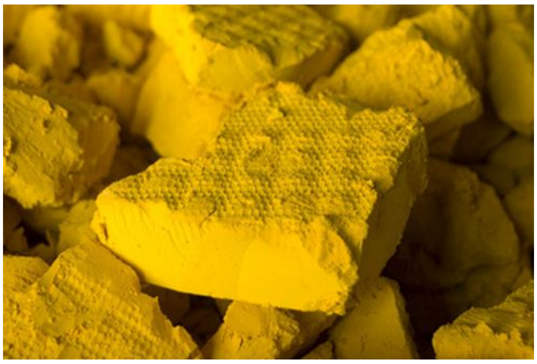
WEEK 25

FNArena
FINANCIAL NEWS, ANALYSIS & DATA

STORIES TO READ FROM FNArena

Friday, 21 June 2024



All Aboard For The Nuclear Renaissance

Rudi's View: GenAi, The Super-Megatrend, Part 2

Codan's Communication Upside

CONTENTS

AUSTRALIA

COMMODITIES

RUDI'S VIEWS

SMALL CAPS

TREASURE CHEST

WEEKLY REPORTS

FNArena
Financial News, Data & Analysis

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AUSTRALIA

The Market In Numbers - 15 Jun 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	15 Jun 2024	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
NZ50	11864.890	0.07%	-0.02%	-1.99%	0.80%	-0.43%
All Ordinaries	7974.80	-1.70%	0.05%	-2.19%	1.86%	7.75%
S&P ASX 200	7724.30	-1.73%	0.29%	-2.19%	1.76%	7.23%
S&P ASX 300	7667.20	-1.72%	0.22%	-2.30%	1.74%	7.12%
Communication Services	1479.00	-1.52%	1.09%	-6.34%	-6.88%	-3.80%
Consumer Discretionary	3521.20	0.36%	3.35%	-2.64%	8.67%	19.62%
Consumer Staples	12180.00	-0.46%	2.93%	-1.44%	-1.06%	-8.38%
Energy	9865.30	-1.47%	-3.22%	-8.44%	-7.13%	-8.89%
Financials	7488.60	-1.12%	2.75%	0.40%	11.46%	20.40%
Health Care	43513.10	-0.17%	2.58%	0.17%	2.77%	5.38%
Industrials	6833.20	-2.44%	-0.57%	-4.85%	-0.48%	0.54%
Info Technology	2294.90	0.14%	-0.55%	0.79%	25.21%	25.44%
Materials	17205.50	-4.28%	-4.72%	-4.10%	-11.72%	-4.58%
Real Estate	3658.50	-1.56%	1.48%	-4.66%	9.28%	20.19%
Utilities	8956.40	-2.64%	-0.18%	8.11%	9.50%	2.54%
A-REITs	1668.20	-1.50%	1.78%	-4.32%	11.04%	23.14%
All Technology Index	3092.70	-0.32%	0.58%	-0.10%	14.80%	27.98%
Banks	3151.00	-0.60%	3.58%	2.14%	13.37%	26.20%
Gold Index	7326.70	-6.99%	-5.14%	1.17%	-0.56%	10.71%
Metals & Mining	5658.10	-4.83%	-5.45%	-3.14%	-12.50%	-6.59%

The World

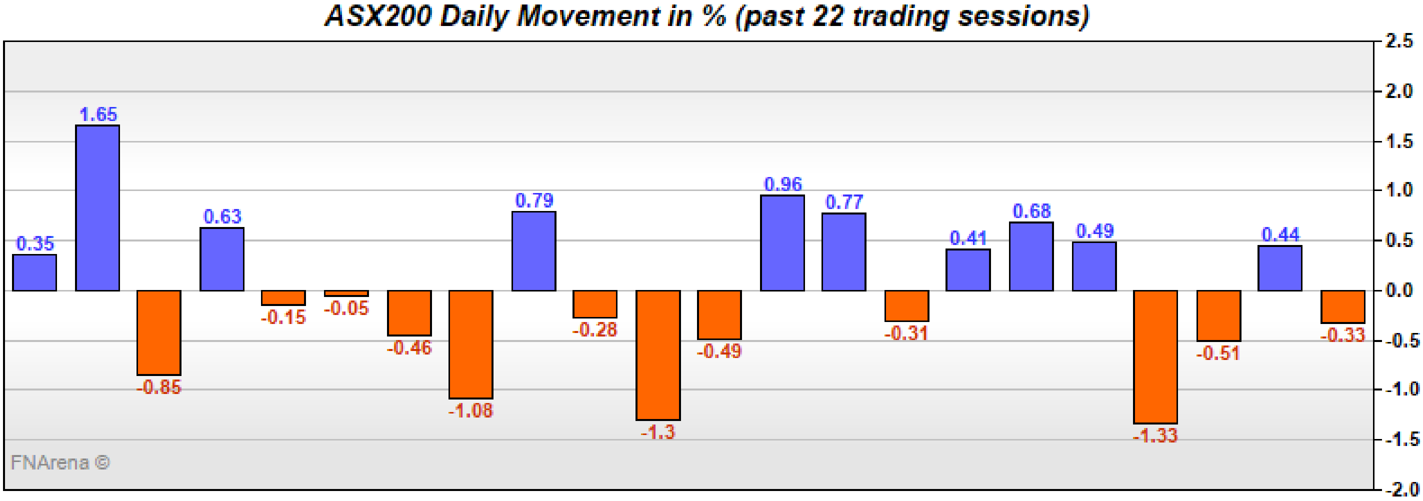
Index	15 Jun 2024	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
FTSE100	8146.86	-1.19%	-1.55%	2.44%	5.35%	8.17%
DAX30	18002.02	-2.99%	-2.68%	-2.65%	7.46%	11.48%
Hang Seng	17941.78	-2.31%	-0.76%	8.47%	5.25%	-5.15%
Nikkei 225	38814.56	0.34%	0.85%	-3.85%	15.99%	16.95%
DJIA	38589.16	-0.54%	-0.25%	-3.06%	2.39%	12.15%
S&P500	5431.60	1.58%	2.92%	3.37%	13.87%	22.05%
Nasdaq Comp	17688.88	3.24%	5.70%	7.99%	17.84%	28.29%

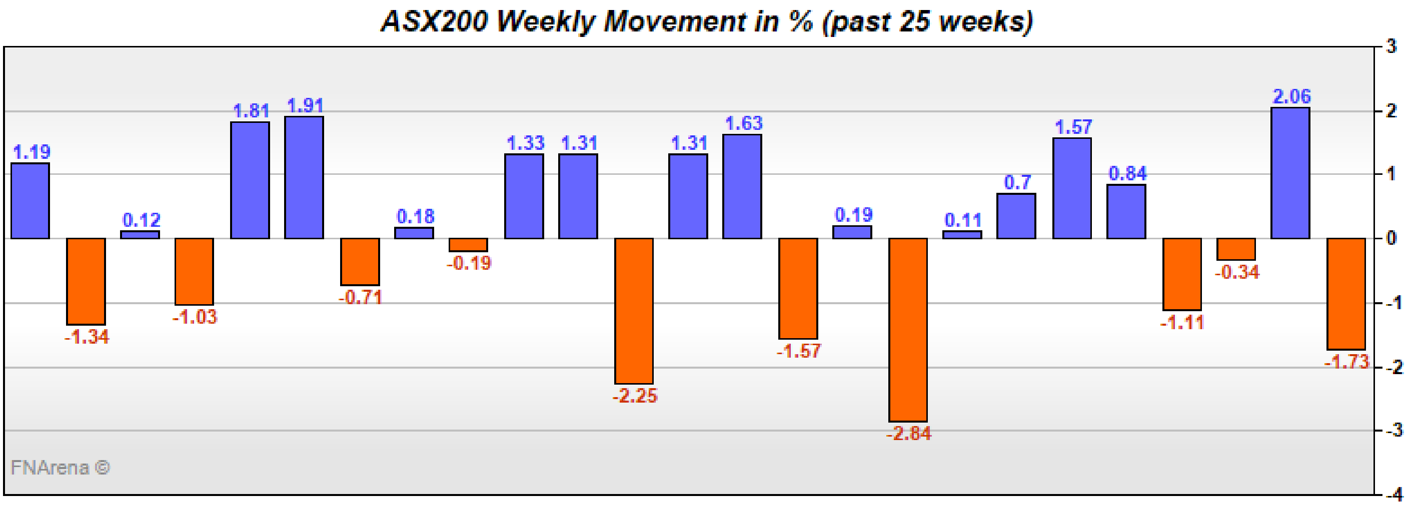
Metals & Minerals

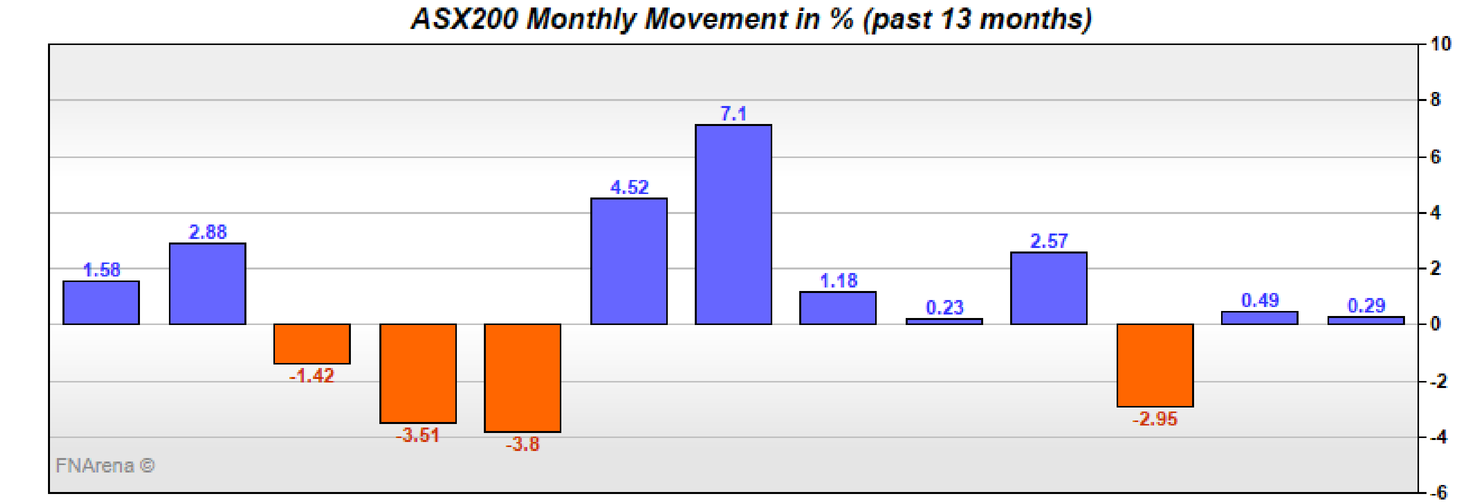
Index	15 Jun 2024	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
Gold (oz)	2318.90	-2.40%	-1.01%	5.69%	13.42%	21.53%
Silver (oz)	29.00	-7.26%	-6.78%	17.98%	18.95%	28.72%
Copper (lb)	4.4900	-0.53%	-1.61%	12.46%	17.91%	20.80%
Aluminium (lb)	1.1452	-4.08%	-6.09%	10.26%	17.78%	19.57%
Nickel (lb)	7.9947	-4.03%	-11.68%	6.75%	7.50%	-10.17%
Zinc (lb)	1.2929	-0.89%	-6.29%	17.37%	14.97%	23.30%
Uranium (lb) weekly	85.00	-5.56%	-6.85%	-3.41%	-1.16%	51.25%
Iron Ore (t)	107.12	-1.27%	-8.93%	5.42%	-22.51%	-5.96%

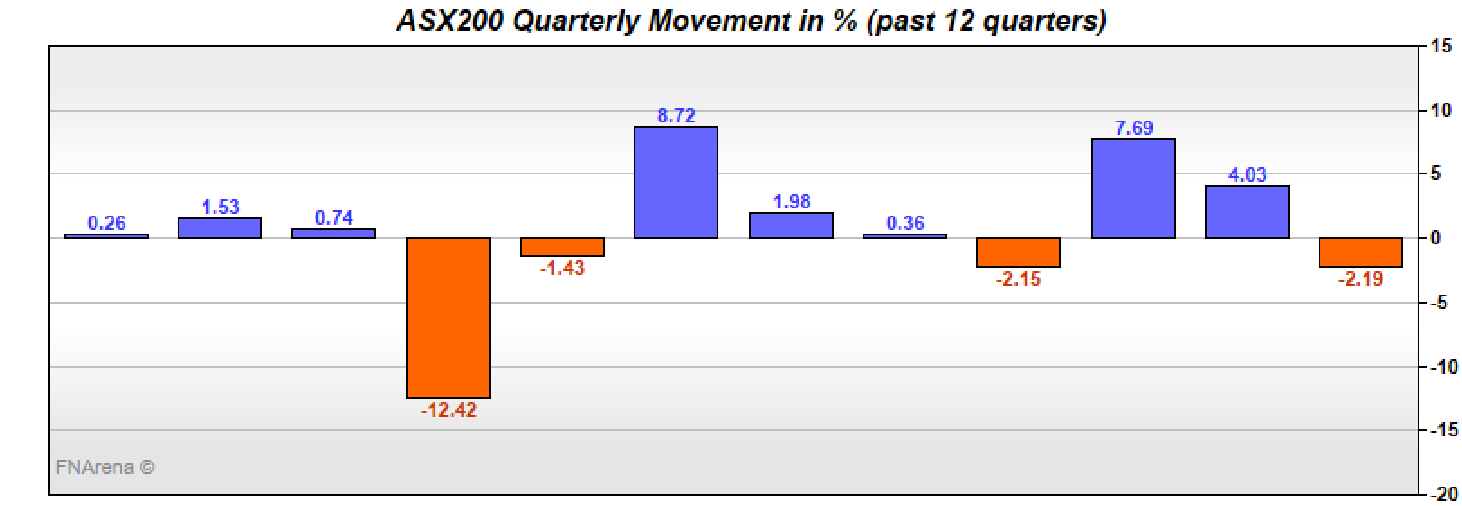
Energy

Index	15 Jun 2024	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
West Texas Crude	77.81	4.22%	-0.08%	-4.78%	5.42%	11.38%
Brent Crude	82.18	2.70%	0.29%	-4.83%	3.68%	10.59%









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

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AUSTRALIA

Meet Light & Wonder, The New Star In Gaming

New research highlights the recent performance by Light & Wonder in Australia and the potential for replication in the US.

-Former successful Aristocrat Leisure CEO chair of the board at Light & Wonder
-Along with over 60 senior and mid-level managers and game designers
-Rapid land-based share gains in Australia over the past year
-Around 70% of revenue currently derives from the USA

By Mark Woodruff

Market discussion of ongoing growth and sustained outperformance for Light & Wonder ((LNW)) should come as little surprise to investors given the composition of the management team, achievements since listing on the ASX, and prospects for expansion in the US and international markets.

According to first-time research by Morgans, the company is one of the leading and fastest growing suppliers of land-based slot content, which is deployed across its three complementary verticals of (land-based) Gaming, SciPlay (social) and iGaming, which is the moniker for online gaming.

Light & Wonder, which has a primary listing on the Nasdaq, as well as being listed on the ASX, designs, develops, manufactures, and distributes gaming machines and video gaming terminals in markets across the Americas, the Middle East, Africa, Europe and Asia-Pacific.

Around 70% of revenue originates from the US, while Australia provides less than 10%.

Since the ASX listing on May 22 last year, shares have moved from a low of $90 to just over $167 and have since retreated to around $148. Jarden suggests management has capitalised on this weakness by increasing the cadence of buyback activity over the last few quarters.

Chairman Jamie Odell lends substantial credibility given his former title as CEO of rival and local market leader, Aristocrat Leisure ((ALL)). During his tenure, Aristocrat gained significant market share and became established as a global leader in gaming.

In total, Light & Wonder employs around 65 former Aristocrat senior and mid-level managers and game designers, and most members of senior management are incentivised to perform via participation in an equity scheme arrangement.

Already, this experienced team has **increased land-based share in Australia to around 30% from 10% in less than 12 months, and Morgans believes such a performance can be replicated in the US.**

Last month, Jarden also referred to the company's incentivised and world-class game design team, which is developing greater breadth and depth of games and cabinets.

Further market share gains for Light & Wonder are expected by this broker at the expense of incumbents such as Nevada-based International Game Technology (IGT)/Everi Holdings in Gaming, Israeli-based Playtika in social casino, and IGT and possibly Evolution Gaming (headquartered in Stockholm) within the iGaming sector.

When a merger deal between IGT and Everi was announced a few months ago, Canaccord Genuity highlighted feedback and anecdotes from industry participants suggesting this transaction would potentially provide an opportunity to take market share from both players.

Morgans notes Light & Wonder's digital segments are also performing well, with the social casino division, SciPlay, significantly outpacing the rest of the market.

Less convinced, but still positive

Expecting difficulty in capturing and maintaining material market share in the electronic gaming machine market, Hold-rated Ord Minnett (whitelabeling Morningstar) is the only broker of five (whose research is monitored by FNArena) without a Buy (or equivalent) rating for Light & Wonder.

This broker was, however, impressed by quarterly reporting in May showing a 13% increase for underlying earnings compared to the previous corresponding period, primarily driven by the core gaming business.

Much of this success was attributed to the new Dragon Train game, which the analyst noted is enjoying "exceptional success" in Australia.

R&D is the lifeblood of any electronic gaming manufacturer, highlighted the broker, noting continuous product development allows Light & Wonder to not only maintain product quality, but also helps differentiate products from lower-end competitors.

A North American slot survey also reinforced this broker's view Light & Wonder and Aristocrat Leisure are duopoly suppliers within an industry where a small number of firms dominate the market.

Capital management

While Morgans' forecasts do not include any dividends, in line with previous trends, a deleveraging balance sheet provides optionality for the return of funds to shareholders and the potential for inorganic investment (M&A).

Management has a track record of consistently returning value to shareholders via share buybacks and recently announced a new three-year repurchase program of up to US$1bn. Given strong cash generation, the analyst sees potential for further buybacks in the future, contributing to ongoing shareholder accretion.

Jarden notes the early completion of the US$750m authorised on-market buyback, which was value accretive for existing shareholders. Jarden analysts point out many instances of companies initiating buybacks but not completing them and considers delivery by Light & Wonder an incremental positive.

Outlook

In April, Macquarie pointed to robust and resilient underlying US casino revenue trends.

Also, unique strength in IP and content offerings positions Light & Wonder well to extend cross-platform market share, opines Morgans, driven by strong content and product launches in the near-term.

Last week, Morgans initiated research coverage on Light & Wonder with an Add rating and 12-month target price of $172. This raised the average target price of three covering brokers monitored daily in the FNArena Database to $166 from $163, suggesting nearly 13% upside to the latest share price.

Macquarie and Ord Minnett have ratings of Outperform and Hold, respectively, while outside of daily monitoring, Jarden and Canaccord Genuity are Buy-rated with an average target of $170.50.

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

COMMODITIES

All Aboard For The Nuclear Renaissance

Positive nuclear industry dynamics and a recent pullback in prices for ASX-listed uranium shares prompts a review of brokers' favoured exposures.

-Analysts remain upbeat on the uranium sector
-Spot price retreats, but term prices higher
-Broker selections following share price falls

By Mark Woodruff

A nuclear renaissance is coming, assures Morgan Stanley, noting it took the world 70 years to get to 390GW of nuclear power capacity, and the 2023 United Nations Climate Change Conference (COP28) set forth a promise to build another 740GW in 30 years.

Mine restarts and brownfield expansions will likely prove insufficient to restore equilibrium to the market, agrees Canaccord Genuity, in the face of rising power consumption due to electric cars, data centres and increasing Ai usage.

This broker remains upbeat in the longer-term on the uranium sector, as does Citi's commodities team, which recently reiterated its bullish outlook, predicting upside momentum should resume in the second half of this year.

Indeed, a nuclear resurgence in the West could be data driven, suggests Canaccord, with the likes of Amazon, Microsoft and OpenAI recognising the low carbon nature of nuclear energy.

These broker outlooks place the recent retreat in uranium prices and equities into perspective and make a review of brokers' favourite ASX-listed uranium exposures timely.

The price of yellow cake

While the current U3O8 spot price of around US$85/lb is down around -8% year-to-date, the more important contract price is 13% higher, point out the analysts at Canaccord Genuity.

The long-term contract market is where around 85% of uranium is transacted, and the analysts note elevated contracting levels as in the present have historically been a precursor for higher prices.

Activity has recently slowed in both the spot and term markets because, in the wake of the World Nuclear Fuel Market Conference, there has been significant conjecture about the ease with which US import waivers will be granted to source Russian product, explains the broker.

Morgan Stanley forecasts modestly softer term prices for FY25 and FY26 of US$71/lb and US$70/lb, respectively, but is not ruling out price spikes such as when the term price rose to US$78.5/lb last month.

Prices are subject to future supply/demand squeezes. For example, should the recent US ban on Russian uranium also be implemented by the EU/UK, 55% of global enrichment demand would need to be supplied from 41% of enrichment capacity, notes the broker, necessitating more uranium.

Following a decade of under-investment and material mine closures, such as at Ranger (in Australia's Northern Territory) and the Cominak mine (in Niger), primary supply of uranium is at a 12-year low of around 123mlb versus market demand of circa 180mlb, according to Canaccord. Secondary supply shrinks this deficit to around -30mlb.

The stage is set for a sustained bull market, in this broker's opinion, because of intensifying geopolitical concerns, a stumbling supply chain, and rising demand from non-OECD growth.

Government and community support is also improving due to an increasing recognition of nuclear energy's positive contributions to decarbonisation, energy security and the provision of economically dispatchable electricity, Canaccord finds.

Concentration risk for utliities

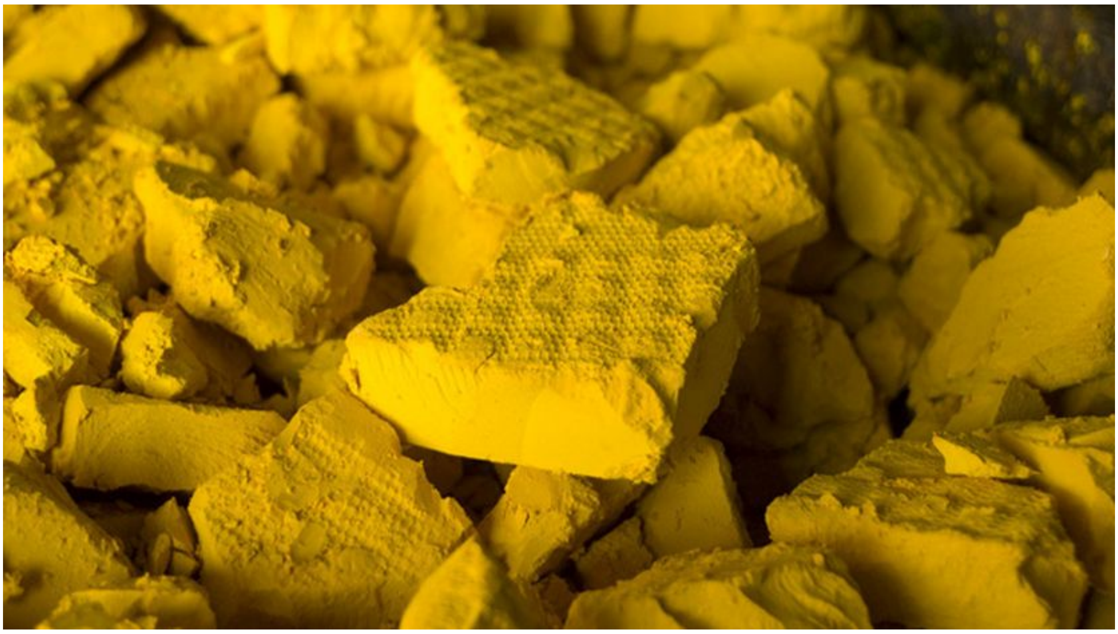
As Canadian-based Cameco and Kazatomprom-linked projects accounted for 62% of 2023 primary mine supply, utilities are increasingly focused on concentration risk in their respective books, reports Canaccord.

Global mobile uranium inventories have been decreasing since around 2017, and this trend has been accelerated by the likes of covid, which roiled production in Kazakhstan and Canada.

As a result of this mine concentration risk, the broker expects a new wave of mine development and a more diversified supply chain, but cautions uranium projects have historically been challenging to sanction due to funding, regulatory hurdles and human resource shortages, all of which increase the risk of uranium price spikes.

The rise of financial entities acquiring U3O8 has also contributed to a falling inventory overhang at utilities since 2017, explains Canaccord, along with stockpiling by India in anticipation of future reactor fuel needs (and as a hedge against future shortfalls). Also, China continues to acquire pounds ahead of consumption for future use.

Canaccord continues to forecast a rise in uranium term prices over the medium-term toward the broker's long-term price of US$80/lb for 'Western-friendly' jurisdictions.



Where should investors turn for uranium exposure?

At the beginning of June, Bell Potter noted the valuation discrepancy between uranium producers Boss Energy ((BOE)) and Paladin Energy ((PDN)) had widened over the prior month.

Paladin had executed the restart of its Langer Heinrich mine seamlessly, with first production on March 30 this year, while Boss had previously experienced a delay to commence production at the Honeymoon operation in South Australia.

At a share price of $4.53, Boss was trading at an around -40% discount to Bell Potter's valuation when research was issued in early-June, prompting the analysts to describe the company as a value play. A recent share price sell-down by a company director had further weighed on the company's share price at the time.

Following further weakness across the uranium sector, the Boss Energy share price is currently trading around $4.00.

Bell Potter reminded investors Boss is soon to bring its 30%-owned Alta Mesa mine (located in Texas) into production, while the ramp-up at Honeymoon is progressing.

Next Canaccord Genuity (Speculative Buy; target $6.00) followed up with research late last week noting production had commenced, and first sales are expected in the next 60-90 days, making Boss the only multi-mine producer on the ASX, and one of few globally.

The US is seeking to re-establish its nuclear supply chain, making Alta Mesa very much a growth asset, in this broker's view. Because only 7% of the company's output is contracted, Boss remains highly leveraged to the

U3O8 market price.

Bell Potter currently has a Buy rating for Boss Energy and a Hold for Paladin Energy, with targets of $6.35 and $15.70, respectively.

Morgan Stanley also has a Buy rating for Boss but adopted a different stance for Paladin in research released at the same time as Bell Potter's (on June 9).

This broker noted Buy-rated Paladin (target $17.45) had outperformed peers and the index year-to-date, yet still anticipated more share price upside, given the valuation appeared cheap compared to peers using an enterprise value/resource multiple.

Paladin's resource base consists of not only Langer Heinrich but also Michelin (a sizable Canadian resource), and dormant Australian resources, which are currently impacted by a uranium mining ban.

Michelin is likely to be unlocked first, with management expecting a pre-feasibility study to be completed by FY26. Paladin is also looking at options to lower upfront capex by operating the Michelin open pit before developing underground, explained the broker.

The recent pullback in Paladin's share price (in line with the U3O8 spot price) is an opportunity for investors, agrees Citi, which retains a Buy rating and $17 target.

In February, Shaw and Partners initiated coverage on NexGen Energy ((NXG)) -market capitalisation of nearly $5.7bn- which is developing the Saskatchewan Rook I uranium project, and suggested it would be difficult to overstate the exceptional quality of the resource underpinning this project.

This broker could see potential for the project to generate more than CA$3bn and started off with a Buy rating and $17.50 target.

<u>Further uranium stocks on the ASX</u>

Behind NexGen Energy, Paladin Energy and Boss Energy have market capitalisations of around $4.2bn and $1.7bn, respectively, but opportunities also present elsewhere.

The analysts at Bell Potter have recently returned from a site visit to Paladin's Langer Heinrich operations in democratic and politically stable Namibia, where Deep Yellow ((DYL)) and Bannerman Energy ((BMN)), with market capitalisations of $1.41bn and $614m, respectively, also own operations.

The Tumas uranium project in Namibia is the most advanced project within the Deep Yellow portfolio, consisting of 121Mlbs U3O8 spread out across three main deposits, noted the broker. A final investment decision is expected for the project in the fourth quarter of 2024.

In the FNArena database of brokers monitored daily, both Bell Potter and Morgans have Speculative Buy ratings for Deep Yellow and an average target of $1.77, suggesting just over 25% upside to the latest share price.

Buy-rated Petra Capital believes Bannerman Energy is well placed to attract development funding at its Etango uranium project, given an uncommitted offtake and a clear need for new uranium supply to enter the market.

Front End Engineering Design (FEED) studies are now complete and capex inflation concerns have been addressed following the definitive feasibility study around 18 months ago, explains the broker.

Outside the database, Canaccord has Speculative Buy ratings for both Deep Yellow and Bannerman Energy. The broker applies the same rating to Lotus Resources ((LOT)), which has an 85% interest in the Kayelekera Uranium Project in Malawi, and fully owns the Letlhakane Uranium Project in Botswana.

Silex Systems ((SLX)) weighs in at a $1.3bn market capitalisation and is a different beast to stocks mentioned previously. The Silex laser enrichment technology is applied to the production of different grades of fuel for the nuclear power industry, and is licensed exclusively to Global Laser Enrichment (GLE), a business venture comprising Silex (51%) and Cameco (49%).

GLE is aiming to move to full commercial operations at the Paducah Laser Enrichment Facility (Kentucky) in 2028, which is around three years earlier than originally planned, noted Buy-rated Shaw and Partners in February.

While the company is focused on the commercialisation of the Silex technology for nuclear applications, the technology may also be used in silicon quantum computing via the enrichment of silicon.

Several juniors not currently under Canaccord's research coverage, but which are making significant progress with their respective developments were recently listed as follows: Alligator Energy ((AGE)), Aura Energy ((AEE)), Berkeley Energia ((BKY)), Cauldron Energy ((CXU)), DevEx Resources ((DEV)), Elevate Uranium ((EVE)), Global Uranium and Enrichment ((GUE)), Laramide Resources ((LAM)), Orpheus Uranium ((ORP)) and Toro Energy ((TOE)).

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FNArena publishes a weekly update on the ins and outs of the uranium sector. This week's update: https://fnarena.com/index.php/2024/06/18/uranium-week-spot-price-hits-pause/

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

RUDI'S VIEWS

Rudi's View: GenAi, The Super-Megatrend, Part 1

GenAi, The Super-Megatrend, Part One

"In times of change, learners inherit the earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists."
[Reid Hoffman, co-founder of LinkedIn]

By Rudi Filapek-Vandyck, Editor

Every experienced investor knows it pays dividends to be sceptical when all around us are getting excited.

We only have to look back in history to find plenty of examples of temporary share market excitements that had investors scrambling to get on board, only to find themselves on top of a sinking barge not long after. Remember 3-D printing? BNPL? Cannabis?

The commodities sector offers multiple examples just about every single year; from rare earths, to nickel, graphite, lithium, and coal companies... the swing from Zero to Hero to Zero status is usually swift and brutal, and it won't be any different in the future.

None of these experiences negate the fact today's world is changing on a regular basis and some of the changes occurring leave a significant imprint on businesses and society at large.

For investors, the importance comes through separating Winners from Losers, as the distinction will ultimately become irrefutable, either inside the investment portfolio or on the ASX, for all to see.

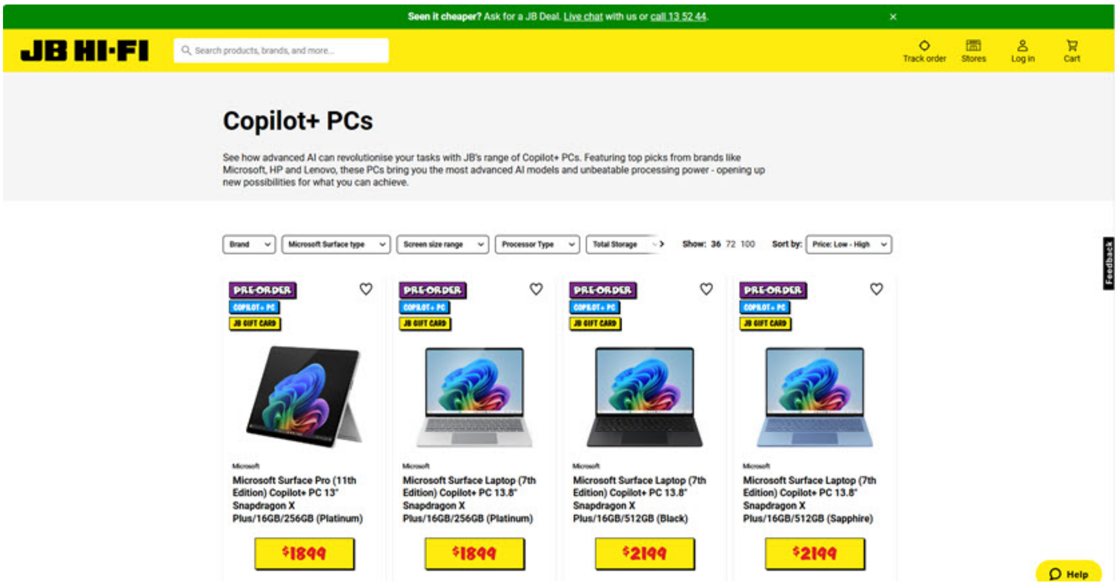
For some, investing will always revolve around picking up the pieces after disaster strikes. The share market has a habit of pushing excitement too far ahead of fundamentals, and disappointment too low into the abyss. So, there's always a fresh investment case assuming things don't get a lot worse.

For others, long-term investing is about tapping into growth, and enjoying the rewards of a multi-year uptrend. These investors know success is closely linked with 'growth'. Growth pulls oxygen into the business and its share price. Without growth there are no long-lasting, sustainable rewards.

Over the past decade, investors looking for growth in the share market have gradually converged around the theme of Megatrends; societal changes that play out over extended periods of a decade or longer, creating Winners and Losers throughout the process.

For investors in growth, the importance seems obvious: better to own the Winners.

This doesn't mean others can afford the luxury of ignoring what is happening at the macro-level.



A blueprint from the past

Back in the year 2000, News Corp ((NWS)) shares represented 13% of the ASX200. More than BHP Group's ((BHP)) importance post abolition of the UK-listing. Today, News Corp draws most of its 'value' from the equity it still owns in online real estate portal REA Group ((REA)). Any moves in the share price are pretty much inconsequential for the index overall.

That pretty much sums it up for the local media sector generally. Online competitors REA Group, Car Group ((CAR)) and Seek ((SEK)) have only grown in size and importance over the past 24 years while their traditional brethren have shrunk and sunk deeper and deeper into the shadowy corners of the local bourse, where daily trading volumes evaporate and general investor interest dies.

Nine Entertainment ((NEC)), with a much deflated market cap of $2.2bn, is still part of the ASX100, but only until June 21st after which it will be relegated to the ASX200 and All-Ordinaries only.

In the world of institutional investors this means the once mighty Fairfax newspapers empire is about to become a 'small cap'. No surprise, market rumour has it private equity is running the ruler over a business that combines old and new media, with no longer any 'value' incorporated for the print and radio media assets.

Southern Cross Media Group ((SXL)) is no longer in any index. Seven West Media ((SVW)) and ARN Media ((A1N)) can only be found in the All-Ordinaries. Others have disappeared. Sure, there have been times when any of these share prices went up, but one would find it hard to locate an investor who uses "great return" and any of these names inside the same sentence.

In contrast, WiseTech Global ((WTC)), which runs a digital service assisting companies with organising their complicated logistics, will be added to the ASX50 after the close of trading on June 21. WiseTech shares only listed on the local bourse on 11 April 2016, a little over eight years ago.

The past decade has seen multiple Megatrends being identified by investors, ranging from businesses and consumers going digital, to cloud computing and the emergence of a middle-class consumer in Asia. In the slipstream of these major changes, new businesses have been created; not all have been successful.

Those that did prove themselves as a true Winner have generated truly copious rewards for loyal shareholders. Examples include Altium ((ALU)), Audinate Group ((AD8)), and Xero ((XRO)), as well as the aforementioned WiseTech Global, REA Group, and Car Group.

Among the conclusions that can be drawn from past experiences, it is those tectonic shifts don't move in a straight line, there will be interruptions and pauses; investors tend to become over-excited in the short term, while under-appreciating the potential further out; and there will always be plenty of 'pretenders;' and 'wannabes'.

Eventually, the true Winners will rise above the pack, but their status may not always be as apparent from the get go.

GenAi: too good to be true?

So where does artificial intelligence, or more precisely generative Ai, its youngest technological breakthrough, stand against the background of all these past experiences?

It's easy to open the traditional 'value' investors' lexicon and roll out the criticisms: "investor exuberance"; "the next bubble"; "at these valuations and multiples, things will come crashing down next, just wait for it".

On my observation, most of such declarations, and they are being made by many on a daily basis, are largely based on share price moves, without paying attention to the real growth that underpins these moves, or they come from the view there's no lasting substance to this latest new technology. It'll all burn out by the time investors realise GenAi is simply the next hula hoop.

Back in the 1960s, the Wham-O Toy company sold an estimated 25 million hula hoops in the first four months after launching its brand new toy, but that was the peak and most enthusiasts soon moved on to the next big thing.

The simplest counter-argument is GenAi offers businesses real, tangible benefits through either increased efficiency (higher margins translate into higher profits) or an additional source of revenues, or both. More precisely: GenAi offers the *potential* to obtain these benefits. No gain without first the pain. Any business aiming for future Ai benefits needs to make some **sizable investments first**.

Here's where things really become concrete and real. These investments *are* being made. First in tens and hundreds of millions, accumulating into billions. Won't be long before the numbers grow into trillions of dollars spent.

Sounds too good to be true?

Time to start paying attention to results releases and investor briefings by companies including Microsoft, Amazon, Alphabet and Equinix on Wall Street. They all are assuring us the investments made by governments and businesses around the world are real, they are significant, and they are only moving in one direction - up!

Mind you, all those investments come in addition to money spent by Big Tech, which is Big, really BIG.

Locally, the same insights can be gained from experiences and trading updates from first-hand beneficiaries such as Goodman Group ((GMG)) and NextDC ((NXT)). The first builds new data centres in partnership with or under contract for data centre operators. NextDC's business is to own and operate data centres to facilitate the explosion in demand (not an exaggeration) for data storage and cloud computing power.

On current estimates, investment in Ai will reach US$200bn globally by next year. But things are moving so fast, these numbers are constantly revised upwards. Analysts at Morgan Stanley recently estimated additional investments made in new data centres in Australia alone will total between $21bn-$28bn over the next eight years. While stating these projections might well prove conservative, in practice this implies the local industry will at least double in size over that period.

Judging from these numbers, it looks like the industry's biggest challenge is not a potential drop off in demand, but facilitating and servicing demand without delays, project failures, supply bottlenecks, and significant cost over-runs. And let there be no misunderstanding: the challenges are as tangible and real as is the surge in demand.

As one analyst from T Rowe Price explained during an online seminar recently: the latest graphics processing unit (GPU) from Nvidia requires (almost) as much power as your average US household. This implies the industry is adding the equivalent of a newly built Las Vegas every few months. Can anyone imagine the burden this represents for the country's power grid?

Change happens in phases

The adoption and roll-out of new technologies proceeds through distinctive phases. Ai is no different. In the first phase, all the benefits (and attention) are reserved for what we can colloquially describe as the 'picks and shovel' providers; companies that deliver the hardware, the software, and anything else that is required to build the global infrastructure required.

Think semiconductor designers and manufacturers line Nvidia, TSMC and AMD, and their adjacencies. And data centre operators, including Amazon, Microsoft, and Equinix, and their adjacencies. As it has dawned upon investors Ai will require a whole lot extra in power generation, share prices in North-American utilities have equally enjoyed solid investor buying.

In Australia, the two most obvious beneficiaries have been identified in Goodman Group and NextDC. Both share prices are up more than 100% since the market's low in October 2022 and are now trading on what most investors would regard as elevated multiples.

Upon deeper analysis, and assuming no major macro-economic or other disasters on the horizon, both companies are likely to enjoy very favourable growth dynamics in the years ahead, meaning their share prices, all else remaining equal, should appreciate to much higher levels. As per a recent modelling conducted by stockbroker Morgans, NextDC's share price may well reach $40 in three years from today.

Even if that $40 projection proves too optimistic, with the shares rallying to a fresh all-time high last week above $18, the explicit message is there's a lot more upside forthcoming. The outlook for shares in Goodman Group does not look fundamentally different. This will be one of the key challenges for investors who are not yet on board of these early-phase beneficiaries.

My personal view is such share prices will likely remain well-supported as long as the prospect for strong growth remains intact and believable.

Ai is offering Goodman Group a once-in-a-generation opportunity to generate super-profit margins, which accelerates its growth path, as the developer owns a sizable landbank that was build up to develop sophisticated warehouses and other industrial assets. Goodman is now able to tap into this resource on unprecedented demand for data centres.

On Friday, Citi analysts added Goodman Group shares to the broker's Pan-Asia Focus List (essentially a selection of High Conviction Recommendations) while lifting the price target for the year ahead to a market-leading $40. Citi's conviction relies on a forecast of double-digit annual growth for the medium term.

NextDC had already been adding extra capacity as the **demand for data storage is a Megatrend** in itself. The company has plenty of unallocated capacity, with more new data centres under development, implying lots of room to reap the benefits from the surge in demand.

Other companies are not by default in the same favourable position as Goodman Group and NextDC, but they will benefit too, and thus their share prices have equally been in demand. Additional beneficiaries include Macquarie Technology ((MAQ)), Global Data Centre Group ((GDC)), and Infratil ((IFT)), through data centre assets, as well as Megaport ((MP1)) and Southern Cross Electrical Engineering ((SXE)).

Macquarie Group ((MQG)) owns data centre operator AirTrunk, in which Global Data Centre Group holds a small equity stake too, and is currently shopping around for an eager buyer. Macquarie stands to make a multi-billion dollar profit from the sale.

It is not yet clear what the exact impact might be for listed utilities AGL Energy ((AGL)) and Origin Energy ((ORG)), and the same question mark applies for pipeline operator APA Group ((APA)). It is best not forgotten that if these facilitators need to make large investments first, any benefits will only come through (much) later.

I'd say the same logic should be adopted for telcos Telstra ((TLS)) and Chorus ((CNU)) for which GenAi represents both opportunity and threats (more on that shortly).

If strong demand for data centres means power prices will be permanently higher in the years to follow, one would be inclined to think AGL Energy and Origin Energy should be among the domestic beneficiaries.

From the latest industry insights released by analysts at RBC Capital:

-We believe data center supply should remain tight, amidst strong demand from cloud computing, generative Ai, social networking, software, and other verticals

-Energy-related and permitting constraints across many metros, coupled with long lead times on data center equipment and construction, are limiting the velocity at which new supply is coming online

-This in turn should drive continued favourable pricing and renewal spreads for those developers who are able to secure resources

-As energy transmission constraints are addressed, a process that can take up to several years, energy-related supply constraints could lessen over the medium to longer term

Part Two will be published on Thursday morning on the FNArena website.

<u>FNArena Subscription</u>

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(This story was written on Monday, 17th June, 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: GenAi, The Super-Megatrend, Part 2

Part Two in a broad assessment of the new industrial revolution that is now upon us, GenAi.

Part One: https://fnarena.com/index.php/2024/06/19/rudis-view-genai-the-super-megatrend-part-1/

By Rudi Filapek-Vandyck, Editor

Next phase: more beneficiaries

Apart from Nvidia, which has managed to position itself at the heart of the GenAi revolution (think about it), the second largest beneficiary at this point in time has to be Microsoft, itself one of the earliest investors in the technology. Contrary to most companies, Microsoft has a vast network of sticky customers who purchase and renew subscriptions to its suite of software programs around the globe.

Microsoft has thus already been able to start monetising GenAi through its regular channels. Things move fast in 2024 and competing manufacturers of PCs, laptops and mobile devices have equally launched their own GenAi products, including Acer, HP, Lenovo, and Apple.

Apple and Google (Alphabet) have their own global networks and are equally eager to monetise their own Ai investments. With GenAi promising a much improved user experience versus Google search, the latter behemoth will be going through a fundamental transformation.

How quickly will we all jump on the bandwagon and start upgrading and renewing our current hardwares?

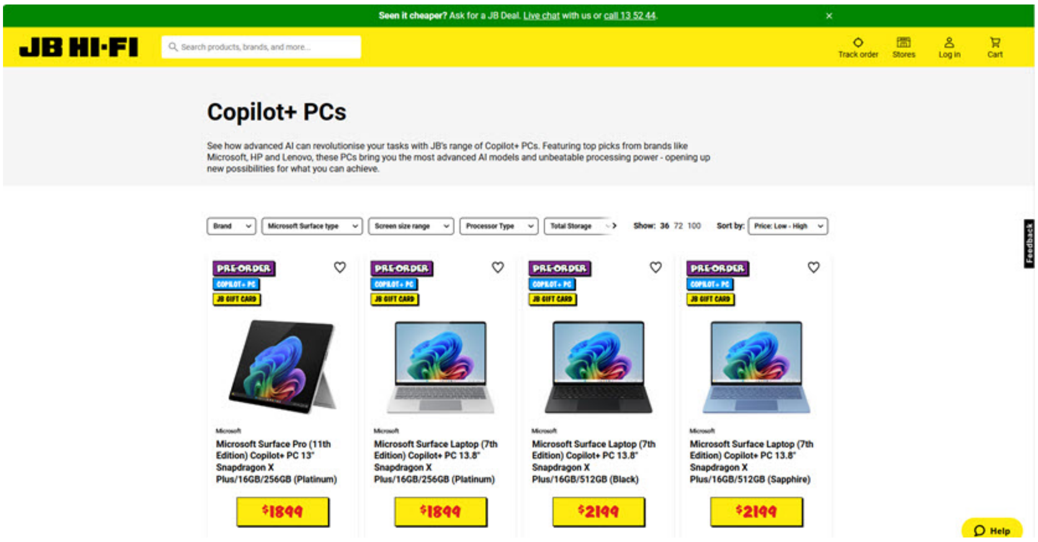
That question is not easy to answer at a time when many a household budget is under pressure, and the same squeeze applies to small and medium-sized businesses in many developed and developing economies.

But analysts in Australia have been reporting Wesfarmers ((WES)) is optimistic about the boost GenAi products are poised to deliver for Officeworks. Dicker Data ((DDR)) too expressed an oversized dose of optimism in its most recent share market update.

Macquarie analysts already calculated if GenAi shortens the average renewal cycle for computers by one year (to five from an average six), the benefit for the industry will be significant. On the broker's calculations, shortening the replacement cycle by one year, and assuming prices go up by 15%, would result in a 34% increase for the PC market locally in 2025.

It remains to be seen if and when exactly such benefits materialise, but if we, as a society, are going to migrate towards GenAi, those who sell the products will benefit.

In Australia, the obvious beneficiaries will be JB Hi-Fi ((JBH)) and Harvey Norman ((HVN)), for sales to consumers, and Officeworks, Dicker Data and Data#3 ((DTL)) for sales to small and larger businesses.



<u>The big unknown: corporate execution</u>

GenAi is promising the next modern day industrial revolution, but ultimately its success will come down to execution. The jury is still out on whether that promise will be delivered, when exactly and what its shape and practical outcome might be exactly.

The arrival of the Internet, and later the smart mobile, has had a tremendous impact on corporations and society, but no-one could anticipate the many new businesses that have been established on the back of these technological breakthroughs, or predict which businesses would succeed or fail.

For each sector specifically there are many moving pieces in play, which makes forecasting extremely difficult at this early stage. In some sectors, benefits might be achieved eventually but subsequently competed away for a no net advantage to the business, irrespective of the effort and investments made.

Note how the latest initiative by the Albanese government intends to force local banks into more transparency for financial products, at the same time as it will be easier for customers to switch to a competitor.

All of this also points to another strong motivation for businesses to join the trend: the competition cannot be allowed to obtain a GenAi advantage.

History shows not every business will be equally successful. Not every business, not even every sector will be able to adopt and adapt easily. There will be Winners and Losers. Some businesses will fail miserably.

For your typical 'value' investor who likes to snap up beaten down, cheaply priced assets this opens up a whole new set of risks, as companies that won't be able to make these investments, or cannot use this new technology to their financial benefit, will be priced at a valuation discount by a share market that only reasons in black and white.

Owning these assets in the investment portfolio might only pay off when the market's assessment is wrong, as happened in the year past with shares in CSL ((CSL)) and ResMed ((RMD)) on speculation their businesses would be heavily impacted by the GLP-1 obesity breakthrough by Eli Lilly and Novo Nordisk.

In all other cases, those who fail in tomorrow's GenAi contest are most likely to repeat the trajectory seen for News Corp, Nine Entertainment, et cetera since 2000.

Another type of risk has become evident through recent market communications from the likes of Westpac ((WBC)) and the ASX ((ASX)), warning investors the pace of necessary investments will be of much greater magnitude in the forthcoming years. Such acknowledgment not only weighs on growth prospects generally, there can be consequences for a company's ability to pay dividends.

The ASX, which admittedly has a series of concerns that need to be dealt with, is expected to pay out a lower dividend for the third consecutive year in FY24. The broader question is whether the general corporate culture in Australia, preferencing dividends for shareholders above making investments in IT or growth, is simply not suitable for your typical old economy stalwarts to deal with the requirements in a new Ai-inspired technological era.

A time bomb ticking for boards asleep at the wheel?

During times of technological advancements, buying 'cheap' can lead to a whole different investment outcome than has been the case in the past.

Having said so, the market is certainly not always right and thus there's always an opportunity for the contrarian investor who knows better. With shares in search and data services provider Appen ((APX)) trading below 50c, a level last witnessed eight years ago, the obvious GenAi contrarian idea on the ASX seems to already present itself.

According to some, including management at the company, Appen will be a net beneficiary of GenAi. The market certainly shows no appetite for revisiting Appen's future potential prior to tangible evidence of that thesis emerging.

Identifying future beneficiaries

Having said all of the above, GenAi very much favours digital and online businesses, and this makes some businesses better positioned to adopt and integrate the new technology than others. GenAi also thrives on databases filled with data, so businesses with proprietary data have an instant advantage.

Logistics services provider WiseTech Global looks ideally placed to incorporate the new technology in its network, and achieve tangible benefits both for its customers and its bottom line.

A recent report by Morgan Stanley states GenAi might allow the company to reach into key adjacent markets such as customs, compliance, warehousing, and land-side logistics, effectively adding additional revenue streams.

GenAi also offers the option of better and enhanced product offerings, and the ability to integrate new acquisitions faster. WiseTech already is seen as the superior operator in its field (just ask the analyst at Morningstar). Through GenAi the company might be able to truly differentiate itself from the competition.

To illustrate the importance of GenAi when integrated successfully, look no further than Morgan Stanley's modeling. The broker's price target for WiseTech Global shares currently sits at $95. GenAi success would instantly shift this target to $125.

Other ASX-listed companies that might equally be at the forefront of tomorrow's GenAi revolution in Australia include Pro Medicus ((PME)), Life360 ((360)), Sonic Healthcare ((SHL)), Transurban ((TCL)), Temple & Webster ((TPW)), Xero ((XRO)), SiteMinder ((SDR)) and, in theory, virtually every 'quality' online business.

In a preliminary attempt to set out the parameters for identifying future GenAi Winners, analysts at Morgan Stanley put forward a three-pronged approach, directing investors to look for companies with:

1. A track record of innovation
2. Deep engineering capability
3. Proprietary data advantage

Combining all three conditions, Morgan Stanley nominated Breville Group ((BRG)).

GenAi holds the promise of a decade-long global transformation

The emergence of GenAi already has had a big impact on financial markets. When the Federal Reserve and other central banks embarked on the steepest tightening cycle in history back in 2022, the general fear was this would drag global equities into a nasty, long-lasting bear market a la GFC.

GenAi is certainly not the only reason, but its emergence as the next technological breakthrough is one of the key factors as to why such a scenario has not materialised (at least not at the top end of global equity markets).

Similarly, if economies around the world prove stronger-than-feared throughout 2024 (i.e. no recession) then GenAi is yet again at the very least co-responsible, as it probably also is for higher-for-longer inflation readings.

This raises all kinds of questions about the way forward for central bank policies and bond yields. What if the next decade consists of higher inflation and higher bond yields in comparison with the decade past? Won't companies on higher PE multiples face significant de-rating just like what happened in 2022?

I think not, unless we're talking doom and gloom with significantly higher inflation and bond yields. While nothing is per definition impossible, it's hard to see how such a scenario can be anyone's base case outlook.

Investors can draw their own conclusion from the fact share prices in GenAi beneficiaries are making new all-time highs this year with bond yields significantly higher, albeit, admittedly, on the general expectation central banks will soon all be cutting rates (with a few exceptions) as inflation and bond yields will continue to trend lower.

The one key lesson history teaches investors is that 'growth' pretty much heals and conquers everything, over time.

GenAi holds the promise of a decade-long global transformation, with significant rewards for companies operating in the right place, with the right tools, and the right products and services.

History also shows all of the above will most likely accumulate into the next financial bubble, just like what happened prior to the 1930s and throughout the late 1990s. But should this outcome be on investors' mind already?

One hundred years ago, equities would only be in the second year of a fresh bull market that would ultimately stretch out for another seven years. What we are experiencing in 2024 is arguably still the embryonic phase of a process that will take many more years to unfold and develop.

The time to worry about bubbles forming and bursting will come, but now seems way too early for that. This won't stop many from calling out "bubbles", "irrational exuberance" and "the next crash forthcoming". If, however, the end of the Ai-driven uptrend arrives in 5, 7, or 10 years from today, can these voices still claim to have been "correct"?

Viewed from a positive angle, GenAi is the modern day Super-Trend that is injecting fresh stimulus into existing Megatrends that had already been beneficial to companies such as Goodman Group, NextDC, REA Group, WiseTech Global, and others, also including the already favourable outlook for commodities due to the global decarbonisation and electrification, and the transformation of the global energy sector.

There will be many Winners and beneficiaries, through a variety of sectors and applications, and there will also be many laggards and Losers.

Let's make sure we will enjoy the journey ahead.

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More reading:

-https://fnarena.com/index.php/2024/06/14/a-bite-of-the-refreshed-apple/

-https://fnarena.com/index.php/2024/05/27/amazing-nvidia-has-fans-critics-in-awe/

-https://fnarena.com/index.php/2024/05/08/rudis-view-opportunity-in-data-centres/

-https://fnarena.com/index.php/2024/05/02/generative-ai-investing-in-the-21st-century-megatrend-part-one/

-https://fnarena.com/index.php/2024/05/09/part-two-generative-ai-investing-in-the-21st-century-megatrend/

-https://fnarena.com/index.php/2024/05/14/part-three-generative-ai-investing-in-the-21st-century-megatrend/

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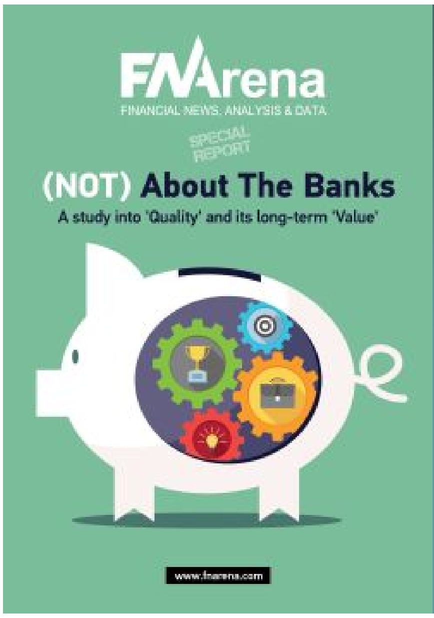
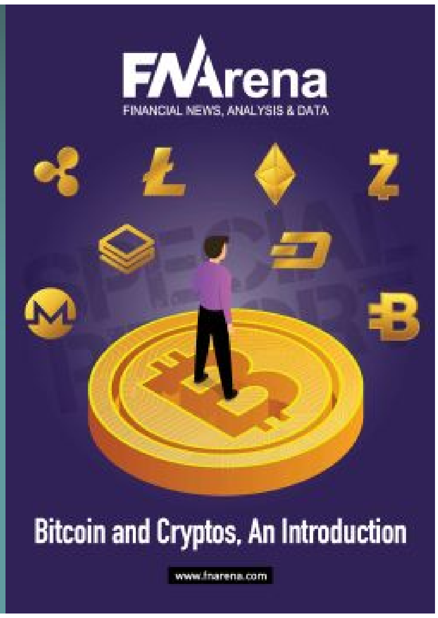
P.S. II - *If you are reading this story through a third party distribution channel and you cannot see charts included*, we apologise, but technical limitations are to blame.





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SMALL CAPS

The Regal Partners Alternative

Alternative asset manager Regal Partners has enjoyed impressive organic and inorganic funds under management growth in recent years and brokers see more ahead.

-Regal Partners continues to enjoy impressive growth
-Alternative managers under-appreciated in Australia
-Ongoing acquisitions add to funds under management
-Solid investment performance

By Greg Peel

Regal Partners ((RPL)) is a specialist alternative investment manager, managing a broad range of investment strategies covering long/short equities, private markets, real and natural assets and credit and royalties on behalf of institutions, family offices, charitable groups and private investors.

In April, Regal Partners reported March quarter flows in line with Ord Minnett's forecasts, with higher-than-expected funds under management (FUM) growth of 9.8% due to good investment performance and supportive markets, aided by two mandate wins previously flagged within the Long/short equities segment. Gains were partially offset by the closure of Hong Kong-based East Point Asset Management, with $135m of FUM.

Elsewhere, Regal saw solid demand for its new Private Fund in the multi-strategy segment.

Looking forward, Ord Minnett remained positive on Regal's ability to grow net flows given strong investment performance across a range of products and strategies, retaining a Buy rating.

Earlier this week, Regal announced it is to acquire 100% of Merricks, a leading alternative investment manager focused on private credit investments across commercial real estate, agriculture, and other assets.

The headline purchase price is -$235m, being paid with $40m in cash and 63.9m shares at $3.05/share. This appears to Bell Potter to be a good deal, adding $2.9bn of FUM in attractive areas. The price looks reasonable to the broker at 6.5x historic earnings, noting Regal shares were trading on an estimated 9.8x prospective earnings prior to the deal being announced.

The broker notes the acquisition of Merricks will add to FUM, is enhancing to earnings per share, and does not create an immediate overhang of stock. Bell Potter believes Regal shares will rise further as investors take note of the increased scale and diversity and the potential upside from net flows and new fund launches. The broker continues to favour Regal Partners, given its strong organic and inorganic growth potential, and entrepreneurial culture.

Bell Potter has a Buy rating.

Morgans last week initiated coverage of Regal Partners with an Add rating. This broker notes 2024 to date has seen record performance and strong FUM inflows, which may see the manager deliver some of the best performance fees since 2021 when the business was less than half its current size.

More importantly, says Morgans, recurring management fees from FUM growth continue to build. Through a mix of organic growth and acquisitions, Regal has grown FUM to $15.1bn, representing a 133% pa compound annual growth rate since June 2022.

Excluding acquisition FUM, Regal has organically grown an impressive 36% pa CAGR, delivering an additional $2.4bn of new FUM since June 2022, seeing the broker's forecast 2024 base management fees double on 2022.

Whilst challenging to forecast, Regal has demonstrated a history of performance-led FUM growth, the broker highlights, augmented by four transformative acquisitions, being VGI, PM Capital, Taurus and Merricks.

Alternative asset managers attract a higher PE multiple than listed equity managers, notes Morgans.

Alternatives remain under-allocated in the Australia-Pacific region, where Alternative Assets Under Management stand at around 9% of GDP versus the US at 26% and Europe at 16%.

Morgans has opened with a $4.70 price target for Regal Partners. Bell Potter raised its target to $4.75 from $4.03.

This morning Ord Minnett updated with an increased price target of $4.20 (up from $3.70) and an unchanged Buy rating.

This broker's earnings forecasts were upgraded by 11-23% due to the Merricks acquisition (effective August 1) and increased performance fee expectations.

Separately, Ord Minnett highlighted how PM Capital's Global Companies fund is maintaining its outstanding investment performance. It's felt this fund provides the largest area of flow potential for Regal Partners over the medium-term.

SMALL CAPS

Dr Boreham's Crucible: Island Therapeutics

The next twelve months could be exciting for Dengue fever solutions seeker Island Therapeutics, the New Criterion's Tim Boreham reports.

ASX code: ((ILA))

Market cap: $7.1m

Shares on issue: 114,536,544

Financials (March quarter 2024) receipts nil, cash outflows -$1.17m, cash of $1.58m (pre-rights offer that raised $1.95m before costs)

Chief executive officer: Dr David Foster

Board: Dr Paul MacLeman (executive chair), Dr Foster, Dr Anna Lavelle, Al Hansen, Dr David Brookes

Identifiable major shareholders: Dr William James Garner 19.26%, Jason Alan Carroll 17.46%, Albert Hansen/Kesa Partners 9.69%

By Tim Boreham, Editor, The New Criterion

Apologies for bringing up the V virus word in a pandemic-weary world, but the mosquito-borne dengue fever is running rampant and spreading to geographies hitherto unaffected.

"Dengue is the most common viral disease transmitted by mosquitoes that affects people," the European Centre for Disease Prevention and Control reports.

"Every year, tens of millions of cases are reported, and it causes about 20,000 to 25,000 deaths with a higher impact on children."

Brazil accounts for the majority of cases, but Peru is also having its worst outbreak in history while India and South East Asia are not immune.

"It's shaping up as a really, really bad year," says Island Therapeutics CEO Dr David Foster.

Island is on the job with a repurposed molecule, ISLA-101, which promises to be a treatment for the symptoms, or a vaccine-like prophylactic.

The mechanism of action of ISLA-101 is to prevent the spread of infectious cells by breaking down the interaction between the viral and host protein.

Developed as a cancer drug but never approved, ISLA-101 shows "excellent activity" against all four dengue strains.

ISLA-101 is also recognised as safe, having undergone no fewer than 45 cancer trials in Europe and elsewhere.

Island is undertaking a phase II study, in anticipation of a phase III program pitched at US Food and Drug Administration approval.

<u>Dengue fever more than an itch</u>

Spread by the Dengue mosquito or Asian Tiger mosquito, dengue fever is found in more than 100 tropical and sub-tropical countries of Asia, Africa and South America.

Most sufferers are asymptomatic. The trouble is, there are four different strains DENV-1 to DENV-4 - and a second occurrence can be much worse.

Typically lasting a week, symptoms include vomiting, diarrhoea, headaches, seizures, itching, "pleural effusion" and even "altered minds".

Dengue fever can also be fatal, although that is rare.

"Dengue fever is the very definition of an unmet medical need," the company says.

Factors, including climate change, mean that half the population is at risk, as the pestilence is spreading from tropical countries - typically poor ones - to locations such as Florida, Texas, northern Queensland and the Mediterranean.

University of Oxford and National Aeronautics and Space Administration (NASA) data cheerily suggest large swathes of Australia will be environmentally vulnerable by 2050 all the way down to northern and central NSW.

When the multi-maire Byron Bay beautiful people are afflicted, we will never hear the end of it.

The company cites US dengue fever hospitalisation costs of about US$7,000 ($10,600) per patient.

About Island

Island's sole *raison d'etre* is to further ISLA-101, identified by Johnson & Johnson as a potential cancer treatment.

J&J donated the program which had FDA investigational new drug (IND) status - to the US National Cancer Institute (NCI).

"We called the NCI and in effect they said you can have it," Dr Foster says.

Meanwhile, Puerto Rico-based medical entrepreneur Dr William James Garner realised there was a growing problem with mosquito-borne viruses and stumbled on the work of Monash University biochemist Prof David Jans.

The company licensed what Dr Foster describes as Monash's "elegant biology", with further work at the Uni elevating the molecule to pre-clinical status.

Rather than starting with a compound and looking for a disease - the norm for drug development - Prof Jans started with the disease and then screened potential drugs for the target.

Not to be confused with current Percheron Therapeutics CEO and former Kazia chief Dr James Garner, Dr William (Bill) Garner founded Invion in 2012 and was a former director of fellow drug re-purposer Race Oncology.

Island listed on April 16, 2021, having raised $7.5m at 25c apiece. Dr Garner remains a 26% shareholder.

Dr Paul MacLeman is well known in biotech circles as chair of Adalta and former CEO of Genetic Technologies and IDT Australia.

SAD, not MAD

In April this year, Island reported "highly positive" new data from its safety and tolerability study for ISLA-101.

Covering 24 patients in a single ascending dose, the pharmaco-kinetics study showed the required levels of ISLA-101 concentration in the blood after a single dose.

"The drug was safe and well tolerated," Dr Foster says.

"We are achieving the blood concentrations we want to see."

The company had been girding for the second phase II dengue trial, called Peach (as in Prophylactic Examination of an Antiviral in a dengue Challenge Model).

In a June 3 update, the company said while it had intended to take a multiple ascending dose (MAD) approach, new modelling data suggested a single ascending dose (SAD) approach would "achieve effective blood concentrations above those shown to be effective at arresting the dengue virus in prior pre-clinical studies."

In another tweak, the company is expanding the trial from a pure prophylactic focus to a therapeutic arm, "substantially increasing the data we obtain from the study".

The downside is that the study can't be called Peach any more.

Based in Syracuse, New York, the trial will enrol about 15 healthy volunteers and challenge' (infect) them with an attenuated strain of the dengue virus.

The North East of the US isn't known as a dengue hot spot - and that's quite deliberate because the study needs to avoid anyone who has had the disease (Florida would have been more problematic).

Military backing

Island has the benefit doing the trial at the Walter Reed National Military Medical Centre, in which 20 volunteers' received the virus.

Dr Foster says the army has been trying to develop a dengue vaccine, but the efforts were a "little too hot" in that the subjects became too sick.

"Preferring not to throw the data or the vaccine candidate away, they elected to use the product, and study the mild form of dengue virus in healthy volunteers," Dr Foster says.

The data represent, in effect, a control group for the Island trial, given the army looked at the effects of the virus without a drug.

Dr Foster says Island initially was looking at a prophylactic study, but to do a vaccine in the field it would require enrolling thousands of people.

"Our current protocol calls for around 15 people; it is a very tiny number because it is so well controlled and we have the army data for comparisons," he says.

The company hopes to complete enrolments in early July and dose in August, with results by the end of the calendar year.

"As far as clinical trials go, it's a very fast study."

The FDA has indicated a phase III study likely would need to be in a dengue-endemic country such as Singapore, Malaysia, or the Philippines, or Brazil.

Finances and performance

In March this year, Island completed a rights raising that bought in $1.95m to fund the phase I analysis and the phase II trial.

The terms were two for every five shares held, exercisable at six cents each, with a one-for-one option also exercisable at six cents. If investors had exercised these options by last Friday's expiry date, they would have received a piggy-back' option exercisable at - you guessed it six cents with a March 2025 expiry.

In total, these oppies have the potential to raise a further $3.9m.

In December last year, Island borrowed $386,000 against its Federal Research and Development Tax Incentive for the 2023-24 year. With accumulated interest, the fully-drawn sum is $405,352, to be repaid when Island banks the Incentive in October.

On May 8, the company said US$625,000 of a US$1.3m US Congress grant could be reallocated from the Research Foundation of State University of New York to fund the trial costs directly.

The grant was to be used by the Foundation for follow-up lab testing and data analysis of the trial results.

Island is also eyeing an FDA Priority Review Voucher (PRV), under the agency's tropical diseases program.

A PRV means if the drug is approved, the company has fast-track approval for a second drug. These Willy Wonka' tickets are usually on-sold to other drug developers, with recent sales averaging US$110m.

Over the last 12 months Island shares have traded between 10c in early January and 5.5c in early May this year.

The shares peaked at 43c on April 30 2021, shortly after listing.

Sizin' the rivals

There is only a vaccine for secondary dengue infections - Sanofi Pasteur's Dengvaxia - but the limitations are almost comical.

The vaccine is never prescribed for primary infection and should never be used by those without the disease - or for anyone aged under nine or over 45.

It also can't be used as a prophylactic for short stay visits in dengue-endemic areas, "as the risks most likely outweigh potential benefits".

Takeda has a vaccine approved in some countries including Brazil and Europe, but for unclear reasons it withdrew its US submission.

In terms of small molecules, Johnson & Johnson has a treatment in phase II stage, with a different mechanism of action to ISLA-101.

Novartis also appears to be developing one, but Dr Foster is unfased by the potential competition.

"Dengue fever is such a big problem," he says. "As with covid we need both vaccines and therapeutics to treat people at different stages."

Dr Boreham's diagnosis:

No company is an Island when it comes to drug re-purposing, with others in the game including the ASX-listed Race Oncology (cancer), Paradigm Biopharmaceuticals (dodgy knees), Pharmaust (motor neuron disease) and LTR Pharma (erectile dysfunction).

The benefits are a proven safety profile and thus a faster route to market.

While dengue fever presents a vast unmet need, Island has chosen an indication conducive to small and short trials because the life cycle of the virus is only two weeks.

While none of this guarantee's success, Island looks well-funded to the envisaged phase III stage.

"The next nine months will be incredible exciting and we should have a lot of inflexion points over the next 12 months," Dr Foster says.

Sadly, the excitement is yet to be reflected in Island's share price. When we last covered the stock in May 2021, Island was valued at around $31m compared with about $7m now.

Mind you, much of that is beyond management's control.

As the rights prospectus opines: "The stock market, particularly for biotechs, has experienced extreme price and volume fluctuations that have been unrelated or disproportionate to the operating performance of companies."

Now tell us something we didn't know

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort. He has never been to Byron Bay but secretly wants to cavort with the beautiful people.

SMALL CAPS

Codan’s Communication Upside

Codan has surprised with the performance of its metal detection business, but it is the company's communications business that has brokers excited.

-Codan moves to high quality status
-Solid organic and inorganic growth opportunities in communication
-Stellar margin expansion underpins valuation

By Greg Peel

"Whether you're on an outdoor adventure, an artisanal miner looking for gold or a humanitarian organisation clearing land mines in the world's most challenging environments, our metal detectors give you the range, depth and reliability you need to change your fortune."

Codan ((CDA)) has best been known as a company selling metal detectors via its MineLab business, as the above statement from the company's website attests. But Codan also develops and sells radio communication solutions across the globe. This division took a big step up in 2021 when Codan acquired US companies Zetron and Domo Tactical Solutions (DTC).

If MineLab provides for clearing land mines in the most challenging environments, Codan Communications develops technology solutions to solve customers' communications, safety, security and productivity problems in some of "the harshest environments around the world", again according to the company's website, providing tactical communication solutions that enable its customers to be connected, ultimately to support critical missions worldwide.

Codan's customers include the military and special forces, intelligence agencies, border control and first responders. Long term customers include more than 20 key US government agencies as well as the "Five Eyes" intelligence communities.

Codan's products are sold in more than 150 countries, with a global network of dealers, distributors and agents that allow the company to deliver solutions anywhere in the world, whenever needed.

Upside Surprise

Back in February, Codan surprised with its first-half FY24 result, leading to a share price pop of around 24% on the day. While the beat was ascribed mostly to better than forecast revenues and 49% growth in the metal detection business, brokers remained focused on the growth potential of the communications business.

Canaccord Genuity noted at the time the business was becoming "high quality" and the communications segment is "key". Canaccord retained its Buy rating and lifted its target price to $10.83 from $8.17.

Moelis lifted its target to $10.22 from $8.52 but stuck with a Hold rating given the share price pop meant valuation was by now less attractive.

Not to be outdone, Macquarie lifted its target to $10.65 from $8.48, and retained Outperform.

Earlier this month, Macquarie pulled its rating back to Neutral, given the share price had now rallied some 31% from the first-half result release, bringing it within 10% of the broker's total shareholder return valuation. But Macquarie had nothing but praise for the company.

High Quality

The communications segment remains on track to deliver 10-15% organic growth in FY24, Macquarie noted, with future growth to be driven by organic and inorganic opportunities. The broker echoed Canaccord Genuity in suggesting "quality is key".

Management remains focused on high quality clients driving growth, Macquarie reported, with a material portion of revenue now generated from government and large business customers. Codan has also pivoted its exposure by geography over FY22-23. Africa comprised 26% of revenue in FY22 but dropped to 11% in FY23, while North America increased to 50% from 41% over the period and Europe to 24% from 17%.

The communications segment remains attractive for future growth, the broker suggested, both organic and inorganic, given Codan's market share is single digits in all areas it participates in. The business now seems to have a proven process to assess potential M&A transactions and has completed four smaller acquisitions over the last three years.

Codan continues to look for suitable transactions that are larger, similar in scale to Zetron/DTC, most likely in North America or Europe.

And Codan has the balance sheet to achieve this.

Initiation

UBS's M&A scenario analysis suggests Codan could add up to $2.00 or 17% to its valuation and 11cps or 20% cash earnings per share accretion from fully utilising its new $150m debt facility for bolt-on acquisitions. The successful -$159m acquisitions of Zetron and DTC have formed the bedrock of the communications division, UBS noted.

The opportunity now exists for Codan to utilise its conservative balance sheet for accretive bolt-on acquisitions that could further enhance the Zetron/DTC product suite, service offering and/or geographical reach.

UBS initiated coverage of Codan last week with a Buy rating and $13.10 target.

The broker's thesis is underpinned by a strong 28% three-year forecast cash earnings per share compound annual growth rate, largely underpinned by around 150 basis points per annum earnings margin expansion, driving the communications division towards company targets of greater than 30% compared to 25% in FY23, alongside continued delivery of 10-15% organic revenue growth.

Over the last three years Codan has invested heavily into its communications fixed cost base, through Sales & Marketing and Product Development headcount, UBS notes. This has provided the segment with the appropriate scale to accelerate organic revenue growth.

The fixed cost investment has now largely matured, with the broker's analysis suggesting the incremental earnings margins for communications should be in the range of 40%.

UBS points out its FY25-26 EBIT forecasts are 3-5% ahead of consensus, driven by higher incremental communications EBIT margin forecasts, but in line on earnings per share given higher interest/tax forecasts.

SMALL CAPS

Deterra Seeks Growth Through Diversification

Deterra Royalties is looking to diversify away from iron ore royalties and provide for growth, in lithium in particular. The trade-off is a much-reduced dividend yield.

-Deterra Royalties makes an offer for Trident Royalties
-Trident offers diversification away from iron ore
-Trident's main development asset will produce lithium
-Shareholders face a major cut in dividend yield

By Greg Peel

Deterra Royalties ((DRR)) is the largest ASX-listed resource royalty firm, with earnings underpinned by a high-quality, long-life iron ore royalty over BHP Group's ((BHP)) Mining Area C. This asset accounts for virtually all of Deterra's valuation.

Cash flows from MAC are relatively stable and require no capital investment from Deterra to grow, but earnings are subject to iron ore price risk. It is BHP investing in growth, looking to expand MAC production from 60mt in 2019 to 145mt in 2024. Volume growth will boost Deterra's near-term earnings, but a pullback in iron ore prices, which most analysts forecast, will erode that boost.

To that end, Deterra's strategy is to grow its royalty base and diversify away from iron ore alone through the purchase of other royalty arrangements.

Enter Trident Royalties, listed on the Alternative Investment Market (AIM), a sub-segment of the London Stock Exchange. Trident invests across the breadth of mining commodities including thermal coal, with a bias towards production or near-production assets. It has exposure to lithium, gold, copper, silver, iron ore and other commodities, including precious, base and battery metals, and bulk/industrial materials, via 21 royalty streams.

Deterra has made an all-cash offer for Trident, approved by the board and so far by holders of 28.7% of shares. The offer equates to around -$276m at the prevailing exchange rate, which represented a 23% premium to the last traded price at the time of the announcement, and 32% to the three-month volume-weighted average price.

The offer remains subject to shareholder approval and to the usual regulatory approvals, and if successful is expected to settle some time in the second half of 2024.

A Wealth of Diversification

While Trident appears to offer a plethora of varied commodity exposures, Ord Minnett points out of 21 royalty assets, only twelve of those are currently generating cash flow and nine of those relate to gold. Gold accounted for almost 80% of Trident's 2023 revenue, with much of the remainder derived from assets with limited remaining lives.

Ord Minnett believes Deterra's plan would ultimately be to sell off the gold assets given they are inconsistent with management's strategy to focus on diversifying into bulk, base and battery mineral exposures.

This implies the deal is a bet on Trident's development assets. The most attractive of these is the large, long-life Thacker Pass lithium project in the US.

Ord Minnett believes Thacker Pass will likely begin production in 2027, initially producing around 40,000mt of lithium carbonate equivalent once ramped up. Phase 2 could potentially double production in the next decade. Thacker is one of the largest lithium resources globally, and could potentially produce up to 240,000mt per year once fully developed.

All well and good, but this is the first red flag for Deterra investors who may have been burnt by the boom & bust cycle of the lithium price over the past few years, or may simply fear the volatile price history of the most volatile metal on the periodic table.

Deterra's attraction for investors to date has been its reliable yield, driven by exposure to the high-quality MAC iron ore royalty, based off iron ore price exposure which is far less volatile than that of lithium. Deterra pays out 100% of profit as dividends, and currently offers a consensus forecast FY24 yield of 7.7%.

But if the Trident takeover is successful, that will change.

The Trade-Off

The Trident deal represents some 12% of Deterra's market cap, Canaccord Genuity notes, and will be funded via a GBP150m bridging loan. Deterra also has a $500m undrawn debt facility, so no new equity is required, thus no share price dilution.

However, while Deterra will pay out 100% of FY24 profit as dividends, thereafter that will drop to a minimum of 50%, as the company shifts focus towards growth.

This will clearly scare off those investors who crave yield. The -6% share price drop on the day of the announcement, and over -8% in total subsequently, is testament to investor concern.

Not helping is analyst agreement the offer price looks "full" on an earnings basis, although given investment in development projects, a large portion of Trident's value will be back-ended.

Canaccord believes the Trident deal makes strategic sense, but notes it may dilute Deterra's exposure to high-quality MAC iron ore and lower the future dividend yield. To that end, the broker would like to undertake a more detained analysis, and sticks with a Hold rating for now, with a $5.30 target.

Citi can see the value in the deal, but is more focused on investor disappointment over the dividend cut and concern over lithium exposure. Citi retains Neutral with a $5.20 target.

Ord Minnett points out Deterra had previously warned its payout could be reduced in the event of a material acquisition. On the subject of volatile lithium exposure, Ord Minnett believes Deterra is "sensibly" trying to take advantage of lithium prices currently at a cyclical low.

The broker has a Hold rating and fair value estimate of $4.20.

Morgan Stanley takes a cautious stance on the offer for Trident given the limited consensus estimates available and the change in strategy, which anchors Deterra's valuation to net asset value over yield.

That said, this broker retains an Overweight rating and $5.60 target.

Barrenjoey has a Neutral rating and $4.90 price target, and defines the proposed deal as follows: provided Thacker Pass moves into production, the deal is earnings dilutive until 2027, but value accretive.

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

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

SMALL CAPS

Building The No 3 Diagnostic Imaging Player

Brokers highlight deregulation and scale benefits from the potential merger of Integral Diagnostics and Capitol Health.

-Integral Diagnostics and Capitol Health intend to combine and become No 3
-Brokers highlight scale and deregulation benefits
-Management details significant pre-tax cost synergies
-Integral's share price strength will help the merger succeed

By Mark Woodruff

Shareholders on both sides will prosper from the potential tie-up between Integral Diagnostics ((IDX)) and Capitol Health ((CAJ)), according to stockbroking analysts, with the combined entity becoming a clear number three player in the Australian Diagnostic Imaging sector.

Integral's management team anticipates -$10m of annual pre-tax cost synergies within the next two years and double-digit pro forma EPS accretion in FY25. Macquarie concurs, forecasting EPS accretion for Integral in FY25 and FY26 of 12% and 11%, respectively, on a full year run-rate basis.

Importantly, this EPS accretion does not value any revenue synergy upside as a result of the transaction, highlights Jarden.

As the industry transitions to a deregulated magnetic resonance imaging (MRI) licensed market, Jarden believes a merger would benefit both companies competitively and provide scale advantages. Integral's national market share would increase to 12% from 8%, and it would operate the largest network of 68 clinics in Victoria.

Combining the two operators would provide a significant boost to Integral's partially licensed/unlicensed MRI fleet, notes Ord Minnett, as Capitol has 10 partially licensed and 14 unlicensed MRIs. These will experience a funding step change with forthcoming deregulation in July 2025 and July 2027.

From July 1, 2025, all partial licenses will become fully reimbursable "bulk billed", explains Jarden. Similarly, unlicensed MRIs become fully reimbursable from July 1, 2027.

By mitigating balance sheet pressure for Integral and being fairly priced for shareholders of Capitol, the transaction benefits shareholders of both parties, agrees Canaccord Genuity. Merger synergies are also considered important in what is becoming an otherwise more competitive market with the looming deregulation.

Integral owns and operates radiology practices in Victoria, Queensland, Western Australia and New Zealand, while Capitol's strong Victorian market position (46 clinics), efficient operating model and MRI fleet makes it a potential target for a range of strategic and private equity suitors, suggests Ord Minnett.

Post merger, Integral's Victorian presence would more than double, providing scale on par with the market dominant I-MED Radiology Network, while in Western Australia the merged entity would be larger than I-MED.

Scale and regulatory hurdles

Scale is the most significant and obvious benefit of this proposed merger, suggests Wilsons, as the combined entity size of around 130 Australian clinics will match the 130 for Lumus Imaging, owned by Healius ((HLI)), but still falls well short of I-MED's network of more than 240 clinics.

Despite greater size, Wilsons doesn't anticipate the merged entity would strike trouble with the ACCC on "monopolistic or dominant" grounds, because the combined clinics in any state of Australia would not be materially larger than the incumbent I-MED network.

Regulatory hurdles to deal completion are not a major risk, according to Canaccord, since Integral's exposure is concentrated across more regional areas in Victoria, whereas Capitol's clinics are more metropolitan.

This broker anticipates Capitol's clinics will be largely leveraged to drive volumes at Integral centres of excellence.

The conditional, non-binding merger proposal involves the provision of 0.12849 Integral Diagnostics shares per Capitol Health share, or $0.326 per share, which represents a 33% premium to the last closing Capitol share price.

The newly formed entity would be owned by shareholders of Integral and Capitol in the ratio of 63/37%.

Should the proposed merger succeed, Macquarie notes Integral's leverage would fall to circa 2.6 times from around 3 times as at December 2023, and provide management with greater flexibility for further growth initiatives.

Completion of this all-scrip deal will, however, be predicated on a supportive Integral Diagnostics share price, according to Ord Minnett, which notes a -4% share price retreat on the day of the announcement. This broker is not ruling out a superior offer from a third party.

Barring such competing offers or trouble with the regulator, management at Integral expects the transaction to be complete in around the next three months.

The savings

The -$10m of pre-tax cost synergies within the next two years alluded to by management should arise from headcount, indirect procurement (IT, labour hire etc.), and savings on costs associated with maintaining an ASX listing, explains Canaccord.

Integral anticipates the majority of these synergies will be realised in FY25, and the full amount after two years (FY26).

The analysts at Canaccord also envisage room for further synergies, courtesy of Ai innovation and teleradiology in the longer-term. Macquarie expects Capitol to benefit from Integral's capabilities in both these technologies.

Slight concerns for Integral

While longer-term policy changes around MRI deregulation may mitigate Integral's prior competitive moat, Canaccord believes management should be able to retain pricing power in certain jurisdictions, particularly Queensland, by maintaining a focus upon a high level of clinical expertise.

The market is also slightly dubious around whether Integral should be pursuing an acquisition, let alone one as large as Capitol, prior to restoring its operating margin profile, explains the analyst.

As part of a management call after the acquisition announcement, Integral noted an improving earnings margin in the second half and a gradual reduction in the net debt/EBITDA ratio.

Brokers leave their respective 12-month target prices for both companies unchanged, awaiting a binding offer before making any changes, with the exclusivity period for due diligence set to lapse on July 15.

The average target price of four covering brokers updated daily in the FNArena database for Integral Diagnostics is $2.35, suggesting -6% downside to the latest share price. There are two Buy (or equivalent) ratings, one Neutral and one Underweight.

Three Buy-rated (or equivalent) brokers researching Capitol Health have an average target of 31c, implying just over 5% share price upside.

Outside of the database, Canaccord Genuity, Wilsons and Jarden have Hold (or equivalent) ratings for Integral, and an average target of $2.27.

Wilsons, Canaccord and Jarden have ratings for Capitol Health of Market Weight, Buy and Neutral, respectively, and the same 27 cent target price.

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

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TREASURE CHEST

Treasure Chest: Seek

FNArena's Treasure Chest reports on money making ideas from stockbrokers and other experts.

Whose Idea Is It?

Jarden

The subject:

Seek ((SEK))

By Rudi Filapek-Vandyck

Shares in jobs platform Seek ((SEK)) are languishing in the low $20s, having put in a few brave attempts to rally towards the high $20s, but thus far failed on each occasion.

Analysts at Jarden suspect two worries are keeping the buyers at bay:

-the decline in job ads numbers in Australia and New Zealand
-lack of transparency regarding valuations inside the Seek Growth Fund

Regarding the first concern, Jarden points out the client mix has significantly changed since 2019 as the company has directed its attention more towards corporates and government.

The broker estimates SMEs will make up some 41% of Seek's volumes in FY24, up from 25% back in 2019. Corporate & Government is forecast to represent 37% this financial year, up from 29% bin 2019.

In contrast, traditional recruiters will see their share decline to circa 22% from 46% in 2019.

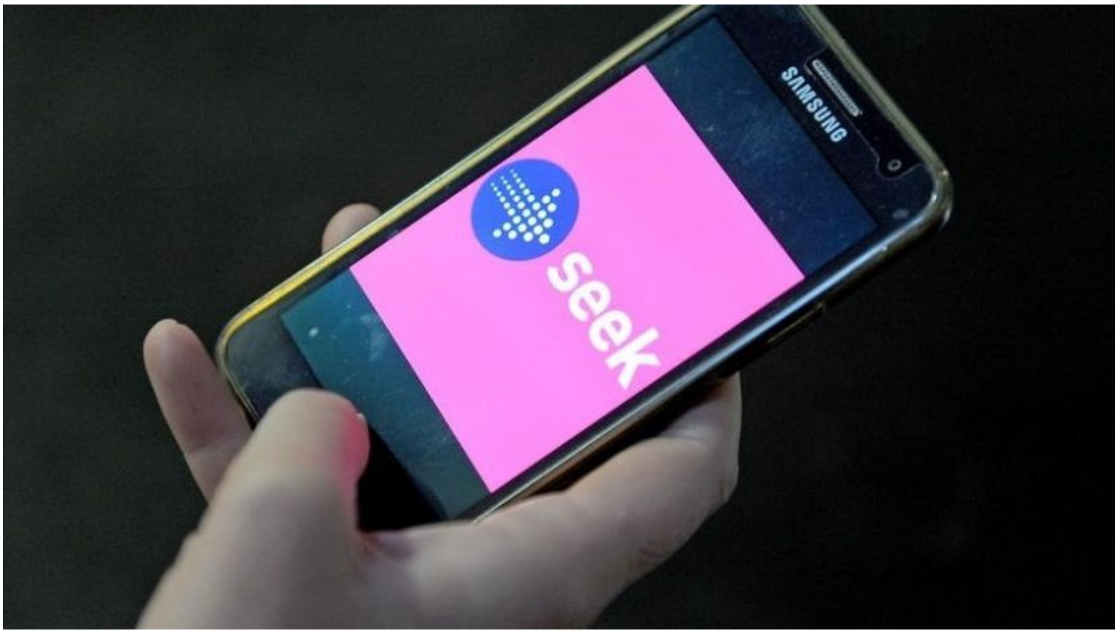
It is Jarden's view Seek holds a lot more pricing power over SMEs and corporate and government customers, leading to higher yield growth forecasts for the coming 3-5 years.

The broker is equally not as negative about the decline in volumes and has calculated, when adjusted for population growth, absolute numbers are only expected to decline by circa -5% in FY25 (next year). It's the yield growth that will prove a lot more interesting, and more important too.

Regarding the Seek Growth Fund, Jarden acknowledges transparency is missing, but suggests if Seek were to take another writedown to the value of its investments in HiBob, Employment Hero and Go1, this might potentially already be priced in at the present share price.

Valuations for the Growth Fund are generally based on the latest funding rounds, explains the broker, and they do look "rich".

More info:



What do the other brokers say?

Morgan Stanley is also upbeat on Seek and stressed at the February results the company remains geared to the eventual uptick in the employment market.

The analyst also is more positive on the potential value accretion to shareholders from the Seek Growth Fund, estimating it could be worth $5-$10 per share. The Overweight weighting was retained with an upgraded price target of $31 from $28.50.

Macquarie is on the record as expecting listings to trough in the 2H24, in line with Seek management's forecast, and grow further into FY25. This broker also highlighted a 10%-11% price increase from variable pricing in the results, so any further price rises would benefit the bottom line.

The stock was upgraded to Outperform from Neutral with a $29 target, up from $26.

Morgans highlighted expected growth from Asia in the 2H24, compared to the previous year and rated the stock an Add with a $27.30 target.

Over at UBS, earnings forecasts out to FY26 were downgraded on weaker volumes, but this broker considers there to be upside potential from greater yield growth in Asia longer-term. Buy rating and a $29.20 target.

Ord Minnett and Goldman Sachs remained more downbeat with respectively a Lighten and Sell rating, and target prices of $19 and $23.50, respectively.

Goldman Sachs views Seek as the most cyclical and leveraged stock in the classified platform operators' sector, believing volume headwinds will be sustained across A&NZ and Asia going forward.

Ord Minnett dislikes the debt levels and states they are too high. This analyst is awaiting proceeds from the divestment of the Latin American businesses which was announced in January.

For More Treasure Chest reading:

https://fnarena.com/index.php/2024/05/31/treasure-chest-sims/

https://fnarena.com/index.php/2024/05/16/treasure-chest-xero/

https://fnarena.com/index.php/2024/05/06/treasure-chest-the-green-opportunity-in-worley/

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 14-06-24

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday June 10 to Friday June 14, 2024
Total Upgrades: 7
Total Downgrades: 4
Net Ratings Breakdown: Buy 56.42%; Hold 34.24%; Sell 9.34%

In a relatively quiet and shortened week ending Friday June 14, 2024, FNArena recorded seven ratings upgrades and four downgrades for ASX-listed companies by brokers monitored daily.

The tables below show percentage downgrades by brokers to average earnings forecasts were slightly larger than upgrades, while rises in average target prices were a little larger than reductions.

Average earnings forecasts for specialist alternative investment manager Regal Partners rose by nearly 16% after Morgans initiated research coverage and management announced the acquisition of Merricks Capital.

Regal manages a broad range of investment strategies covering long/short equities, private markets, real and natural assets, and credit and royalties on behalf of institutions, family offices, charitable groups and private investors. Merricks is a leading alternative investment manager focused on private credit investments across commercial real estate, agriculture, and other assets.

The acquisition of Merricks should have a materially positive impact on earnings, according to Bell Potter, which increased its FY24 and FY25 EPS forecasts by 4.1% and 16.1%, respectively. The transaction is expected to add $2.9bn of funds under management and increase the overall scale and diversity of the company.

For further detail on the company's impressive growth over time and the acquisition of Merricks Capital please refer to FNArena's story update, to be published later today.

The average target for Regal Partners rose by nearly 14% and was the only material target price change in the FNArena database last week.

On the flipside, average earnings forecasts for Paladin Energy and Life360 fell by -18% and -12%, respectively, last week.

While Citi pulled-back its production forecasts for Paladin Energy, the broker maintained a Buy rating and suggested the recent decline in share price (in line with the U3O8 spot price) is an opportunity for investors.

The broker's commodities team recently reiterated its bullish uranium outlook and predicted upside momentum should resume in the second half of this year.

The May month-end long-term U3O8 price moved up another US$2/lb to US$77/lb, highlighted the analyst. Most U3O8 trade is via term contracts, which can span between 3-15 years, but these contracts are often related to the spot price at the time of delivery.

Citi noted management will release FY25 guidance within the next month, which should provide the market with more certainty around the ramp-up at the Langer Heinrich mine.

EPS forecasts for Life360 suffered after Bell Potter updated for the company's Nasdaq listing and dilution through issue of additional shares, though profit estimates were raised due to the additional cash and corresponding interest revenue.

This broker lowered its 12-month target for Life360 to $17.00 from $17.75 after also reducing the assumed valuation multiple given the potential catalyst of the US listing has now been removed. In addition, the IPO price was at a discount to the market price on the ASX.

As a read-through for Life360 in terms of potential advertising revenue, Morgan Stanley analysed recent results by US-based Lyft. It's felt Life360's business bears similar traits to Lyft which offers mobility as a service, ride-hailing, vehicles for hire, motorised scooters, a bicycle sharing system, rental cars, and food delivery in the United States and select cities in Canada.

In particular, Lyft's US$400m media gross bookings target by FY27 offers some takeaways for Life360, suggested the broker. Live360 recently announced the introduction of advertising into its offer, highlighting the monetisation potential within its base of 66m monthly active users (non-paying).

Lyft's monetisation targets are around 40 times the analyst's targets for Life360 on a per user basis. While there are several points of difference favouring Lyft, it's thought Life360 needs only to monetise its user base at a fraction of Lyft's target rate to double its revenue base.

Morgan Stanley retained its Overweight rating and $17.50 target for Life360.

Total Buy ratings in the database comprise 56.42% of the total, versus 34.24% on Neutral/Hold, while Sell ratings account for the remaining 9.34%.

Upgrade

AUSSIE BROADBAND LIMITED ((ABB)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 2/0/0

Aussie Broadband updated EBITDA guidance between $116m to $121m for FY24, driven by momentum in the enterprise and government segments and integration progress of Symbio.

Ord Minnett views the update as offering more "visibility" on the FY24 earnings and has upgraded the stock to Buy from Accumulate.

Management pointed to market share growth in the NBN March quarter report, an increase to 7.0% from 6.9%.

Additionally, price rises flagged by Telstra ((TLS)) for July are expected to support further market share gains for Aussie Broadband, the broker notes.

Target price unchanged at $4.20. Rating lifted to Buy from Accumulate.

BRAMBLES LIMITED ((BXB)) Upgrade to Overweight from Equal-weight by Morgan Stanley .B/H/S: 4/1/1

Brambles shares are trading at a -21% discount to the five-year average and, with the company forecast to enter a period of earnings growth, Morgan Stanley expects US$400m in buybacks in FY25 and FY26, respectively.

The analyst highlights the key risk is price competition, specifically the possibility of price discounting, although no evidence of irrational behaviour has been observed so far.

Rating upgraded to Overweight from Equal-weight and target raised to $16.60 from $15.70. Industry View: In line.

NINE ENTERTAINMENT CO. HOLDINGS LIMITED ((NEC)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 3/1/0

Ord Minnett nominates Nine Entertainment as a prime takeover target with the shares going nowhere since mid-2022.

At current share price levels, the analyst highlights half of the value of the company equates to the 60% holding in Domain Australia Holdings ((DHG)).

Excluding Domain values the rest of the business at only 3x forward FY24 EBITDA forecasts, the broker highlights. Buy rating and $2.70 target.

SANDFIRE RESOURCES LIMITED ((SFR)) Upgrade to Neutral from Sell by Citi .B/H/S: 1/5/0

The Citi global commodity team has upgraded copper forecasts to US$12,000/t from US$10,000/t as a result of a higher degree of certainty around the demand from the energy transition.

The broker is now US$2,000/t above market consensus.

Citi prefers BHP Group ((BHP)) over RioTinto ((RIO)) and Evolution Mining ((EVN)) over Northern Star Resources ((NST)).

Sandfire Resources is viewed by the broker as a "clean beta" play on the Cu price and EBITDA earnings are raised by 20% for FY25 to FY27.

Sandfire Resources is upgraded to Neutral from Sell, but Citi sees potential for revisiting the rating fs the share price consolidates or pulls back further on price movements.

The target price lifted to $8.90 from $7.90.

LOTTERY CORPORATION LIMITED ((TLC)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 4/2/0

Macquarie upgrades its rating for Lottery Corp to Outperform from Neutral and raises the target to $5.50 from $5.25 due to "robust" forecast growth and a currently low valuation. Potential also exists for a re-rating from moderating bond yields, explains the analyst.

Assuming both Powerball and Oz Lotto jackpot perform through June, the broker anticipates volume growth at around 15% in FY24 (up from 10%), which implies 40% 2H growth. It's expected this growth will support digital penetration.

TELIX PHARMACEUTICALS LIMITED ((TLX)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 2/0/0

Bell Potter upgrades its rating for Telix Pharmaceuticals to Buy from Hold on valuation. It's thought the current share price presents an opportunity to buy the stock ahead of positive 2H news flow, which may include FDA approvals for Zircaix and Pixclara.

The broker makes no changes to earnings forecasts nor the $19 target.

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

Macquarie now sees Woodside Energy shares implying an oil price into perpetuity of around US$56/bbl on a risked base case, and trading on a material -27% enterprise value discount to US peers.

This has opened a meaningful gap to the intrinsic value on the broker's below-consensus US$65/bbl long term Brent forecast.

The market is excessively pricing commodity, project and climate risks, in Macquarie's view. The Sangomar start-up represented a de-risking of Woodside's growth strategy, the broker argues, and LNG competencies are strategic given the LNG demand growth outlook.

Upgrade to Outperform from Neutral. Target unchanged at $32.

Downgrade

APM HUMAN SERVICES INTERNATIONAL LIMITED ((APM)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 1/2/0

Maddison Dearborn Partners (MDP) is offering APM Human Services International shareholders $1.45 per share in cash, valuing the company at $1.3bn, with no alternative bids expected, according to Bell Potter.

The analyst highlights trading remains weak with low client flows into Employment Services in Australia and the UK, leading to an expected continuation of these conditions into FY25.

Management guidance for FY24 has been placed at the lower end of the $280-290m EBITDA range, with debt costs likely to rise in FY25 due to refinancing.

Bell Potter adjusts forecasts by -2.3% in FY24 EBITDA, and a - 22.6% reduction in EBITDA for FY25.

Rating downgraded to Hold from Buy. Target price lifted to $1.45 from $1.40.

CODAN LIMITED ((CDA)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/1/0

Following a strong appreciation in the share price, Macquarie analysts have downgraded their rating to Neutral from Outperform while raising their price target to $11.15 from $10.65.

The broker highlights the strong performance of the Comms segment, which is on track to deliver 10-15% organic growth in FY24.

Financial forecasts have been adjusted, with the EPS estimate for FY24 revised to 44.4c, and FY25 to 53.8c. The broker remains focused on Codan's strategic acquisitions and high-quality client base to drive future growth.

IMDEX LIMITED ((IMD)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 2/3/0

Macquarie analysts have downgraded Imdex to Neutral from Outperform while raising their price target to $2.42 from $2.30.

The broker notes subdued drilling activity with 3Q mining activity down -28% YoY, although strong industry fundamentals should drive medium-term growth.

Imdex is seen as well positioned to capitalise on future upticks in activity. No changes have been made to financial forecasts, with FY24 revenue expected to be $449.4m and EBITDA at $131.5m.

The broker remains optimistic about Imdex's prospects, citing increased junior capital raising activity as a potential catalyst.

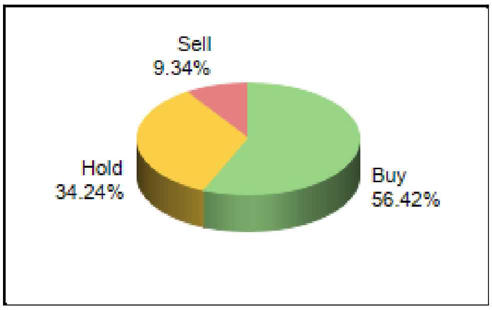
SERVICE STREAM LIMITED ((SSM)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 2/1/0

Macquarie highlights recent contract awards valued at circa $600m, including agreements with Yarra Valley Water and Victoria's Department of Transport.

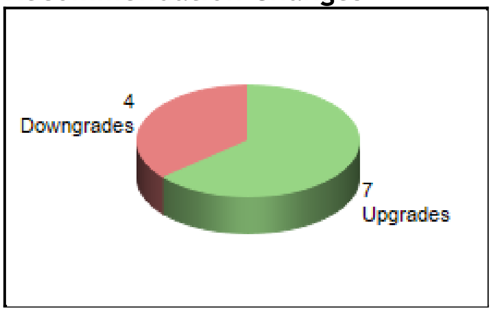
Post a 28% rally since the 1H24 result, the rating is downgraded to Neutral from Outperform. FY25/26 EPS estimates have been revised up by 3-4% due to minor segment adjustments and lower corporate costs.

The broker remains optimistic about Service Stream's business optimisation and revenue profile improvements. The price target increases to $1.30 from $1.25.

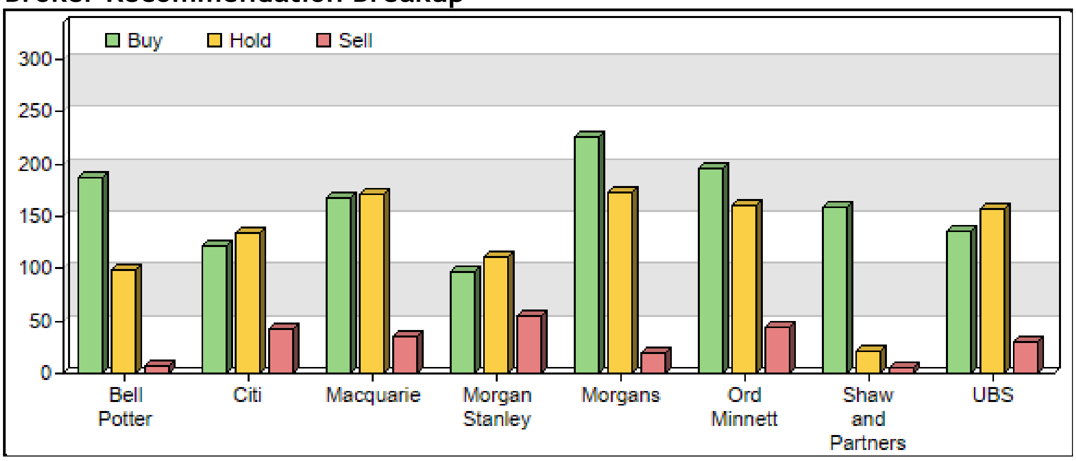
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				

1	AUSSIE BROADBAND LIMITED	Buy	Buy	Ord Minnett
2	BRAMBLES LIMITED	Buy	Neutral	Morgan Stanley
3	LOTTERY CORPORATION LIMITED	Buy	Neutral	Macquarie
4	NINE ENTERTAINMENT CO. HOLDINGS LIMITED	Buy	Buy	Ord Minnett
5	SANDFIRE RESOURCES LIMITED	Neutral	Sell	Citi
6	TELIX PHARMACEUTICALS LIMITED	Buy	Neutral	Bell Potter
7	WOODSIDE ENERGY GROUP LIMITED	Buy	Neutral	Macquarie
Downgrade				
8	APM HUMAN SERVICES INTERNATIONAL LIMITED	Neutral	Buy	Bell Potter
9	CODAN LIMITED	Neutral	Buy	Macquarie
10	IMDEX LIMITED	Neutral	Buy	Macquarie
11	SERVICE STREAM LIMITED	Neutral	Buy	Macquarie

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	RPL	REGAL PARTNERS LIMITED	4.383	3.860	13.55%	3
2	29M	29METALS LIMITED	0.533	0.500	6.60%	3
3	MRM	MMA OFFSHORE LIMITED	2.733	2.600	5.12%	3
4	GMG	GOODMAN GROUP	33.295	32.045	3.90%	6
5	BAP	BAPCOR LIMITED	4.833	4.708	2.66%	6
6	S32	SOUTH32 LIMITED	3.892	3.792	2.64%	6
7	BGA	BEGA CHEESE LIMITED	4.375	4.288	2.03%	4
8	SFR	SANDFIRE RESOURCES LIMITED	9.533	9.367	1.77%	6
9	HMC	HMC CAPITAL LIMITED	7.512	7.404	1.46%	5
10	SVW	SEVEN GROUP HOLDINGS LIMITED	39.700	39.133	1.45%	3

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	IPH	IPH LIMITED	8.350	8.683	-3.84%	4
2	ACL	AUSTRALIAN CLINICAL LABS LIMITED	3.033	3.133	-3.19%	3
3	APE	EAGERS AUTOMOTIVE LIMITED	12.279	12.621	-2.71%	7
4	ARB	ARB CORPORATION LIMITED	39.483	40.580	-2.70%	6
5	IEL	IDP EDUCATION LIMITED	19.683	20.150	-2.32%	6
6	ALD	AMPOL LIMITED	36.600	37.438	-2.24%	4
7	ASX	ASX LIMITED	61.433	62.683	-1.99%	6
8	VEA	VIVA ENERGY GROUP LIMITED	3.813	3.888	-1.93%	4
9	KAR	KAROON ENERGY LIMITED	2.620	2.660	-1.50%	5
10	360	LIFE360 INC	16.973	17.223	-1.45%	3

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	RPL	REGAL PARTNERS LIMITED	21.333	18.400	15.94%	3
2	S32	SOUTH32 LIMITED	13.950	12.982	7.46%	6
3	JIN	JUMBO INTERACTIVE LIMITED	72.700	71.525	1.64%	4
4	TLC	LOTTERY CORPORATION LIMITED	18.033	17.767	1.50%	6
5	NAB	NATIONAL AUSTRALIA BANK LIMITED	224.833	221.650	1.44%	6
6	MRM	MMA OFFSHORE LIMITED	22.100	21.900	0.91%	3
7	BXB	BRAMBLES LIMITED	88.136	87.605	0.61%	6
8	EBO	EBOS GROUP LIMITED	151.350	150.450	0.60%	5
9	HMC	HMC CAPITAL LIMITED	32.660	32.480	0.55%	5
10	WBC	WESTPAC BANKING CORPORATION	190.550	189.833	0.38%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	PDN	PALADIN ENERGY LIMITED	-5.909	-5.000	-18.18%	5
2	360	LIFE360 INC	13.207	15.082	-12.43%	3

3	EVN	EVOLUTION MINING LIMITED	24.260	25.160	-3.58%	5
4	APE	EAGERS AUTOMOTIVE LIMITED	96.857	100.286	-3.42%	7
5	BGA	BEGA CHEESE LIMITED	9.925	10.200	-2.70%	4
6	VEA	VIVA ENERGY GROUP LIMITED	27.100	27.775	-2.43%	4
7	ACL	AUSTRALIAN CLINICAL LABS LIMITED	15.100	15.433	-2.16%	3
8	ALD	AMPOL LIMITED	293.700	298.750	-1.69%	4
9	IEL	IDP EDUCATION LIMITED	55.033	55.817	-1.40%	6
10	SVW	SEVEN GROUP HOLDINGS LIMITED	224.025	225.100	-0.48%	3

Technical limitations

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

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WEEKLY REPORTS

Uranium Week: Spot Price Hits Pause

Short term U3O8 spot price weakness belies the potential growth in demand and fragility of longer-term supply chains, a positive for the uranium bulls.

-U3O8 spot prices remain volatile as utilities stand back from the market
-Annual US uranium stockpiles rose in 2023 with Australia a significant supplier
-Canaccord Genuity, the latest broker to espouse the bull case for longer-term uranium demand

By Danielle Ecuyer

Short term pricing instability belies medium term fundamentals

The spot price uranium market remains at elevated levels of price volatility, industry consultant TradeTech observes.

Last week's market vacillated with Monday's prices between US$82.50lb and US$84lb, rising to US$83lb on the Tuesday before settling down towards the end of the week and finishing unchanged at US$85lb.

Focusing out, the spot price has fallen -21% from a 16-year high in February at US$107lb, but at an average US$93.21lb the spot price remains 39% above the 2023 average.

Utilities continue to focus on the recent Department of Energy (DOE) waiver exemption details for the period up until January 1, 2028, when further import of Russian material is vetoed.

Utilities remain essentially focused on preparing waiver applications in the near-term.

TradeTech highlights US utilities added further inventory or contract commitments in 2023 and the market indicates, despite short term weakness, the mid- and longer-term markets remain stable.

The mid-term TradeTech U3O8 price indicator stands at US$93.50lb and the Long-Term price at US$80lb.

Turning to the *Uranium Marketing Annual Report 2023*, released by the US Energy Information Administration (EIA) last week, US civilian nuclear power reactors bought 51.6m pounds of uranium in 2023, up 27% on the total deliveries in 2022.

Canada delivered the most at 27% of the total, with Kazakhstan and Australia each contributing around 22% each. Russia and Uzbekistan accounted for 12% and 10%, respectively.

Inventories held by US commercial inventories across US brokers, converters, traders, nuclear power plant operators et al, rose to 152m pounds from 143.1m pounds in 2022.

Multiple secular trends are expected to underpin demand growth

Canaccord Genuity is the latest broker to provide a positive update on the outlook for uranium.

Looking past the near-term weakness in the spot price, the broker posits the supply/demand dynamics are ripe to support medium to longer term support for uranium.

Canaccord identifies the fragility of the supply side due to US sanctions on Russian imports, targeted production cuts from Kazatomprom, and Niger instability.

Uranium supply is highly concentrated with Canada's Comeco and Kazatomprom-related projects combined accounting for 62% of primary mine supply in 2023.

From a demand perspective, nuclear energy's role in meeting several criteria is increasing above what can possibly be supplied via restarts and brownfield expansions, the broker believes.

After ten years of under-investment and mine closures, think Ranger and Cominak, supply of uranium is at a 12-year low at 123m pounds against demand of around 180m pounds and secondary supply is waning.

Demand for reliable energy in sufficient supply for decarbonisation goals (electrification across mobility included) and expected data center power demand infers the world will need more uranium and a clearer price signal will be necessary to kick start greenfield projects.

Putting the data centre demand into perspective, it is expected Nvidia will ship 1.5m server units by 2027. When running at full capacity, these chips would consume some 85.4Twh of electricity annually. This equates to the amount of energy a small country uses annually.

Amazon owned AWS is expanding its data centre footprint adjacent to Talen Energy's 2.5GW nuclear power plant.

A hyperscaler data centre like those operated by Microsoft (Azure), Amazon (AWS) and Google (Google Cloud) can consume the equivalent of 80,000 households of electricity.

On balance, Canaccord Genuity is forecasting uranium demand to grow at circa 3.2% p.a. through to 2035, with 59 new reactors under construction as at June 2023.

China is building the largest capacity expansion, followed by India, Turkey, South Korea, Egypt and the UK.

For more reading on what's happening in uranium markets:

https://fnarena.com/index.php/2024/06/12/uranium-week-namibia-in-focus/

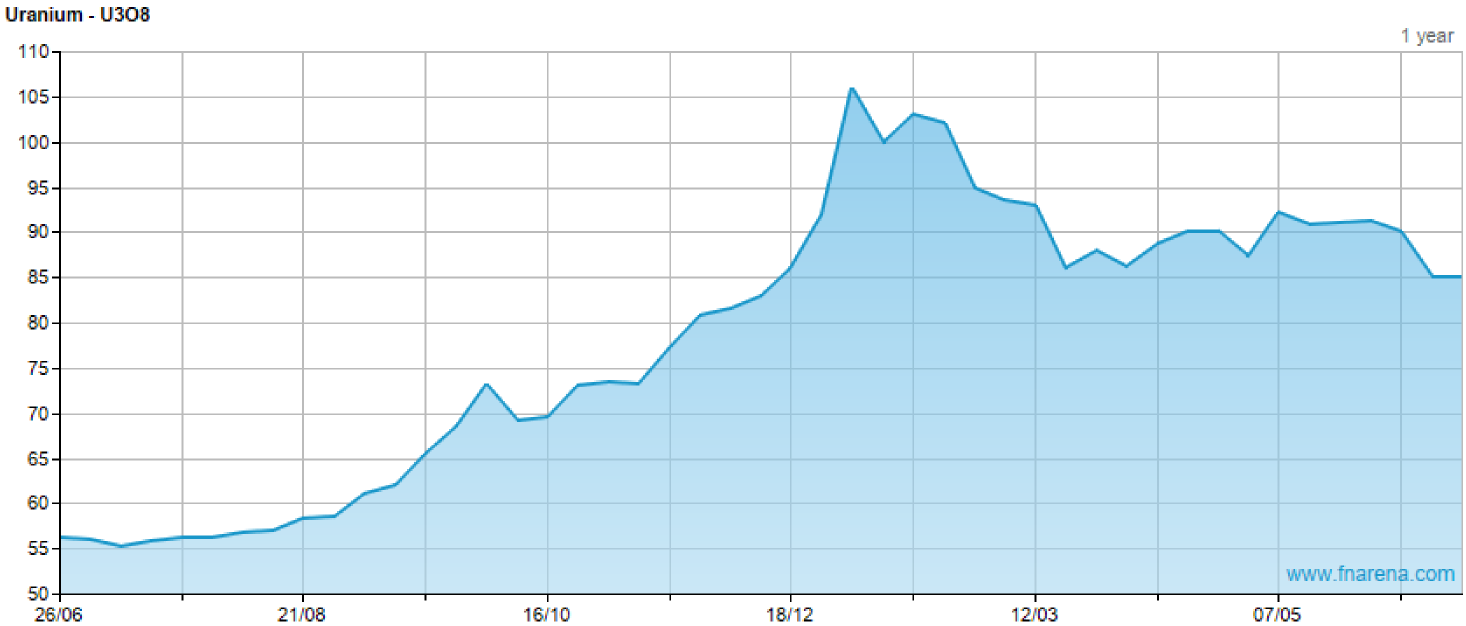
https://fnarena.com/index.php/2024/06/04/uranium-week-preparing-for-the-nuclear-age/

https://fnarena.com/index.php/2024/05/28/uranium-week-soft-us-import-waivers/

https://fnarena.com/index.php/2024/05/14/uranium-week-us-boycott-enthusiasm-fades/

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	14/06/2024	0.0700	▼-12.50%	$0.19	$0.05			
AGE	14/06/2024	0.0500	▼- 3.51%	$0.08	$0.03		$0.100	▲100.0%
BKY	14/06/2024	0.3600	▼- 3.75%	$0.80	$0.26			
BMN	14/06/2024	3.8700	▼- 3.13%	$4.87	$1.44		$7.400	▲91.2%
BOE	14/06/2024	4.0200	▼- 8.00%	$6.12	$2.83	40.6	$5.425	▲35.0%
DYL	14/06/2024	1.4100	▼- 7.03%	$1.83	$0.65		$1.770	▲25.5%
EL8	14/06/2024	0.4600	▲ 2.08%	$0.68	$0.29			
ERA	14/06/2024	0.0400	0.00%	$0.08	$0.03			
LOT	14/06/2024	0.3700	▼- 3.70%	$0.49	$0.17		$0.660	▲78.4%
NXG	14/06/2024	10.5400	▼- 4.03%	$13.66	$6.56		$17.500	▲66.0%
PDN	14/06/2024	13.4100	▼- 7.70%	$17.98	$6.70	-228.7	$16.310	▲21.6%
PEN	14/06/2024	0.1000	▼- 4.55%	$0.20	$0.08		$0.260	▲160.0%
SLX	14/06/2024	5.4400	▼- 4.18%	$6.74	$2.92		$7.600	▲39.7%



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

WEEKLY REPORTS

The Short Report - 20 Jun 2024

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

Summary:

Week Ending June 13, 2024 (most recent data available through ASIC).

10%+

PLS 21.28
IEL 13.43
LTR 10.86
WGX 10.31

In: WGX Out: SYR, CHN

9.0-9.9%

SYR
SYA
CHN
FLT

In: SYR, CHN Out: WGX

8.0-8.9%

STX
ACL
WBT
CXO
LYC

In: LYC

7.0-7.9%

HLS
ARU

Out: LYC, GMD, NAN

6.0-6.9%

NAN
GMD
LIC
OBL
BOQ
WEB
CTT
BAP

In: CTT, GMD, NAN Out: VUL

5.0-5.9%

CUV
IFL
VUL
MIN
NUF
CTD
DMP
SFR
NVX

In: NUF, SFR, VUL   Out: CTT, IMU

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.3	0.2	QBE	0.6	0.6
ANZ	0.5	0.5	RIO	4.9	4.8
BHP	0.4	0.4	S32	2.3	2.5
CBA	1.6	1.5	STO	1.2	1.2
COL	0.6	0.6	TCL	0.6	0.7
CSL	0.4	0.4	TLS	0.2	0.2
FMG	1.1	1.0	WBC	0.8	0.8
GMG	1.6	1.4	WDS	0.5	0.5
MQG	0.7	0.8	WES	1.1	1.1
NAB	0.8	0.7	WOW	0.4	0.3

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: Goodman Shares Too Hot For Property Investors

Industrial versus Office property REITs; Citi cools on iron-ore prices, and Macquarie questions whether the ASX is large enough.

-The outlook for real-estate assets
-Morgans' fun facts on Goodman Group
-REITS, what's hot and what's not
-Iron ore prices softening
-Aussie super outgrowing the local share market

By Danielle Ecuyer

The outlook for Real-Estate Assets

In a higher interest rate environment, it is hardly surprising the brokers are sharpening the pencils and focusing on real-estate valuations, along with what's hot and what's not.

REITs will be dishing up asset valuation updates post June 30, and this has attracted the attention of Morgan Stanley. Divergence or not between industrial and office market cap rates versus 10-year bond yields?

As was highlighted in last week's In Brief, Morgan Stanley joins Barrenjoey to confirm on its own number crunching, the **outlook for the office rental market is not too flash**, still.

The spread of Office market cap rates versus the Australian 10-year bond yield is sitting around 1.97%, compared to the average since 2000 of 2.09%.

Assuming a lower income growth outlook for office, this infers the cap rate spread could move higher, which would equate to (still) lower valuations of office related assets.

Conversely, the conclusion for industrial property assets is more upbeat. Theoretically, industrial cap rates could expand by150bps as rental demand reverts to the lower long-term average.

While this is a potential risk, Morgan Stanley points to the rise in industrial rental returns post 2017/18 which, in turn, could be explained by the launch of Amazon and growth in online retailers.

Morgans overview from eight specialised guests

Morgans recently hosted eight guests across funds management, real estate and building materials, with Growthpoint Properties Australia ((GOZ)) pointing out an interesting calculation for the industrial property sector.

Each person in Australia requires around four-square metres of industrial space for their personal "footprint". This equates to demand of up to 2m square metres of industrial space simply on the back of around 1m to 1.5m people entering Australian in the next 3-5 years.

Looking at the commercial sector, Morgans notes **concerns remain around higher replacement costs** curtailing commercial real estate development and supply.

Morgans points to flat office rents and a fall in valuations of between -10% to -20% against a 25% lift in construction costs, with most office REITS trading below replacement cost.

Ultimately, population growth will support office rental growth, but for now, new developments are not financially worth the risk.

Against a higher interest rate/funding backdrop and inflated material costs, investors would prefer the yield on selective debt lending against equity, the guests suggested.

Speaking of costs, Morgans views the health of Australian builders as "better-than-feared"; margins have reset higher and reflect cost pressures.

Turning to private credit, the asset class *du jour* in a higher interest rate world...

The jury is still out, Morgans states, with the bulls upbeat on the private credit as an alternative to real-estate and ongoing falling valuations.

The bears, however, harbor concerns over defaults and insolvencies at a 25-year high, with the outlook continuing to erode as the RBA stands firm on no rate cuts with sticky inflation.

For many investors private credit is "ground zero", according to Morgans, with real estate, construction, hospitality, commercial property, and residential developers in the hot seat.

Goodman Group, Morgans' fun facts

Goodman Group represents 40% of the ASX200 A-REIT index with the top five REITS making up 70% of the index.

Some 60% of the Goodman shareholder register is foreign, with the company attracting global growth investors.

The premium valuation also generates attention, with Property Security Funds (PSF) struggling to align their investment criteria with the premium to NTA ascribed to Goodman. Their models rely on yield and expected rental income versus asset prices.

Simply put, global growth managers can stomach the plus 30x PER valuation for circa 15% p.a. earnings growth and a return on equity of around 15% with sectoral exposure to e-commerce and Ai via data centres. For your traditional property investor, these numbers do not have the same appeal.

REITs Ratings: Morgans & Morgan Stanley

Morgan Stanley's Real-Estate coverage:

- **Retail Sector**: Overweight Scentre Group ((SCG)) and Region Group ((RGN)); Equal Weight Charter Hall Retail ((CQR)) and Homeco Daily Needs REIT ((HDN)); Underweight Vicinity Centres ((VCX)), BWP Trust ((BWP)) and Waypoint REIT ((WPR)).

- **Residential sector:** Overweight Stockland ((SGP)); Equal Weight Mirvac Group ((MGR)).

- **Commercial Sector**: Overweight Goodman Group ((GMG)); Equal Weight GPT ((GPT)), Centuria Industrial ((CIP)) and Lend Lease ((LLC)); Underweight Dexus ((DXS)) and Centuria Office ((COF)).

- **Other**: Overweight Charter Hall ((CHC)) and Centuria Capital Group ((CNI)); Equal Weight Arena REIT ((ARF)), Healthco Healthcare and Wellness REIT ((HCW)), HMC Capital ((HMC)) and Charter Hall Long Wale ((CLW)); Underweight National Storage ((NSR)).

For Morgans, Qualitas ((QAL)) is rated Add with the stock trading on the lowest multiple since its IPO.

Goodman Group is rated a Hold; Cedar Woods Property ((CWP)) an Add, and Brickworks ((BKW)) a Hold.

Weakness in iron prices on the horizon: Citi

Citi has adopted a cautious stance on iron ore prices, with China May steel production rising 2.7% on the previous corresponding period, up 5.8% on April, with year-to-date production down around -1.2%.

Net steel exports ran high, up 25.1% year-to-date, or 100mt p.a. with May at almost 9mt, in contrast to domestic steel consumption declining -3.3% year-to-date and up 1.5% on the previous period in 2023.

The broker highlights monetary conditions continued to contract in May and heading into the northern summer and the second half of 2024, in the absence of production declines, steel exports will be required to stay high to support iron ore prices. May is noted as typically seasonally buoyant for Chinese steel output.

The broker forecasts iron ore prices to move below US$100/t in 3Q2024 and has lowered the in-house 2024 average forecast to US$110/t.

Solving the domestic equities shortage

Macquarie questions whether the Australian share market might not be large enough for the local superannuation industry, with the sector projected to grow even faster once the super guarantee levy rises to 12% by FY26.

The superannuation industry already represents 140% to 150% of the domestic economy and is forecast to reach $3.9trn in assets by the end of FY24.

The broker suggests offshore listings could provide a solution to the rising demand for available stocks against a backdrop of an IPO drought and reinvested dividends and buybacks.

The problem has also been exacerbated by privatisations, particularly in the infrastructure space.

To boost the available supply of domestic equities, Macquarie proposes "to attract more global companies to add an ASX listing" and the broker envisages three scenarios:

- Offshore companies with significant assets and income in Australia, with Block ((SQ2)) and Newmont Corp ((NEM)) as prime examples.

- Stocks in sectors where ASX investors have relative advantage; think Light and Wonder ((LNW)) which has a secondary listing in a sector (Gaming) that is well understood.

- Offshore companies where Australian investors are substantial shareholders, including Flutter Entertainment, Zillow and Property Guru.

For More In Brief Reading:

https://fnarena.com/index.php/2024/06/14/in-brief-us-dominance-rests-on-tech-liquidity/

https://fnarena.com/index.php/2024/05/31/in-brief-telcos-wages-tariffs-aluminium/

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WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 21-06-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

CHARTER HALL SOCIAL INFRASTRUCTURE REIT ((CQE)) Upgrade to Neutral from Underweight by Jarden.B/H/S: 0/0/0

Within Jarden's coverage of the Australian REIT sector, weighted-average funds from operations (FFO) growth forecasts are starting to improve for FY25 and FY26 to 3.6% and 7.9%, respectively, from -2.2% in FY24.

The broker believes downside risk to asset values is well reflected in current valuations, and REITs are increasingly moving to offence from defence.

Excluding Goodman Group (which remains the best quality stock in the sector), the analysts see around 18% upside to 12-month target prices.

The target for Charter Hall Social Infrastructure REIT is decreased to $2.75 from $3.05 and the rating upgraded to Neutral from Underweight.

While this REIT offers one of the better revenue growth stories in the sector, the broker sees limited near-term earnings growth.

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

Within Jarden's coverage of the Australian REIT sector, weighted-average funds from operations (FFO) growth forecasts are starting to improve for FY25 and FY26 to 3.6% and 7.9%, respectively, from -2.2% in FY24.

The broker believes downside risk to asset values is well reflected in current valuations, and REITs are increasingly moving to offence from defence.

Excluding Goodman Group (which remains the best quality stock in the sector), the analysts see around 18% upside to 12-month target prices.

The target for Dexus is decreased to $7.60 from $7.90 and the rating upgraded to Neutral from Underweight. While most bad news is already reflected in the share price, the broker sees no evidence of sustainable FFO growth.

GPT GROUP ((GPT)) Upgrade to Overweight from Underweight by Jarden.B/H/S: 0/0/0

Within Jarden's coverage of the Australian REIT sector, weighted-average funds from operations (FFO) growth forecasts are starting to improve for FY25 and FY26 to 3.6% and 7.9%, respectively, from -2.2% in FY24.

The broker believes downside risk to asset values is well reflected in current valuations, and REITs are increasingly moving to offence from defence.

Excluding Goodman Group (which remains the best quality stock in the sector), the analysts see around 18% upside to 12-month target prices.

The target for GPT Group is increased to $4.85 from $4.70 and the rating upgraded to Overweight from

Underweight with shares trading at a discount to the broker's sum-of-the-parts valuation.

LIFESTYLE COMMUNITIES LIMITED ((LIC)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

Within Jarden's coverage of the Australian REIT sector, weighted-average funds from operations (FFO) growth forecasts are starting to improve for FY25 and FY26 to 3.6% and 7.9%, respectively, from -2.2% in FY24.

The broker believes downside risk to asset values is well reflected in current valuations, and REITs are increasingly moving to offence from defence.

Excluding Goodman Group (which remains the best quality stock in the sector), the analysts see around 18% upside to 12-month target prices.

The target for Lifestyle Communities is decreased to $15 from $17 and the rating upgraded to Buy from Overweight as recent share price weakness looks overdone, in the broker's opinion.

MIRVAC GROUP ((MGR)) Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

Within Jarden's coverage of the Australian REIT sector, weighted-average funds from operations (FFO) growth forecasts are starting to improve for FY25 and FY26 to 3.6% and 7.9%, respectively, from -2.2% in FY24.

The broker believes downside risk to asset values is well reflected in current valuations, and REITs are increasingly moving to offence from defence.

Excluding Goodman Group (which remains the best quality stock in the sector), the analysts see around 18% upside to 12-month target prices.

The broker's target for Mirvac Group is decreased to $2.20 from $2.25 and the rating upgraded to Overweight from Neutral as the share price has significantly underperformed the sector over the past six months.

STOCKLAND ((SGP)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

Within Jarden's coverage of the Australian REIT sector, weighted-average funds from operations (FFO) growth forecasts are starting to improve for FY25 and FY26 to 3.6% and 7.9%, respectively, from -2.2% in FY24.

The broker believes downside risk to asset values is well reflected in current valuations, and REITs are increasingly moving to offence from defence.

Excluding Goodman Group (which remains the best quality stock in the sector), the analysts see around 18% upside to 12-month target prices.

The target for Stockland is increased to $5.45 from $5.05 and the rating upgraded to Buy from Overweight.

Jarden believes residential momentum will improve in anticipation of rate cuts, while the acquisition of Lendlease Group's ((LLC) MPC business is expected to drive EPS growth.

Downgrade

GOODMAN GROUP ((GMG)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Within Jarden's coverage of the Australian REIT sector, weighted-average funds from operations (FFO) growth forecasts are starting to improve for FY25 and FY26 to 3.6% and 7.9%, respectively, from -2.2% in FY24.

The broker believes downside risk to asset values is well reflected in current valuations, and REITs are increasingly moving to offence from defence.

Excluding Goodman Group (which remains the best quality stock in the sector), the analysts see around 18% upside to 12-month target prices.

The broker's target for Goodman Group rises to $37.60 from $30.50 and the rating is downgraded to Neutral from Overweight after an 82% share price rise over the past year.

The elevated stock price could become a funding source for oversold REIT's in the sector, cautions Jarden.

SCENTRE GROUP ((SCG)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

Within Jarden's coverage of the Australian REIT sector, weighted-average funds from operations (FFO) growth forecasts are starting to improve for FY25 and FY26 to 3.6% and 7.9%, respectively, from -2.2% in FY24.

The broker believes downside risk to asset values is well reflected in current valuations, and REITs are increasingly moving to offence from defence.

Excluding Goodman Group (which remains the best quality stock in the sector), the analysts see around 18% upside to 12-month target prices.

The target for Scentre Group is increased to $3.65 from $3.60 and the rating downgraded to Overweight from Buy. Jarden continues to like the mall sector and believes this REIT is well positioned despite a strong share price performance over the last six months.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	CHARTER HALL SOCIAL INFRASTRUCTURE REIT	Neutral	Sell	Jarden
2	DEXUS	Neutral	Sell	Jarden
3	GPT GROUP	Buy	Sell	Jarden
4	LIFESTYLE COMMUNITIES LIMITED	Buy	Buy	Jarden
5	MIRVAC GROUP	Buy	Sell	Jarden
6	STOCKLAND	Buy	Buy	Jarden
Downgrade				
7	GOODMAN GROUP	Neutral	Buy	Jarden
8	SCENTRE GROUP	Buy	Buy	Jarden

Price Target Changes (Post Thursday Last Week)

Company	Last Price	Broker	New Target	Old Target	Change
ADH Adairs	$1.91	Canaccord Genuity	1.92	2.14	-10.28%
AKG Academies Australasia	$0.18	Taylor Collison	N/A	0.35	-100.00%
ARF Arena REIT	$3.93	Jarden	4.30	4.10	4.88%
ASX ASX	$58.53	Goldman Sachs	55.45	60.00	-7.58%
		Jarden	61.10	63.70	-4.08%
BCI BCI Minerals	$0.22	Canaccord Genuity	0.49	0.70	-30.00%
BMN Bannerman Energy	$3.79	Canaccord Genuity	4.65	4.62	0.65%
BPT Beach Energy	$1.47	Wilsons	1.76	1.87	-5.88%
BWP BWP Trust	$3.64	Jarden	3.55	3.30	7.58%
CHC Charter Hall	$12.37	Jarden	14.50	13.60	6.62%
CIA Champion Iron	$6.45	Jarden	7.94	8.01	-0.87%
CIP Centuria Industrial REIT	$3.11	Jarden	3.65	3.60	1.39%
CKF Collins Foods	$9.21	Canaccord Genuity	9.25	10.95	-15.53%
CLW Charter Hall Long WALE REIT	$3.48	Jarden	3.60	3.80	-5.26%
COF Centuria Office REIT	$1.20	Jarden	1.20	1.30	-7.69%
COI Comet Ridge	$0.20	Petra Capital	0.35	0.38	-7.89%
CQE Charter Hall Social Infrastructure REIT	$2.39	Jarden	2.75	3.05	-9.84%
CQR Charter Hall Retail REIT	$3.34	Jarden	3.90	4.00	-2.50%
CRD Conrad Asia Energy	$0.80	Wilsons	1.93	1.97	-2.03%
CSL CSL	$291.72	Jarden	305.34	296.02	3.15%
CVW Clearview Wealth	$0.58	Taylor Collison	0.90	0.92	-2.17%
DSK Dusk Group	$0.64	Canaccord Genuity	0.70	0.90	-22.22%
DXS Dexus	$6.53	Jarden	7.60	7.90	-3.80%
EVN Evolution Mining	$3.65	Jarden	2.91	3.02	-3.64%
GMG Goodman Group	$35.55	Jarden	37.60	30.50	23.28%
GPT GPT Group	$4.08	Jarden	4.85	4.70	3.19%
HMC HMC Capital	$7.39	Jarden	7.90	7.00	12.86%
INA Ingenia Communities	$4.84	Jarden	5.50	5.45	0.92%
KMD KMD Brands	$0.36	Canaccord Genuity	0.42	0.54	-22.22%
LIC Lifestyle Communities	$12.18	Jarden	15.00	17.00	-11.76%
LNW Light & Wonder	$151.38	Jarden	166.00	164.00	1.22%
MGR Mirvac Group	$1.96	Jarden	2.20	2.25	-2.22%
NSR National Storage REIT	$2.33	Jarden	2.75	2.70	1.85%
ORG Origin Energy	$10.46	Jarden	10.40	10.61	-1.98%
SCG Scentre Group	$3.17	Jarden	3.65	3.50	4.29%
SEK Seek	$22.55	Jarden	28.50	29.00	-1.72%

SGP Stockland	$4.37	Jarden	5.45	5.05	7.92%
SPZ Smart Parking	$0.48	Petra Capital	0.83	0.64	29.69%
TAH Tabcorp Holdings	$0.69	Jarden	0.80	0.95	-15.79%
VCX Vicinity Centres	$1.89	Jarden	2.35	2.40	-2.08%
Company	Last Price	Broker	New Target	Old Target	Change

More Highlights

BWP BWP TRUST

REITs Overnight Price: $3.63

Jarden rates ((BWP)) as Underweight (4)

Within Jarden's coverage of the Australian REIT sector, weighted-average funds from operations (FFO) growth forecasts are starting to improve for FY25 and FY26 to 3.6% and 7.9%, respectively, from -2.2% in FY24.

The broker believes downside risk to asset values is well reflected in current valuations, and REITs are increasingly moving to offence from defence.

Excluding Goodman Group (which remains the best quality stock in the sector), the analysts see around 18% upside to 12-month target prices.

The Underweight rating for BWP Trust is retained and the target increased to $3.55 from $3.30. Jarden expects this REIT's net tangible assets (NTA) metric will come under pressure when assets are properly marked-to-market.

This report was published on June 20, 2024.

Target price is **$3.55** Current Price is **$3.63** Difference: **minus $0.08** (current price is over target).
If **BWP** meets the Jarden target it will return approximately **minus 2%** (excluding dividends, fees and charges negative figures indicate an expected loss).
Current consensus price target is **$3.65**, suggesting upside of **0.6%**(ex-dividends)

Forecast for FY24:

Current consensus EPS estimate is **18.1**, implying annual growth of **217.0%**.
Current consensus DPS estimate is **18.3**, implying a prospective dividend yield of **5.0%**.
Current consensus EPS estimate suggests the PER is **20.1**.

Forecast for FY25:

Current consensus EPS estimate is **18.6**, implying annual growth of **2.8%**.
Current consensus DPS estimate is **18.6**, implying a prospective dividend yield of **5.1%**.
Current consensus EPS estimate suggests the PER is **19.5**.

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

CHC CHARTER HALL GROUP

REITs Overnight Price: $12.39

Jarden rates ((CHC)) as Overweight (2)

Within Jarden's coverage of the Australian REIT sector, weighted-average funds from operations (FFO) growth forecasts are starting to improve for FY25 and FY26 to 3.6% and 7.9%, respectively, from -2.2% in FY24.

The broker believes downside risk to asset values is well reflected in current valuations, and REITs are increasingly moving to offence from defence.

Excluding Goodman Group (which remains the best quality stock in the sector), the analysts see around 18% upside to 12-month target prices.

The broker's target for Charter Hall is increased to $14.50 from $13.60 and the Overweight rating is retained. It's felt this REIT will be one of the main beneficiaries of a stabilising interest rate environment and improving transaction volumes.

This report was published on June 20, 2024.

Target price is **$14.50** Current Price is **$12.39** Difference: **$2.11**
If **CHC** meets the Jarden target it will return approximately **17%** (excluding dividends, fees and charges).
Current consensus price target is **$14.48**, suggesting upside of **16.8%**(ex-dividends)

Forecast for FY24:

Current consensus EPS estimate is **75.7**, implying annual growth of **82.6%**.
Current consensus DPS estimate is **45.1**, implying a prospective dividend yield of **3.6%**.
Current consensus EPS estimate suggests the PER is **16.4**.

Forecast for FY25:

Current consensus EPS estimate is **81.0**, implying annual growth of **7.0%**.
Current consensus DPS estimate is **47.6**, implying a prospective dividend yield of **3.8%**.
Current consensus EPS estimate suggests the PER is **15.3**.

Market Sentiment: **0.7**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

SEK SEEK LIMITED

Jobs & Skilled Labour Services Overnight Price: $22.42

Jarden rates ((SEK)) as Buy (1)

Jarden assesses the outlook for Seek and reconfirms the positive take on the company.

The broker adjusts FY25 EPS estimates by -7%, which is attributed to the sale of the Latin American business and lower FY25 volume forecasts, as well as a higher -25% discount on the Seek Growth Fund's valuation from -20%.

Jarden notes the market is not factoring in the company's FY28 revenue aspirations in A&NZ and Asia, and the readjustment of the company's customer base to SMEs and Corporate and Government.

Jarden maintains its Buy rating and adjust the price target to $28.50 from $29.00.

This report was published on June 17, 2024.

Target price is **$28.50** Current Price is **$22.42** Difference: **$6.08**
If **SEK** meets the Jarden target it will return approximately **27%** (excluding dividends, fees and charges).
Current consensus price target is **$27.10**, suggesting upside of **20.9%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY24:

Jarden forecasts a full year **FY24** dividend of **35.60** cents and EPS of **55.70** cents.
At the last closing share price the estimated dividend yield is **1.59%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **40.25**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **48.2**, implying annual growth of **-83.3%**.
Current consensus DPS estimate is **37.5**, implying a prospective dividend yield of **1.7%**.

Current consensus EPS estimate suggests the PER is **46.5**.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **47.20** cents and EPS of **72.70** cents.
At the last closing share price the estimated dividend yield is **2.11%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **30.84**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **68.6**, implying annual growth of **42.3%**.
Current consensus DPS estimate is **52.0**, implying a prospective dividend yield of **2.3%**.
Current consensus EPS estimate suggests the PER is **32.7**.

Market Sentiment: **0.6**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

REH REECE LIMITED

Furniture & Renovation Overnight Price: $25.92

Goldman Sachs rates ((REH)) as Initiation of coverage with Sell (5)

Goldman Sachs initiates coverage of Reece with a Sell rating and a $23.35 target price.

The broker views the A&NZ business as mature with limited growth potential, generating 44% of group revenue and 59% of EBITDA.

The US market generates 56% of revenue and offers growth opportunities through store expansions and margin improvements, but these are expected to be long-dated. The analyst forecasts 7% EBITDA compound annual growth for this segment over three years.

Goldman Sachs assesses the stock is trading above its historical valuations and at an excessive premium.

Sell rating and $23.35 target.

This report was published on June 13, 2024.

Target price is **$23.35** Current Price is **$25.92** Difference: **minus $2.57** (current price is over target).
If **REH** meets the Goldman Sachs target it will return approximately **minus 10%** (excluding dividends, fees and charges negative figures indicate an expected loss).
Current consensus price target is **$21.37**, suggesting downside of **-17.6%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY24:

Goldman Sachs forecasts a full year **FY24** dividend of **26.00** cents and EPS of **65.00** cents.
At the last closing share price the estimated dividend yield is **1.00%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **39.88**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **64.0**, implying annual growth of **6.6%**.
Current consensus DPS estimate is **25.1**, implying a prospective dividend yield of **1.0%**.
Current consensus EPS estimate suggests the PER is **40.5**.

Forecast for FY25:

Goldman Sachs forecasts a full year **FY25** dividend of **27.00** cents and EPS of **66.00** cents.
At the last closing share price the estimated dividend yield is **1.04%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **39.27**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **64.9**, implying annual growth of **1.4%**.

Current consensus DPS estimate is **26.4**, implying a prospective dividend yield of **1.0%**.
Current consensus EPS estimate suggests the PER is **39.9**.

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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