for Origin Energy, Jarden forecasts flat APLNG production, with lower domestic gas volumes partly offsetting higher LNG production and sales volumes.

The target falls to \$9.90 from \$10. The rating is downgraded to Neutral from Overweight on valuation following a 7.5% rally in share price over the past five weeks, explains Jarden.

SANDFIRE RESOURCES LIMITED ((SFR)) Downgrade to Market Weight from Overweight by Wilsons.B/H/S: 0/0/0

Wilson's notes Sandfire Resources' share price has rallied 35% since the broker upgraded the company to Overweight in late July.

A rebound in copper prices and an improving reputation for reliability of delivery are believed to be factors for the rally.

Sandfire Resources is due to report 1Q25 results on Oct 29. Wilson's anticipates another solid quarter, including copper production of 27kt.

The stock is downgraded to Market Weight from Overweight with a target price of \$9.90. Further Chinese stimulus is acknowledged as a potential upside risk.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	AUCKLAND INTERNATIONAL AIRPORT LIMITED	Buy	Neutral	Jarden
2	SITEMINDER LIMITED	Buy	Buy	Jarden
Downgrade				
3	NUIX LIMITED	Neutral	Buy	Petra Capital
4	ORIGIN ENERGY LIMITED	Neutral	Buy	Jarden
5	SANDFIRE RESOURCES LIMITED	Neutral	Buy	Wilson's

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
29M	29Metals	\$0.49	Canaccord Genuity	0.35	0.32	9.37%
ADT	Adriatic Metals	\$4.03	Canaccord Genuity	4.90	5.50	-10.91%
AGL	AGL Energy	\$11.54	Goldman Sachs	11.50	11.30	1.77%
ALD	Ampol	\$29.29	Goldman Sachs	32.30	35.60	-9.27%
			Goldman Sachs	32.90	35.60	-7.58%
ALK	Alkane Resources	\$0.55	Moelis	0.75	0.70	7.14%
			Petra Capital	1.04	1.00	4.00%
ANZ	ANZ Bank	\$31.75	Goldman Sachs	N/A	29.45	-100.00%
ASB	Austal	\$3.19	Petra Capital	3.14	3.23	-2.79%
ASL	Andean Silver	\$1.23	Canaccord Genuity	2.85	2.50	14.00%
BBN	Baby Bunting	\$1.95	Wilson's	2.20	2.10	4.76%
BEN	Bendigo & Adelaide Bank	\$12.24	Goldman Sachs	N/A	11.67	-100.00%
BGL	Bellevue Gold	\$1.49	Canaccord Genuity	2.25	1.95	15.38%
BOQ	Bank of Queensland	\$6.95	Goldman Sachs	N/A	5.54	-100.00%
BPT	Beach Energy	\$1.24	Goldman Sachs	1.26	1.44	-12.50%
			Jarden	1.34	1.55	-13.55%
CBA	CommBank	\$142.23	Goldman Sachs	N/A	94.80	-100.00%
CMM	Capricorn Metals	\$6.40	Canaccord Genuity	7.60	6.50	16.92%
COE	Cooper Energy	\$0.20	Jarden	0.26	0.25	4.00%
CXO	Core Lithium	\$0.11	Goldman Sachs	0.09	0.08	12.50%
CYL	Catalyst Metals	\$3.32	Canaccord Genuity	4.00	2.60	53.85%

DEG	De Grey Mining	\$1.39	Canaccord Genuity	2.85	2.45	16.33%
DMP	Domino's Pizza Enterprises	\$36.99	Petra Capital	34.40	34.00	1.18%
EMR	Emerald Resources	\$4.27	Canaccord Genuity	5.00	4.50	11.11%
EVN	Evolution Mining	\$5.07	Canaccord Genuity	5.00	4.50	11.11%
			Canaccord Genuity	5.20	4.50	15.56%
FMG	Fortescue	\$19.53	Jarden	16.81	16.83	-0.12%
FWD	Fleetwood	\$2.09	Moelis	2.20	2.09	5.26%
GMD	Genesis Minerals	\$2.27	Canaccord Genuity	3.75	3.15	19.05%
GOR	Gold Road Resources	\$1.89	Canaccord Genuity	2.35	2.05	14.63%
HUB	Hub24	\$66.65	Jarden	49.50	47.30	4.65%
			Moelis	67.92	53.85	26.13%
IGO	IGO Ltd	\$5.42	Goldman Sachs	6.40	6.35	0.79%
IPL	Incitec Pivot	\$3.09	Goldman Sachs	3.30	3.35	-1.49%
IPX	Iperionx	\$3.45	Canaccord Genuity	4.65	3.60	29.17%
JDO	Judo Capital	\$1.91	Goldman Sachs	N/A	1.71	-100.00%
KAR	Karoon Energy	\$1.47	Goldman Sachs	2.03	2.20	-7.73%
			Jarden	2.10	2.20	-4.55%
KCN	Kingsgate Consolidated	\$1.58	Canaccord Genuity	3.40	2.90	17.24%
LNW	Light & Wonder	\$140.88	Goldman Sachs	172.20	190.00	-9.37%
LOT	Lotus Resources	\$0.30	Canaccord Genuity	0.54	0.52	3.85%
LTR	Liontown Resources	\$0.83	Canaccord Genuity	0.90	1.05	-14.29%
			Goldman Sachs	0.95	1.15	-17.39%
MAC	Metals Acquisition	\$18.57	Canaccord Genuity	22.00	26.00	-15.38%
MIN	Mineral Resources	\$46.31	Goldman Sachs	45.00	43.00	4.65%
MLX	Metals X	\$0.44	Canaccord Genuity	0.48	0.30	60.00%
MQG	Macquarie Group	\$236.17	Goldman Sachs	N/A	194.47	-100.00%
NAB	National Australia Bank	\$39.23	Goldman Sachs	N/A	34.24	-100.00%
NIC	Nickel Industries	\$0.96	Canaccord Genuity	1.00	0.85	17.65%
NST	Northern Star Resources	\$17.15	Canaccord Genuity	22.05	18.75	17.60%
NWL	Netwealth Group	\$27.82	Jarden	20.00	18.20	9.89%
NXL	Nuix	\$6.62	Petra Capital	6.73	5.43	23.94%
OBM	Ora Banda Mining	\$0.75	Canaccord Genuity	0.74	0.65	13.85%
ORA	Orora	\$2.54	Jarden	2.70	2.50	8.00%
ORG	Origin Energy	\$10.02	Goldman Sachs	10.45	10.75	-2.79%
			Jarden	9.90	10.00	-1.00%
ORI	Orica	\$18.12	Goldman Sachs	21.40	N/A	-
PDI	Predictive Discovery	\$0.27	Canaccord Genuity	0.50	0.45	11.11%
PLL	Piedmont Lithium	\$0.17	Canaccord Genuity	0.35	0.60	-41.67%
PLS	Pilbara Minerals	\$2.70	Canaccord Genuity	3.90	4.00	-2.50%
PRU	Perseus Mining	\$2.89	Canaccord Genuity	4.15	3.80	9.21%
PTM	Platinum Asset Management	\$1.20	Goldman Sachs	0.95	1.00	-5.00%
			Jarden	0.92	0.94	-2.13%
RIO	Rio Tinto	\$117.69	Goldman Sachs	137.90	136.60	0.95%
RMS	Ramelius Resources	\$2.40	Canaccord Genuity	3.20	2.80	14.29%
RRL	Regis Resources	\$2.64	Canaccord Genuity	2.55	2.05	24.39%
RSG	Resolute Mining	\$0.84	Canaccord Genuity	1.85	1.55	19.35%
RXL	Rox Resources	\$0.14	Canaccord Genuity	0.55	0.51	7.84%
SDR	SiteMinder	\$6.74	Jarden	7.48	5.89	26.99%
SMI	Santana Minerals	\$2.08	Canaccord Genuity	3.40	3.00	13.33%
SPR	Spartan Resources	\$1.52	Canaccord Genuity	1.70	1.20	41.67%
STO	Santos	\$6.95	Goldman Sachs	8.00	8.65	-7.51%
			Jarden	8.00	8.10	-1.23%
TCG	Turaco Gold	\$0.34	Canaccord Genuity	0.70	0.65	7.69%
TLX	Telix Pharmaceuticals	\$21.55	Wilsons	25.00	22.00	13.64%
VEA	Viva Energy	\$2.90	Goldman Sachs	3.50	3.60	-2.78%
WAF	West African Resources	\$1.63	Canaccord Genuity	3.60	3.15	14.29%
WBC	Westpac	\$32.54	Goldman Sachs	N/A	25.84	-100.00%
WDS	Woodside Energy	\$24.87	Goldman Sachs	27.20	31.70	-14.20%
WEB	WEB Travel	\$4.22	Goldman Sachs	6.70	N/A	-
			Jarden	7.10	7.70	-7.79%
			Wilsons	5.17	9.59	-46.09%
WGX	Westgold Resources	\$3.06	Canaccord Genuity	4.30	3.50	22.86%

More Highlights

CYL CATALYST METALS LIMITED

Gold & Silver Overnight Price: \$2.94

Canaccord Genuity rates (([CYL](#))) as Speculative Buy (1)

Canaccord Genuity highlights gold and gold equities have consistently outperformed during quantitative easing cycles, noting recent actions by central banks in the US, the ECB, Bank of Canada, and Swiss National Bank.

The broker lists other positives for the gold price including increasing ETF inflows, rising US debt levels, and escalation of geopolitical conflicts.

Canaccord's long-term US\$ gold price forecast (from 2030) rises by 9% to US\$2,963/oz and across 2024-29 estimates rise by 10% on average.

However, less than 50% of the 19 producers under research coverage by the broker will produce meaningful free cash flow in the September quarter, somewhat lessening the impact of record gold prices.

Across Canaccord's research coverage of intermediate/junior producers target prices rise by 17% on average.

For Catalyst Metals, the broker's target rises to \$4.00 from \$3.30. Speculative Buy.

This report was published on October 10, 2024.

Target price is **\$4.00** Current Price is **\$2.94** Difference: **\$1.06**

If **CYL** meets the Canaccord Genuity target it will return approximately **36%** (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

CNB CARNABY RESOURCES LIMITED

Mining Overnight Price: \$0.35

Moelis rates (([CNB](#))) as Initiation of coverage with Buy (1)

Moelis begins research coverage of copper and gold developer Carnaby Resources with a Buy rating and 86c target price.

Management is targeting projects throughout Australia with copper, gold and lithium deposits. Currently the flagship asset is the Greater Duchess Project, approximately 70km southeast of Mt Isa, with in an in situ resource of over 300kt of copper equivalent.

The point of difference for this project, according to Moelis, is a low up front capital requirement as well as relative speed to production.

Modelling points to a low upfront capital requirement to establish an initial open pit mine followed by underground mining, highlights the analyst.

Management's intention is to rail ore directly to Glencore's Mt Isa copper concentrator and process under a toll treating arrangement for an initial period of nine years.

This report was published on October 16, 2024.

Target price is **\$0.86** Current Price is **\$0.35** Difference: **\$0.505**

If CNB meets the Moelis target it will return approximately **142%** (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

IGO IGO LIMITED

Nickel Overnight Price: \$5.43

Goldman Sachs rates (([IGO](#))) as Buy (1)

The analysts at Goldman Sachs believe the recent bounce in lithium company share prices has run ahead of commodity fundamentals.

Due to the number of lithium projects still ramping-up through 2024 and into 2025, the broker continues to factor in near-term pricing weakness.

On a 12-month view, IGO Ltd remains the only positive free cash flow (FCF) stock under Goldman's lithium coverage.

Leading into quarterly operational reporting, the broker maintains a Buy rating, while the target rises to \$6.40 from \$6.35. It's felt Greenbushes will perform broadly in line with expectations though nickel may be weaker.

This report was published on October 10, 2024.

Target price is **\$6.40** Current Price is **\$5.43** Difference: **\$0.97**

If IGO meets the Goldman Sachs target it will return approximately **18%** (excluding dividends, fees and charges).

Current consensus price target is **\$5.73**, suggesting upside of **3.9%**(ex-dividends)

The company's fiscal year ends in June.

Forecast for FY25:

Goldman Sachs forecasts a full year **FY25** dividend of **3.00** cents and EPS of **minus 6.00** cents.

At the last closing share price the estimated dividend yield is **0.55%**.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 90.50**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **7.7**, implying annual growth of **1981.1%**.

Current consensus DPS estimate is **9.2**, implying a prospective dividend yield of **1.7%**.

Current consensus EPS estimate suggests the PER is **71.6**.

Forecast for FY26:

Goldman Sachs forecasts a full year **FY26** dividend of **4.00** cents and EPS of **8.00** cents.

At the last closing share price the estimated dividend yield is **0.74%**.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **67.88**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **24.1**, implying annual growth of **213.0%**.

Current consensus DPS estimate is **10.4**, implying a prospective dividend yield of **1.9%**.

Current consensus EPS estimate suggests the PER is **22.9**.

Market Sentiment: **-0.2**

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

IPX IPERIONX LIMITED

Industrial Metals Overnight Price: \$3.56

Canaccord Genuity rates ([IPX](#)) as Speculative Buy (1)

After signing a binding 45-month supply contract beginning next year, Iperionx is expected to earn around US\$11m in revenue with Ford Motor Company for manufactured titanium metal components, explains Canaccord Genuity.

In the broker's view, this contract win de-risks the investment case for Iperionx by providing a material validation of management's commercialisation plans. The target is raised to \$4.65 from \$3.60. Speculative Buy.

The analysts see potential for Iperionx to become a supplier to the US Army/Navy/Airforce.

Last August, the company received a significant funding boost from the US Department of Defence under the Defence Production Act (DPA) Title III to address vulnerabilities in the titanium supply chain.

This report was published on October 10, 2024.

Target price is **\$4.65** Current Price is **\$3.56** Difference: **\$1.09**

If **IPX** meets the Canaccord Genuity target it will return approximately **31%** (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 **1.00** cents. At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **356.00**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **minus 4.00** cents. At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 89.00**.

Market Sentiment: **1.0**

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

SMP SMARTPAY HOLDINGS LIMITED

Business & Consumer Credit Overnight Price: \$0.70

Canaccord Genuity rates ([SMP](#)) as Initiation of coverage with Buy (1)

Canaccord Genuity initiates research on full-service EFTPOS provider SmartPay with a Buy rating.

As per thr broker, the company holds a leading and relatively mature position in the New Zealand terminal rental market but management expects to launch a vertically integrated payments product in New Zealand during the December quarter.

In FY21, SmartPay also expanded into the Australian processing market in partnership with Cuscal.

Shares in SmartPay are unjustifiably trading near 12-month lows, in Canaccord's view, especially when considering embedded growth optionality in New Zealand.

A \$1.40 target price is set.

This report was published on October 15, 2024.

Target price is **\$1.40** Current Price is **\$0.70** Difference: **\$0.7**

If **SMP** meets the Canaccord Genuity target it will return approximately **100%** (excluding dividends, fees and charges).

The company's fiscal year ends in March.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **1.38** cents. At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **50.69**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **2.30** cents. At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **30.41**.

This company reports in **NZD**. All estimates have been converted into AUD by FNArena at present FX values.

Market Sentiment: **0.5**

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

TLX TELIX PHARMACEUTICALS LIMITED

Pharmaceuticals & Biotech/Lifesciences Overnight Price: \$21.23

Wilson's rates (([TLX](#))) as Overweight (1)

Wilson's takes a deep dive into Telix Pharmaceuticals' glioma assets since the company IPO'ed with an estimated total addressable market of US\$3.18bn for TLX101 which is targeting approval in recurrent glioblastoma initially before addressing newly diagnosed disease.

The broker believes Telix Pharmaceuticals is setting up its glioma therapies PiXCLARA and TLX01 as a "re-run" of the US prostate cancer market with PSMA,

Overweight retained. Target price is upgraded 14% to \$25.

This report was published on October 16, 2024.

Target price is **\$25.00** Current Price is **\$21.23** Difference: **\$3.77**

If **TLX** meets the Wilson's target it will return approximately **18%** (excluding dividends, fees and charges).

The company's fiscal year ends in December.

Forecast for FY24:

Wilson's forecasts a full year **FY24** dividend of **0.00** cents and EPS of **19.40** cents.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **109.43**.

Forecast for FY25:

Wilson's forecasts a full year **FY25** dividend of **0.00** cents and EPS of **22.70** cents.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **93.52**.

Market Sentiment: **0.5**

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

TYR TYRO PAYMENTS LIMITED

Business & Consumer Credit Overnight Price: \$0.81

Canaccord Genuity rates (([TYR](#))) as Initiation of coverage with Buy (1)

Canaccord Genuity initiates coverage with a Buy rating for Tyro Payments, the fifth-largest merchant acquiring bank in Australia which provides payment solutions to 71,000 merchants via more than 115,000 terminals. A target of \$1.65 is set.

Recently moving into profitability, Tyro Payments has reported a five-year gross profit compound annual growth rate (CAGR) of 20%, notes the broker. Management targets a FY26 EBITDA/gross profit margin of 29% on gross profit growth of 11%.

Uniquely, the company has a banking licence and is the only specialised payment provider in Australia able to provide its own banking products, including interest-bearing deposits and loans, highlights Canaccord.

This report was published on October 15, 2024.

Target price is **\$1.65** Current Price is **\$0.81** Difference: **\$0.835**

If **TYR** meets the Canaccord Genuity target it will return approximately **102%** (excluding dividends, fees and charges).

Current consensus price target is **\$1.52**, suggesting upside of **85.6%**(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 **4.60** cents. At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **17.72**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **3.0**, implying annual growth of **-38.9%**.

Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.

Current consensus EPS estimate suggests the PER is **27.3**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **6.00** cents. At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **13.58**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **4.6**, implying annual growth of **53.3%**.

Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.

Current consensus EPS estimate suggests the PER is **17.8**.

Market Sentiment: 0.8

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

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