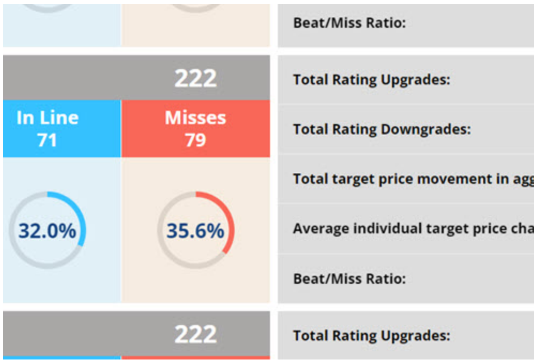
WEEK 35

FNArena
FINANCIAL NEWS, ANALYSIS & DATA

STORIES TO READ FROM FNArena

Friday, 30 August 2024

Endeavour Navigating Choppy Seas



Rudi's View: August Trends Have Darkened

Inghams Group: Cracks Appear In Poultry Duopoly

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FNArena
Financial News, Data & Analysis

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AUSTRALIA

The Market In Numbers - 24 Aug 2024

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

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

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

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

Australia & NZ

Index	24 Aug 2024	Week To Date	Month To Date (Aug)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
NZ50	12529.990	-1.55%	1.01%	6.93%	6.45%	6.93%
All Ordinaries	8249.10	0.72%	-0.86%	2.94%	5.36%	2.94%
S&P ASX 200	8023.90	0.66%	-0.85%	3.30%	5.71%	3.30%
S&P ASX 300	7955.80	0.65%	-0.87%	3.21%	5.57%	3.21%
Communication Services	1619.10	1.09%	2.45%	7.85%	1.95%	7.85%
Consumer Discretionary	3868.50	0.32%	1.00%	10.17%	19.39%	10.17%
Consumer Staples	12920.80	0.16%	0.57%	4.39%	4.96%	4.39%
Energy	9217.70	-3.28%	-7.77%	-8.11%	-13.23%	-8.11%
Financials	8052.50	-0.11%	-1.04%	5.16%	19.86%	5.16%
Health Care	46081.90	1.06%	-0.52%	4.13%	8.84%	4.13%
Industrials	7368.90	2.14%	2.40%	8.18%	7.33%	8.18%
Info Technology	2573.80	8.65%	9.68%	9.92%	40.42%	9.92%
Materials	16387.50	1.79%	-2.80%	-2.91%	-15.92%	-2.91%
Real Estate	3723.50	-1.07%	-1.98%	4.50%	11.23%	4.50%
Utilities	8872.40	0.10%	-1.64%	-4.44%	8.47%	-4.44%
A-REITs	1698.10	-1.16%	-2.10%	4.54%	13.03%	4.54%
All Technology Index	3367.60	4.17%	5.93%	7.32%	25.00%	7.32%
Banks	3391.90	-0.04%	-0.84%	6.16%	22.03%	6.16%
Gold Index	8433.50	4.02%	5.75%	14.63%	14.47%	14.63%
Metals & Mining	5335.30	2.07%	-2.72%	-3.88%	-17.49%	-3.88%

The World

Index	24 Aug 2024	Week To Date	Month To Date (Aug)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
FTSE100	8327.78	0.20%	-0.48%	2.00%	7.69%	2.00%
DAX30	18633.10	1.70%	0.67%	2.18%	11.23%	2.18%
Hang Seng	17612.10	1.04%	1.54%	-0.60%	3.31%	-0.60%
Nikkei 225	38364.27	0.79%	-1.89%	-3.08%	14.64%	-3.08%
DJIA	41175.08	1.27%	0.81%	5.26%	9.25%	5.26%
S&P500	5634.61	1.45%	2.03%	3.19%	18.13%	3.19%
Nasdaq Comp	17877.79	1.40%	1.58%	0.82%	19.10%	0.82%

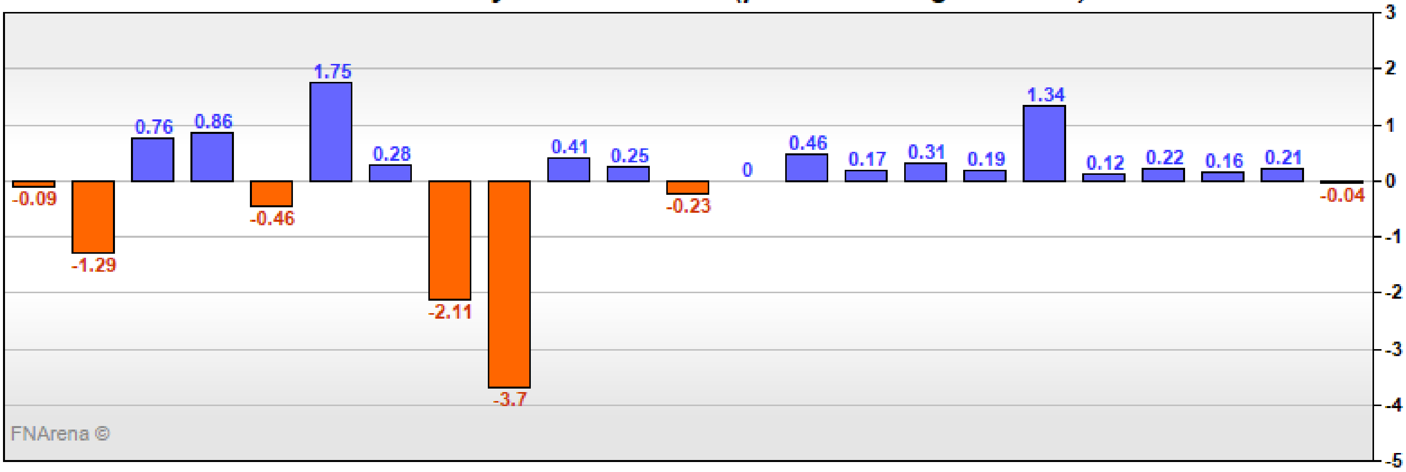
Metals & Minerals

Index	24 Aug 2024	Week To Date	Month To Date (Aug)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
Gold (oz)	2520.10	1.04%	2.61%	7.79%	23.26%	7.79%
Silver (oz)	28.98	2.01%	1.58%	-0.92%	18.87%	-0.92%
Copper (lb)	4.1383	-0.08%	1.13%	-4.50%	8.67%	-4.50%
Aluminium (lb)	1.1124	4.83%	10.50%	-1.08%	14.41%	-1.08%
Nickel (lb)	7.4637	1.52%	3.12%	-4.04%	0.36%	-4.04%
Zinc (lb)	1.2874	2.69%	7.83%	-2.92%	14.48%	-2.92%
Uranium (lb) weekly	81.	-0.61%	-1.22%	-2.70%	-5.81%	-2.70%
Iron Ore (t)	98.19	-0.37%	-7.59%	-7.81%	-28.97%	-7.81%

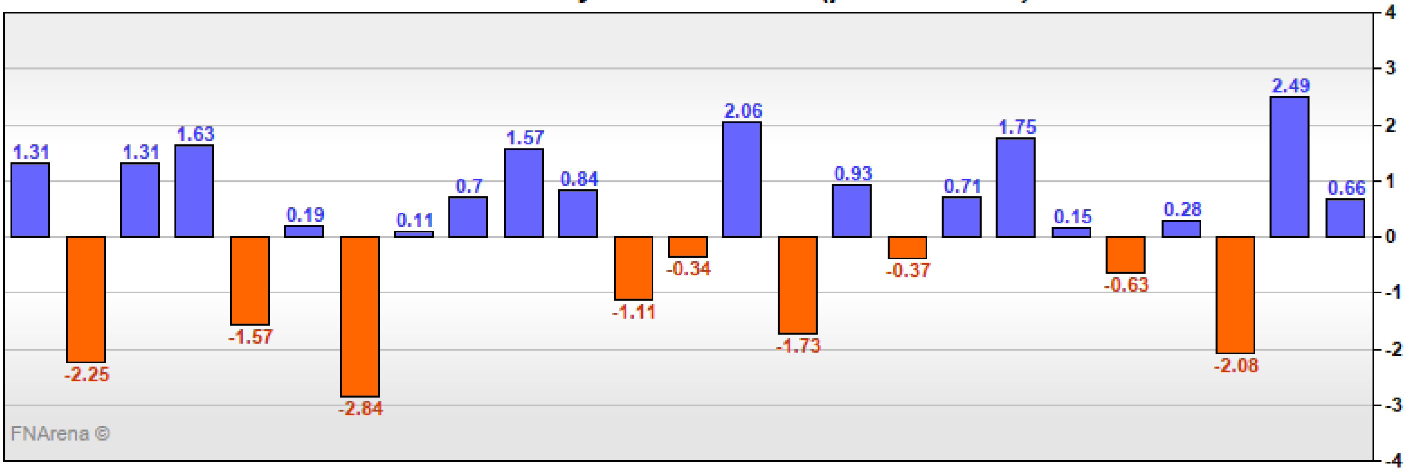
Energy

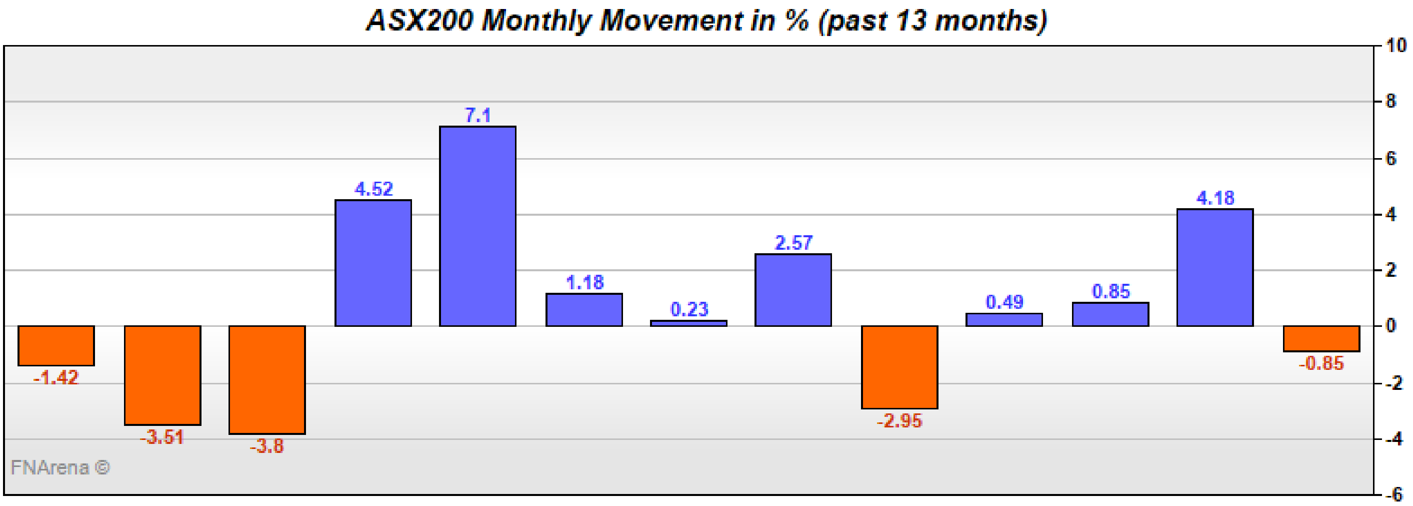
Index	24 Aug 2024	Week To Date	Month To Date (Aug)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
West Texas Crude	72.97	-6.57%	-3.03%	-10.86%	-1.14%	-10.86%
Brent Crude	77.15	-4.66%	-1.77%	-9.70%	-2.66%	-9.70%

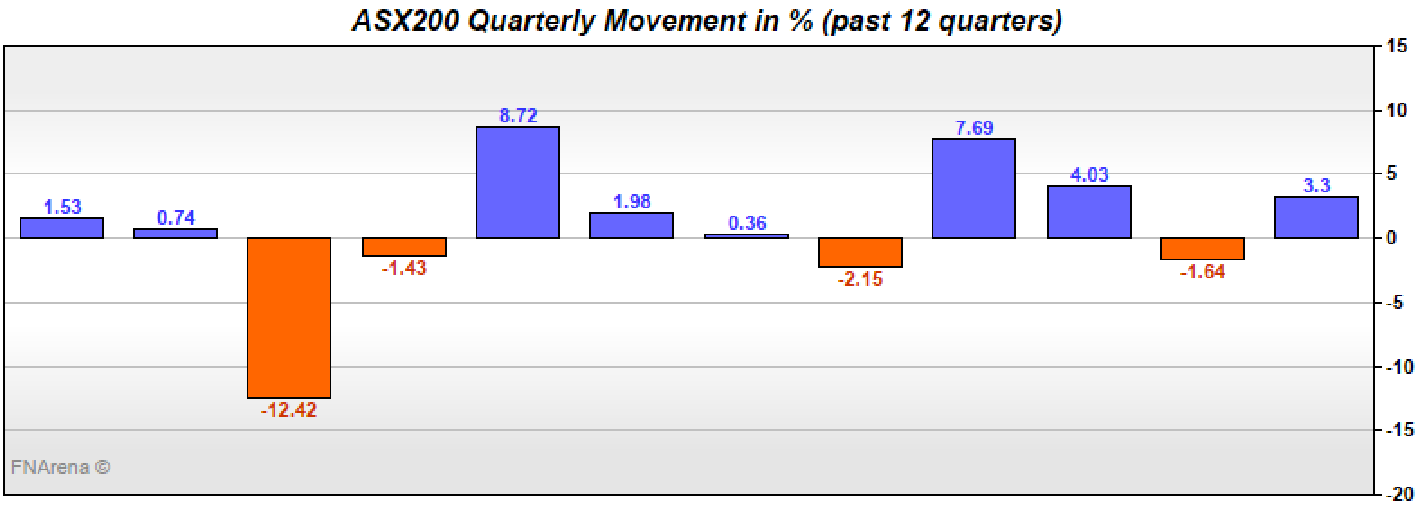
ASX200 Daily Movement in % (past 23 trading sessions)



ASX200 Weekly Movement in % (past 25 weeks)







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

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FNArena welcomes comments and suggestions at info@fnarena.com

AUSTRALIA

RBA Dilemma: Why Rate Cuts May Not Help

By Scott Solomon, Co-Portfolio Manager of the T. Rowe Price Dynamic Global Bond Strategy

A lot can change seemingly overnight in the world of central banks. What we've seen transpire over the past few weeks certainly speaks to this. We are now unlikely to see the Reserve Bank of Australia (RBA) hike, and a cut is even possible by year-end. Look ahead, we think the second half of 2024 is poised to have a pivotal impact on Australia for the rest of the decade.

Australia continues to struggle with wealth inequality, which has manifested itself through deteriorating housing affordability. There exists a viewpoint suggesting immigration as a solution yet considering the origins of much of this immigration being students, such a strategy only perpetuates inequality through capital inflows.

While overall GDP growth shows improvement, per capita growth is negative. For example, under normal conditions a strong housing market translates to strong lending and construction markets. However, the unique nature of this cycle has not seen this transpire.

Firstly, mortgage growth has been non-existent with cash buyers comprising a significant 25%, a substantial figure. Secondly, efforts to boost housing density face complications beyond mere opposition from local resident councils due to the distinctive nature of the cycle. Even if developments were easier to facilitate, challenges such as tightness in construction labour and sheer level of government spending make channeling resources into private apartment construction nearly impossible.

On the other hand, there simply aren't significant imbalances in the economy. The rise in asset values means impairments for lenders (such as banks) continue to remain low.

This all translates to a very difficult job for the RBA as it continues to try and thread the needle of controlling for inflation but also trying to limit excessive pressure on the consumer and households, which are undoubtedly weak. And these impacts are negatively skewed towards younger Australians who on balance own homes at a much lower rate than their parents.

Luckily, inflationary pressure does appear to be waning and we expect inflation will fall within the desired range about a quarter before current RBA estimates. The RBA is unlikely to hike, and now a cut is even possible before the year is over. While we don't expect Governor Michele Bullock to commit to cuts, it's unlikely she does much to push back against them. The rest of her global central bank counterparts are dovish peer pressure is tough to avoid.

Globally, growth has slowed, and central banks are at the early stages of a cutting cycle. We expect less cuts than what is currently priced as even slight rate adjustments may quickly translate to growth. We are not in a financial crisis: growth has been driven by government spending instead of increases in credit. With steeper yield curves, banks can get back to a more normal environment of borrowing short term and lending long term.

The concern is that this is only temporary. The problems of wealth inequality in Australia appear structural and are not going away without some sort of changes from government policy. It's clear the RBA has recognized this and has noted several times they can't tackle it alone.

With the Federal Election looming next May, voters will face a multitude of decisions. The unfolding events in the remainder of the year will undoubtedly shape the future trajectory of Australia and set the tone for the decade ahead.

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

AUSTRALIA

Endeavour Navigating Choppy Seas

Endeavour Group posted a resilient FY24 result, but faces ongoing challenges in FY25.

-Resilient FY24 from Endeavour Group
-Technology costs a drag
-Property portfolio offers promise
-Debate over valuation

By Greg Peel

Endeavour Group ((EDV)) has been facing a tough consumer environment. Already dealing with a more general consumer shift towards a healthier lifestyle, and a guilty rethink of the amount of alcohol consumed during covid lockdowns, the retailer has been hit with the cost of living crisis.

In bottle shops, consumers have responded by switching back to lower margin, well-known brands from higher margin, and higher price, boutique brands, while also taking advantage of cheaper deals on larger pack sizes (eg, -10% off when buying six bottles of wine).

In pubs, as well as eschewing craft beers, diners are shying away from higher priced steaks, for example, preferring cheaper burgers and schnitzels.

The resultant drag on revenues has come at a time Endeavour is unshackling itself from the IT systems it inherited after being spun-off from Woolworths Group ((WOW)) back in 2021, investing in its own purpose-built technology at not inconsiderable cost.

Still, Endeavour managed minor growth in earnings in FY24, in line with broker forecasts, and also managed to declare a fully-franked dividend slightly ahead of forecasts. It was a resilient effort in the tough climate, brokers agree.

Not so impressive were Endeavour's numbers for the first seven trading weeks of FY25, which saw retail and hotel sales up 0.6% and 0.2% respectively, below market expectations. The market took this as a sign of things to come in the rest of the year, and promptly sold the stock down -7% on the day.

Management was at pains to point out the same time last year saw a bit of a binge as Australians were all swept up in Women's World Cup fever, so the numbers were always going to be weaker this year. It didn't help the share price, which has since failed to recover.

The issue is that not much has changed as we look ahead in FY25.

<u>More Headwinds Ahead</u>

While inflation remains stubborn and interest rates remain elevated, there is little chance of a change in consumer behaviour in the immediate future. In the meantime, management has guided to -$60-80m of FY25 operating expense for its One Endeavour technology development, up from -$45m in FY24, along with -$310-325m in lease interest expense, up from -$305m.

In the longer term, Endeavour may also face a significant increase in rents for the 78 hotels it sold off to Charter Hall Long WALE REIT ((CLW)). Citi notes at the time of acquisition, rents were some -37% below market levels.

In FY24, the company managed to offset -$100m of One Endeavour costs through its EndeavourGo cost-program, exceeding $35m of One Endeavour costs over the period. However, guidance for both reveals One spending will exceed Go cost-outs as FY25 progresses. The reversal offsets the lower rate of cost of doing business in FY25.

Currently, as UBS notes, the new technology is costing more than the current payment to Woolworths for the old technology, but over time it is expected to be lower as it will be fit-for-purpose, enabling process savings and better data insights.

On the subject of data, Citi notes AI appears to be driving a gross margin benefit in retail, but the broker questions whether Endeavour will be able to drive further expansion while cost of living pressures persist and the market becomes increasingly promotional in order to lure customers. Here, Dan Murphy's "we'll beat any price" policy may end up hurting gross margins.

In the longer term, Citi would like to understand how the company will navigate risks from ongoing declines in per capita alcohol consumption and online gaming which could cannibalise earnings generated by pokies.

Endeavour is, after all, Australia's largest poker machine operator.

Despite having executed a sale-and-lease-back with the aforementioned REIT, Endeavour still boasts a large portfolio of freehold property, and an FY24 review provided management with further confidence of the capacity to unlock more than $1bn in market value.

The company has several assets at the DA lodgement stage and is seeking capital partners. FY24 renewals delivered a return on investment in excess of the 15% target, and three leasehold divestments have improved portfolio quality, Morgan Stanley notes.

Hotel food & beverage gross margins improved in FY24 driven by menu optimisation and procurement savings.

Jarden sees an emerging catalyst in the crystallisation of the $1bn-plus freehold property portfolio, which is considered the key piece of new news outside of the trading update at the FY24 results.

If Endeavour is able to monetise this successfully and lift return on invested capital, Jarden sees scope for a multiple re-rate, along with positive earnings risk.

A Matter of Valuation

The great hope for all retailers looking ahead is the beginning of a long-awaited RBA cutting phase, as inflation abates. The jury's out on when this might begin in the first half of 2025 or the second but, suffice to say, hopes are looking up for FY26.

That said, Macquarie has long maintained consumer staple retailers, which includes alcohol, are resilient to economic cycles, and both Endeavour's on-premises (hotels) and off-premises (bottle shops) business are naturally hedged against changes in consumer behaviour.

Macquarie continues to see long term upside from a refresh program for Endeavour's hotels division, but sticks with Neutral for now.

Morgans believes Endeavour is fundamentally a good business with well-known brands (eg, Dan Murphy's and BWS), number one market positions in both retail and hotels, and an experienced management team. However, while the company continues to deliver good cost-out benefits and progress its strategy to streamline operations, the consumer environment remains subdued and variable, the broker warns.

This will put pressure on sales growth with operating costs (eg, labour) still elevated and Woolworths separation costs (One Endeavour) ramping up. Morgans retains Hold.

While Endeavour has a number of levers to drive growth and is executing reasonably well in a tough market, Citi sees a risk of growth falling short of expectations due to operating deleverage as cost inflation exceeds top line growth in a competitive market, increasing One Endeavour costs, the prospect of a longer-term rent reset, and potential future gaming regulatory changes.

Citi retains Neutral.

Endeavour has successfully managed margins and costs to deal with the top-line issues, Ord Minnett notes, and another -$100m more in savings is expected in the next two years, but without growth in the market, the broker struggles to see how Endeavour can justify its elevated PE multiple.

On that basis, Ord Minnett downgrades to Hold from Accumulate.

Not everyone agrees with Ord Minnett's "elevated multiple" call.

Morgan Stanley retains Overweight, premised on a defendable pathway to delivering ahead of consensus earnings uplift in hotels, an undemanding valuation and dominance in liquor retail.

UBS retains Buy due to the strong liquor industry position, cost management, hotels growth optionality, capital discipline and you guessed it -- valuation.

The six above-mentioned brokers monitored daily by FNArena are split two Buy or equivalent ratings and four Hold on Endeavour Group. The consensus target is $5.47, ranging from $5.10 (Ord Minnett) to $6.20 (Morgan Stanley).

Outside of daily monitoring, Jarden leaves its Overweight rating unchanged, with improving industry top-line sales and/or positive news on property the key catalysts nearer term. Jarden cuts its target to $6.00 from $6.30.

Goldman Sachs reiterates its Buy rating given improving business quality and attractive valuation despite the challenging operating backdrop, cutting its target to $6.20 from $6.30.

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AUSTRALIA

Awaiting GQG Partners' Operational Leverage

Analysts suggest GQG Partners' strong investment performance should lead to ongoing positive net flows, but when is that operational leverage ready to kick in?

-GQG Partners reported a strong H1, in line with forecasts
-Strong investment performance, growing FUM
-Do rising performance fees impact earnings quality?

By Mark Woodruff

The combination of an excellent ongoing investment performance and a modest valuation after recent share price weakness has prompted broker Ord Minnett to upgrade boutique funds manager GQG Partners ((GQG)) to Buy from Accumulate and join four other brokers with an equivalent rating in the FNArena database.

The recent release of interim financials showed funds under management (FUM) grew by US$35bn to US$155.6bn, helped along by US$11.1bn of net inflows thanks to accelerating net inflows in the Wholesale and Sub-Advisory channels of US$6.4bn and US$6.1bn, respectively, while Institutional experienced outflows of -US$1.3bn.

Across these three primary channels, the asset manager boasts strong distribution capabilities, notes stockbroker Morgans, leading to strong diversification not only by channel, but also by client and geography.

Longer-term, management expects to leverage this distribution capability to assist fund raising for the affiliated managers.

A "very strong" investment performance (in the periods spanning greater than 12-months) should support ongoing net inflows, according to this broker, on top of exceptional flows so far in 2024.

GQG Partners manages equity portfolios across four core strategies: Global Equity; International Equity; Emerging Markets; and US Equity.

As the company is US-based, Global refers to all markets developed and emerging, while International is the same but excluding the US.

Around 39% of the company's FUM sit within this International strategy, with Global, Emerging and US strategies comprising 25%, 28%, and 9%, respectively.

By region, the Americas saw US$10.5bn of inflows in the first half, with Australia and the EMEA region achieving US$0.4bn each.

Management acquired the seed assets of its newly formed PCS division in the half and will now raise external funds to deploy into acquiring stakes in boutiques that will sit in the fund, explains Morgans.

An earnings contribution from PCS is not expected to be meaningful in the medium-term.

Reported profit and operating income rose by 56% and 54.9% in the first half, respectively, on the previous corresponding period, and management fees climbed by 49.4% with the margin up by around one basis point year-on-year to 49.3bps.

Following a "strong" investment performance across strategies/composites, according to Morgan Stanley, performance fees for the half were US$19.4m - when consensus was expecting US$12m - which left Macquarie and UBS questioning the 'quality' of the result.

Ord Minnett was less concerned, highlighting these fees contribute only around 5% to group revenue.

Hoping for more operating leverage, Macquarie notes a disappointing amount of first half cost growth, but this broker also concedes rising costs are a by-product of either a strong performance or future revenue generation.

GQG Partners ended the half with US$104.8m in cash and US$93m of debt, and the 6.4 cent interim dividend (representing a 93% dividend payout) aligned with the consensus forecast.

The earnings quality

UBS describes a lower-quality beat as stronger revenues (particularly performance fees) were offset by higher-than-expected operating expenses.

This broker explains management regularly misses when it comes to costs, and this time around compensation costs grew by nearly 50% on the previous corresponding period due to headcount growth, sales commissions, and deferred remuneration.

The revised cost base will be an around -3% headwind to consensus earnings, according to Macquarie.

Operating expenses of -US$89.9m for the first half came in above forecasts by the broker and consensus for -US$80.7m and -US$81.1m, respectively, primarily driven by compensation of around -US$7m and general and administrative (G&A) expenses of circa -US$2m.

As management is pointing to a declining infrastructure spend, UBS hopes peak headcount growth has passed, paving the way for improved operating leverage going forward.

According to Morgans, higher operating costs are reasonable in the context of investment performance, inflows, and growth investments.

Goldman Sachs agrees noting investment in the PCS business and an Abu Dhabi office should result in better growth ahead. Further, it's thought some of these costs could be reduced in a more challenging growth environment.

Outlook

The current valuation for GQG Partners remains compelling, in Ord Minnett's view, given a 24% EPS compound annual growth rate (CAGR) over three years.

While short-term market direction has a considerable influence on FUM levels, flows and share price, Morgans believes the company is structurally well placed to benefit from improved markets with long-term investment performance intact.

In the medium-term, this broker points to optionality via execution of growth strategies, in particular the PCS division.

Following the first half results, the average target in the FNArena database of the five Buy-rated (or equivalent) covering brokers rose slightly to $3.32 from $3.28 suggesting nearly 23.50% upside to the latest share price.

Outside of daily coverage, Goldman Sachs has an unchanged Buy rating for GQG Partners and a $3.05 target.

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RUDI'S VIEWS

Rudi's View: August Trends Have Darkened

By Rudi Filapek-Vandyck, Editor

Reporting season is when investors receive a detailed insight into how companies are actually performing. Where is momentum? How strong is it exactly? And where are the weaker points?

But investing is all about the future and thus what is likely to follow next is arguably of much greater importance than what has been up until June 30th.

Consider, for example, that companies including Megaport ((MP1)) and BlueScope Steel ((BSL)) released financials that either met or bettered analysts estimates, but share prices have come under pressure because the outlook proved disappointing.

This is why FNArena thinks a simple statistic of meets/beats/misses on the basis of reported financials remains a flawed methodology.

Thus far this month, most companies meet or beat expectations, which is positive and vindicates the market's positivism up until this point, but outlook statements and guidances provided have largely been softer-than-anticipated.

The latter is not so positive and has turned into a defining feature in recent days.

Last week, the **FNArena Corporate Results Monitor** showed a reasonable balance between meets, beats and misses, with a slight bias towards the latter.

On Monday in the final week, the pendulum is notably swinging towards many more disappointments.

In most cases, it's all about a weaker outlook. Of the 189 assessments in the Monitor, 71 have been labeled as 'miss' (37.6%) versus only 57 'beats' (30.2%) and 61 results arriving in line with forecasts (32.2%).

This negative balance is more pronounced for the ASX50, but it applies equally to the ASX200 and all corporate reporters combined.

Interestingly, the numbers have notably deteriorated on the back of predominantly smaller cap companies reporting, including Accent Group ((AX1)), ARN Media ((A1N)), Autosports Group ((ASG)), Big River Industries ((BRI)), Inghams Group ((ING)), and Jumbo Interactive ((JIN)).

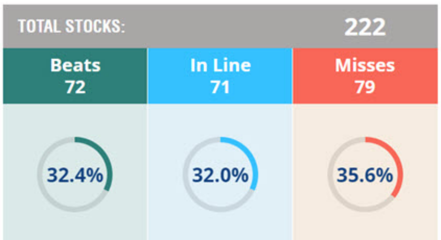
Admittedly, these companies do not represent the same clout or investor interest as, say, CommBank ((CBA)), Rio Tinto ((RIO)), Goodman Group ((GMG)) or CSL ((CSL)), but then the local blue chips haven't exactly presented a much rosier picture either.

What should concern is that FY24 estimates are gradually creeping higher, at least up until last Friday, but FY25 forecasts are moving in the wrong direction.

Not that long ago, forecasts were for a robust looking 5%-ish growth outlook without much contribution from resources. By now the average EPS forecast for the year ahead for the ASX200 is moving closer to the 3% mark.

It has elicited a rather dark comment from analysts at JP Morgan that the Australian share market, in the absence of a growth revival for resources, is at risk of becoming the growth laggard in comparison with international markets.

The irony is that Growth companies remain one of the few genuine stand-out segments this season - yet again.



Total Rating Upgrades:	33
Total Rating Downgrades:	30
Total target price movement in aggregate:	2.89%
Average individual target price change:	1.36%
Beat/Miss Ratio:	0.91

Analysts at JP Morgan and Macquarie have both acknowledged as much with the latter identifying WiseTech Global ((WTC)) for the best post-result return thus far. Founder Richard White's life long achievement now comes with a market cap of nearly $40bn and an inclusion inside the ASX50, hence WiseTech's positive surprise is challenging a few views and opinions here and there.

Try: tech stocks are grossly overvalued. Or what about: small caps will have all the momentum?

One of the insights I've gained throughout the week past is the rather sharp share price rally in WiseTech Global shares was not so much inspired by shorters covering their potential losses.

The **FNArena Short Report**, taking data from ASIC, shows short positions weren't that high in the first place (only 1% of outstanding capital) but it will be interesting nevertheless to see whether that percentage has declined post release of FY24 financials.

Instead, some heavy buying from at least one local high-conviction fund manager has been occurring. Clearly, someone has been convinced this strong growth story has a lot further to go.

JP Morgan has nominated Brambles ((BXB)), Challenger ((CGF)) and WiseTech as stand-out positive performances. On the negative side, the broker has placed Aurizon Holdings ((AZJ)), Seek ((SEK)) and Megaport.

At **Macquarie**, analysts put Breville Group ((BRG)) and Cleanaway Waste Management ((CWY)) among the growth companies that are standing out this month, and make the segment look good overall. Key positive surprises, suggest Macquarie, have come from Charter Hall ((CHC)), Brambles and WiseTech.

For big disappointments, Macquarie points at BlueScope Steel, Megaport, and a2 Milk Co ((A2M)).

Analysts at Ord Minnett make two observations:

-freight costs have been more of a problem for exports into the UK and Europe, less for imports into Australia, and most companies are able to manage it
-the consumer is weak, but some retailers are able to execute well, with weakness also prevalent for car dealers, quick service restaurants and gaming

JP Morgan has identified the following three key themes:

1. Labour markets are noticeably easing
2. Housing remains a key challenge
3. Inflation is moderating

Over in the USA, where the quarterly reporting season is nearing its end, with the all-important Nvidia yet to report later this week, **analysts at Morgan Stanley** draw the following three key conclusions:

-Consumer weakness is becoming a theme. Not as a fall-off-the-cliff threat, but spending is weakening nevertheless
-Travel has begun to falter, though signals across industries are varied and mixed
-Consumers remain prepared to pay a premium for products and services that offer a greater degree of convenience

Probably the most important observation is the number of US companies for which analysts are turning more positive is shrinking yet again. In other words: yes, growth forecasts in the US are still trending upwards, but **the number of companies with positive momentum is getting smaller** this Q2 reporting season.

It's good to keep in mind while the local reporting season will end by the end of this week, the Monitor still only comprises of 189 results. A whole lot more is yet to be unleashed in the coming days.

FNArena is updating on a daily basis: https://fnarena.com/index.php/reporting_season/

Among the changes in stock preferences that have occurred is **Wilsons** including James Hardie ((JHX)) in its **Focus Portfolio** (in explicit preparation of Fed rate cuts that should stimulate building and renovating in the USA).

Netwealth Group ((NWL)) has been removed after a stellar share price performance that has Wilsons suggesting there's limited potential for further upside, in the short-to-medium term that is.

Wilsons equally reconfirmed its positive view on CSL ((CSL)) has remained intact, despite Vifor yet again disappointing in CSL's FY24 release, as well as its ongoing negative view on CommBank ((CBA)). Nobody denies the banks are performing well, relatively, and CommBank is the supremo in the local sector, but those valuations...

An observation from Macquarie: *Banks in Australia are trading at circa 3 standard deviations away from their average valuation since 2001, making them the most expensive sector on the ASX.*

Morgan Stanley's Australia Leading Ideas Equity Portfolio has now included Audinate Group ((AD8)) shares in support of this broker's view this month's disappointment (through a subdued FY25 outlook) is simply a short-term set-back. Nothing more, nothing less.

These dedicated portfolios tend to outperform the local index over time (based on calculations published by these brokers) and for this reason I thought it might be worthwhile to provide an insight into what's currently included.

<u>Communication Services</u>
-Telstra ((TLS))
-Car Group ((CAR))

<u>Consumer Discretionary</u>
-Wesfarmers ((WES))
-Domino's Pizza ((DMP))

<u>Consumer Staples</u>
-Treasury Wine Estates ((TWE))

<u>Energy</u>
-Paladin Energy ((PDN))
-Santos ((STO))

<u>Financials</u>
-CommBank
-National Australia Bank ((NAB))
-Westpac ((WBC))
-ANZ Bank ((ANZ))
-Macquarie Group ((MQG))
-Suncorp Group ((SUN))
-QBE Insurance ((QBE))

Healthcare
-CSL ((CSL))
-ResMed ((RMD))

Materials
-BHP Group ((BHP))
-Rio Tinto ((RIO))
-Orica ((ORI))
-James Hardie ((JHX))
-South32 ((S32))

Real Estate
-Goodman Group ((GMG))
-Scentre Group ((SCG))

Utilities
-AGL Energy ((AGL))
-Origin Energy ((ORG))

Small Caps (ex-100)
-Deterra Royalties ((DRR))
-Corporate Travel Management ((CTD))
-Hansen Technologies ((HSN))
-Premier Investments ((PMV))
-Propel Funeral Partners ((PFP))
-Life360 ((360))
-Audinate Group ((AD8))

In comparison with the prior 11x August results seasons that have been covered by the FNArena Monitor, some 30% of companies outperforming forecasts is by no means a bad result, that's pretty much in line with the decade-long average, but 37.6% in disappointments -if sustained- would be by far the worst outcome since 2013.

What makes the current trend so worrisome is that history suggests the tail end of reporting seasons in Australia brings out more misses and bad news performances. And with share prices on average holding up or rising further, JP Morgan highlights the ASX is currently leading the world in terms of multiples expansion (earnings estimates are falling).

The only sector locally that has seen its multiples contract is the Energy sector.

It would not surprise that if the US market stumbles at some point, the Australian share market might underperform during the process. It's not simply due to the difference in central bank pivots, surely?

FNArena keeps a weekly tab on changes in estimates, targets and ratings:
https://fnarena.com/index.php/2024/08/26/weekly-ratings-targets-forecast-changes-23-08-24/

Paying subscribers have 24/7 access to a dedicated page to my research into All-Weather Performers:
https://fnarena.com/index.php/analysis-data/all-weather-stocks/

More reading:

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

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

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

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

All-Weather Portfolio FY24 Review

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

Prior years:

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

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

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

Video: Why FNArena & All-Weather Stocks

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

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

FNArena Talks

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

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

FNARENA VIDEO

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

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

SPECIAL REPORT

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

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

Model Portfolios, Best Buys & Conviction Calls

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

FNArena Subscription

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

(This story was written on Monday, 26th August, 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).

SMALL CAPS

Risk Seems To The Upside For NRW Holdings

Another record year has strengthened analysts' confidence in the outlook for NRW Holdings, though a weakening iron ore price remains a risk.

-NRW Holdings delivers record result in FY24 and expects another record in FY25
-Target prices lift on increased confidence of further margin improvement
-All segments perform well, led by Civil division

By Nicki Bourlioufas

Strong order book prompts share price upgrades

A surge in tendering and an uplift in pipeline activity for NRW Holdings ((NWH)) highlights strong growth opportunities for the mining services company, with analysts upgrading target prices after the mining services company released strong annual results.

NRW announced earnings before interest, taxes, depreciation, and amortisation EBITDA of $334.8m in 2023-24, up 15.9% on the previous year, and normalised earnings per share (EPS) of 27.3 cents per share, up 17.7%.

The company announced a fully franked final dividend of 9.0cps, lifting total FY24 dividend to 15.5cps, up 11.1% on a year earlier. With a record headline cash position of $246.6m, a strong order book of $5.5bn and active tenders of a further $5.5bn, NRW's growth pipeline for FY25 convinced most analysts to upgrade their target prices.

Citi upgraded its target price to $4.05 up from $3.65 with an expected dividend yield of 4.7% for the next fiscal year. The broker noted a surge in active tender balance and an uplift in pipeline, which demonstrates no shortage of opportunities even with respect to iron ore.

Jarden shifted to Buy from Overweight and increased its target price to $3.85 from $3.20. Similarly, Moelis increased its target price to $3.91 from $3.56, with a Buy rating, noting increased confidence of margin improvement in FY25. Momentum in contract awards and demonstration of margin improvement represented further upside risk in its view. Canaccord Genuity raised its target price to $3.82 from $3.47, noting the potential for NRW to win more contracts from iron ore miners, and potentially from gold miners too.

UBS also upgraded to $3.80 from $3.50, based on 8% Free Cash Flow (FCF) upgrades for FY25 and FY26 and margin improvement across every segment, highlighting stronger project delivery. Easing labour cost pressures will help to support future margin expansion, brokers said. NRW engages in the provision of civil contracting and mining services through three divisions: Mining, Civil, and Minerals, Energy & Technologies.

NRW expects to deliver earnings before interest, taxes, and amortisation (EBITA) in FY25 of between $205m to $215m, which reflects another year of 10%-plus earnings growth, UBS noted, maintaining its Buy rating. On UBS's projections, NRW offers a solid 12% three-year EPS compound annual growth rate (CAGR) while trading at an undemanding 12x forward price-earnings ratio (P/E).

NRW's earnings guidance of around $3.1bn seems conservative with $2.9bn of revenue already locked in for FY25, analysts said. An improvement in retention rates and easing of inflationary pressure stabilising the cost base could widen its earnings margins in FY25 after they increased across all three divisions in FY24.

While most brokers are positive, Macquarie remains Neutral on the stock, with a target price of $3.50, though this broker notes further margin expansion and additional contract wins represent earnings upside risk. While NRW has sufficient balance sheet capacity to support growth, the broker noted risk from lower iron ore pricing with ongoing softness in the Chinese economy, a risk which has grown in recent days.

Strong pipeline of orders

NRW's pipeline of near-term prospects is strong at $16.4bn, with $5.5bn of active tenders, and brokers noted risks to the upside for NRW's orders and earnings margins. The majority of the company's order book sits within its mining division.

Backing the brokers' confidence of longer-term gains, NRW has outperformed the stock market in recent times. While the S&P/ASX 200 is up just 4.4% over the year to August 21, NRW stock is up around 17%. According to FNArena's database, the consensus target price for NRW is $3.74, suggesting circa 6.6% upside to the last share price.

On current consensus forecasts, the forward-looking yield ex-franking is 4.5%, expected to increase to 4.6% in FY26.

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

SMALL CAPS

Inghams Group: Cracks Appear In Poultry Duopoly

Australian's once cozy duopoly for poultry products is breaking down, adding one extra challenge for market leader Inghams Group.

-Inghams Group's FY24 result and guidance miss forecasts
-Earnings shift to Retail from out-of-home channels
-UBS highlights a major change in industry dynamics

By Mark Woodruff

The key swing factors for Inghams Group ((ING)) include adjustments to supply contracts with major customers and fluctuations in input costs, particularly feed costs, which are largely beyond management's control.

Positively, FY24 results revealed feed costs for the group are falling and projected to fall further, but management also announced Woolworths Group ((WOW)) has elected to progressively diversify its supplier base away from Inghams, impacting negatively upon FY25 poultry volume guidance.

While FY24 volumes were stronger-than-expected, Ingham's FY24 result missed consensus forecasts, due to lower prices in the wholesale channel in the second half, suspects Morgans.

Earnings increased by 31% on FY23 to a record $240.1m yet fell -8% short of the consensus forecast as second half earnings fell due to normal seasonality, inflationary headwinds and a shift towards in-home dining (Retail) from the out-of-home channels --Food Service and quick service restaurants (QSR)-- due to cost-of-living pressures.

This shift to Retail required management to rebalance production and inventories during the second half, which slowed volumes and increased the cost base.

FY25 earnings guidance of between $236-250m missed the consensus estimate by -5%, but management is guiding to a trough in volumes over FY25 and anticipates an improvement in QSR volumes over FY25 partly offset by the Woolworth's-impacted decline for the in-home channel.

The new Woolworths contract will see a phased reduction in annual volumes, partially offset by already secured significant new business from other retail customers.

This change represents **a major change in industry dynamics** from one that has historically been seen as a favourable duopoly for Inghams Group and Baiada Poultry in Australia with a combined market share of between 70-75%, highlights UBS.

Inghams supplies chicken, turkey and plant-based protein products into retail, quick service restaurants (QSR), foodservice distributors, wholesale and export channels. The company is also one of the largest producers of stockfeed in Australia.

Regarding the channel mix, Ingham's largest distribution channel (Supermarket Retail) remains strong with Core Poultry volume rising in FY24 by 9% for both Australia and New Zealand, more than offsetting the weakening QSR channel where Core Poultry volume in Australia fell in Australia and New Zealand by -7% and - 3%, respectively.

Over FY24, group poultry volumes rose by 3% on the previous corresponding period due to a shift in channel mix to retail, and a reduction in QSR and out-of-home channels, explains Goldman Sachs.

Macquarie adds earnings fell by -27% in the second half of FY24 on lower wholesale and export volumes as significant deleverage occurred due the large, fixed-cost nature of the business.

Cost-of-living pressures in both Australia and New Zealand, where Inghams is the dominant poultry producer, drove a shift to in-home dining from out-of-home dining, which favoured the Retail channel, while the Food Service channel volume was flat.

New Zealand continues to perform well despite a tough macroeconomic backdrop, with an EBITDA margin of 9.3%, supported by 7% normalised growth in volume.

FY25 volume guidance is for a -1-3% decline year-on-year largely due to the Woolworth's contract transition, but management expects volume will partly recover as new recent agreements take effect.

So, the near-term looks challenging due to volume declines and demand pressures, explains Macquarie, but medium-term structural growth remains, and the analyst considers shares are trading at an attractive valuation (following yet another sell-down).

A final fully franked dividend of 8 cents was declared.

Feed costs

Feed costs represent the largest component of Inghams' cost-of-goods-sold (COGS) metric, with prices and availability of raw ingredients hard to manage.

As of June 30, observed feed costs fell by -4% year-on-year for wheat and -16% for soyabean meal, according to management.

Since then, there have been further double-digit year-on-year declines in feed cost indicators, which Bell Potter considers a potential tailwind from the second half of FY25 to the first half of FY26.

The Woolworths agreement

Management has entered into a new multi-year supply agreement with Woolworths allowing for reduced volumes in fresh poultry over FY25 to an agreed offtake level that will form a new contract base that can be expanded in the future.

Inghams has historically been over-indexed to Woolworths versus other key customers, points out Macquarie, and management has noted a more balanced indexation with remaining customers.

The volume loss wasn't quantified, but management's FY25 poultry volume guidance of -1% to -3% provides some (limited) insight into the quantum of the loss.

Macquarie sees potential risks for other customers implementing similar changes, noting KFC store owner Collins Foods ((CKF)) has also looked to diversify its supplier base with the addition of a new supplier earlier this year.

The outlook

In downgrading to Hold from Buy, Bell Potter cites volume impacts from customer contract changes and changing consumer consumption patterns, which are impacting upon chicken products demand for QSRs/Food Service.

Similarly, Evans and Partners does not expect the valuation gap to close quickly in the absence of positive earnings catalysts and concerns around the Woolworths contract, and downgrades to a Neutral investment view from Positive.

UBS also highlights potential for elevated price competition in Poultry markets as Inghams attempts to replace lost volume from Woolworths.

On the other hand, Jarden believes management has done a great job mitigating the potential earnings impact from the change in volume requirements for the Woolworths contract, which is seen as not reflected in the current share price.

This broker suggests the current valuation for Inghams is attractive, with shares trading below their historical price earnings multiple and at a discount to global peers.

Following FY24 results, the average target of four covering brokers in the FNArena database has fallen by -18.4% to $3.45, suggesting 11%-plus upside, ex dividends.

Of the four brokers two have a Buy (or equivalent) rating and two are on Hold.

Outside of daily monitoring, Goldman Sachs rates the stock a Sell, Jarden Overweight and Evans and Partners has moved to a Neutral rating from Positive. The average target of the three is $3.47.

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SMALL CAPS

Dr Boreham's Crucible: Arovella Therapeutics

By Tim Boreham

ASX code: ((ALA))

Shares on issue: 1,050,775,660

Market cap: $157.6m

Chief executive officer: Dr Michael Baker

Board: Dr Thomas Duthy (chair), Dr Baker, Dr Debora Barton, Dr Elizabeth Stoner, Gary Phillips, David Simmonds

Financials (June quarter 2024): receipts nil, net cash outflows -$1.82m, cash balance $12.7m, quarters of available funding: 7.0

Identifiable major shareholders: Merchant Funds Management 6.02%, Richard Mann (Mann Beef Pty Ltd) 6.16%, MB Investment Capital 2.64%, James Evans Hughes-Morris 2.1%

Fickle fashion trends don't just apply to apparel: a hot area two years ago, the cell therapies sector is struggling to retain investor interest amid hyped-up expectations, clinical setbacks and high development and manufacturing costs.

In the frank words of Arovella chief Michael Baker: "It's in the worst shape it has been since the highs of 2018 to 2020."

Dr Baker points to lay-offs and shutdowns among the expanding US cell manufacturing companies.

"A lot of them came out of the woodwork but should not have and will eventually fall away," he says.

Cell therapy refers to extracting human cells from a patient or donor and tricking them up so they can fight disease more effectively.

There's a silver lining to the malaise: pharmaceutical companies are still paying big dollars for the emerging players, even at early (phase I) clinical phase.

Arovella is seeking to overcome the problems of CAR-T (chimeric antigen receptor) therapies by involving invariant natural killer (INKT) T- cells, one of the body's strongest immune cells which Dr Baker dubs the "soldiers of the blood stream".

"They are rabid killers and we can manufacture them so they are even more potent and then we will give them to patients," he says.

Arovella's lead blood cancer program is about to enter phase I trials, but the company is also eyeing developing the world's first CAR-INKT therapies to tackle gastric, oesophageal and pancreatic cancers.

"This is a very important area for the large pharma companies and we are happy to be in a very niche area of the sector," Dr Baker says.

Straight as an arrow

Arovella started out as Eastland Medical, which listed in 2001, first for syringes and then its unsuccessful Artimist sublingual malaria treatment.

Eastland became Suda Pharmaceuticals in 2012 developing a spray-based oral drug delivery platform called Oromist, and took the insomnia treatment, Zolpimist, to market.

Biotech entrepreneur Paul Hopper took over as executive chair in 2019 and oversaw sweeping changes.

These included appointing Bioscience Managers investment guru Dr Baker as CEO, ditching the oral delivery program and closing the company's Perth research and development headquarters.

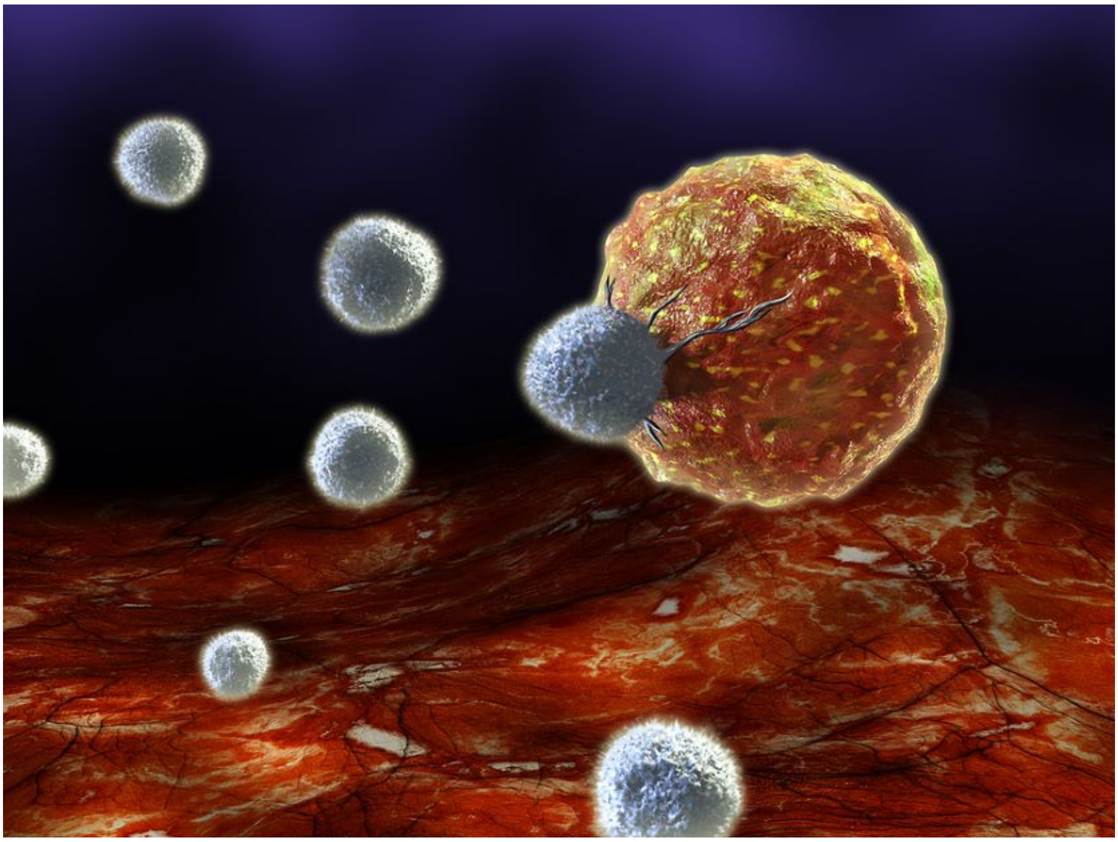
In June 2021, Arovella signed a deal with Imperial College London to acquire its invariant natural killer T (INKT) cell platform.

INKT cells are a rare variant of T-cells. The acquired program, ALA-101 targets a blood cancer marker called CD19 (see below).

In October 2021, the company changed its name to Arovella, which derives from arrow (as in targeted drug delivery) and novel (as in new therapies).

Mr Hopper quit the board in June 2022, with Dr Thomas Duthy eventually becoming chair. Dr Duthy's day job is heading Neurotech, which is developing cannabinoid-based treatments for childhood neurological disorders.

In September 2022, Arovella entered a joint development program with the ASX-listed Imugene - of which Mr Hopper is chair - but in March this year Imugene said it no longer wanted to continue.



Prt porter cells

The US Food and Drug Administration has approved six CAR-T treatments, all of them targeting CD19 or the B-cell maturation antigen (BCMA) for blood cancers (leukaemia, lymphomas and multiple myelomas).

But because of the incidence of secondary malignancies, albeit low, they all come with an FDA black box' warning.

Most of the treatments are based on using the patient's own cells - the autologous approach - which is more bespoke but takes longer, is more expensive and uses potentially compromised cells.

Arovella seeks to avoid the problems with the allogeneic method, by which cells are derived from healthy donors.

The doses are stored at minus -170C and are shipped to clinical sites when needed.

Dr Baker notes that bog-standard T-cells account for 70% of the body's immune cells, while 10 to 15% are natural killer' (NK) cells.

The elite INKTs make up 0.1 to 1.0%.

"Both [T-cell and NK cells) have limitations: T-cells can't be used off-the-shelf unless they are genetically engineered, which requires an extra step," he says.

"NK cells can be given from one person to another, but the desired level of activity has not been seen to date."

Manufacturing - dull but important

Dr Baker says Arovella didn't invent INKT cells - nature did - but the company's smarts are tied up in a multi-step manufacturing process that can be done in numerous ways.

"Manufacturing doesn't sound that interesting but it is an enormous milestone for us," he says.

"It turns us from a potentially one-product company to a platform company with a number of shots at goal."

Dr Baker says CAR-Ts are curing patients, but the autologous approach means doses have to be made every single time.

In the US, more than 80,000 lymphoma and more than one million gastric cancer patients are diagnosed every year.

"How do you manufacture that many doses of cells with proper quality control?" he asks. "If you have to quality control every dose there is a bottleneck."

ALA-101 trial, here we come

Arovella's lead program, ALA-101, is showing early promise as a treatment for CD19-expressing blood cancers.

Earlier mouse work involved the rodents being infused with CD19-expressing, aggressive B-cell acute lymphoblastic leukaemia cells. At the 90-day mark, 95% of those treated with ALA-101 (CAR19-INKT cells) remained alive, while only 60% of those treated with CAR-T therapies survived.

This week, the company said it had received a response from the FDA for its pre-investigational new drug (IND) meeting, with the feedback providing "clear and achievable" requirements for a submission.

The planned phase I study will be in two parts: a dose escalation stanza with nine to 12 patients and then a phase Ib expansion to more patients.

The company expects to lodge its IND application by April 2025.

Targeting solid tumors

In October 2023, the company licenced a technology revolving around the protein Claudin18.2 (CLDN18.2), from the Chinese-US Sparx Group.

Known as ALA-105, the program uses the same manufacturing platform, but with a different lentivirus carrying the genetic material to make a CAR-targeting CLDN18.2.

CLDN18.2 is expressed on gastric, pancreatic and oesophageal cancers and some ovarian and lung cancers (not healthy cells).

The company is using its INKT cell platform to target such solid tumors.

"This is because of the INKT cell's ability to infiltrate tissues and tumors, to block cells that promote tumor survival and to release cytokines to stimulate an immune response," Dr Baker says.

Dr Baker says CLDN18.2 is positioned to be like the next human epidermal receptor growth factor-2 (HER-2), the common biomarker expressed in one in five breast cancers and some bladder, ovarian, pancreatic and stomach cancers.

He notes that a CLDN18.2 targeting drug, Astellas Pharma's zolbetuximab was approved in Japan for gastric cancers, while an FDA application has been lodged.

While the drug is based on a monoclonal antibody rather than a cell, Dr Baker says the drug validates the CLDN18.2-targeting approach even though trial results were pretty ordinary.

In January, after 18 months of effort, Arovella made its first lentivirus - which delivers the requisite genetic material to the INKT cells.

Tickling up

In January, Arovella further licenced a cytokine armoring' tech called IL-12-TM, from the University of North Carolina's Lineberger Comprehensive Cancer Center.

IL stands for interleukin and TM is trans-membrane, not just the trade mark.

As the name suggests, the technology will strengthen the INKT platform's ability to target solid tumors; and was developed by Prof Gianpietro Dotti, who is on Arovella's scientific advisory board.

As published in Nature Communications, animal model data to date shows IL-12-TM "enhances CAR-INKT persistence, and therefore cell numbers, which provides better anti-tumor activity (including solid tumors such as neuroblastomas)."

The Viagra of the immune-oncology sector, the program could result in more potent and longer lasting INKT cells.

Finances and performance

At the end of the June quarter, the company had cash of $12.7m following a $12.5m placement - enough to start dosing patients and capturing data.

The over-subscribed offer was struck at 10c a share, with attaching one-for-one options exercisable at 15c a share within the next three years.

Shareholder assent was required but investors waved the proposal through at a May meeting.

Over the last 12 months Arovella shares have traded between 4.0c (August 2023) and 19c (February 2 this year). They hit a record low of two cents in early 2023, but surged 180% in the past year.

Dr Baker says the register has transformed since 2020. The biggest holders are the ubiquitous Merchant Group and beef baron Richard John Mann, who has invested in other biotechs including Imugene.

Almost virtual' in nature, the company prides itself on a low cash burn and you will rarely find Dr Baker at the pointy end of the plane.

Sizing the rivals

The CAR-T space has competition from dozens of drug developers, with a good smattering of NK-focused companies as well.

But the INKT space is a different matter: Arovella ranks among only five of them globally.

Setbacks have abounded.

(Quasi) rivals are the Nasdaq-listed, US$76m market cap MINK Therapeutics (phase I stage) and the private, pre-clinical Appia Biotech (which is in partnership with cell therapy leader Kite Pharma).

The nearest exemplar to Arovella, Appia uses a different manufacturing method but is not yet in clinical trials.

Deals included AstraZeneca acquiring Graycell last December for US$1bn up-front for a phase Ib technology.

Dr Boreham's diagnosis:

Dr Baker says now that the company has a genuine platform, it will sniff around for new CAR-T programs that leverage the know-how.

"We are constantly looking for CARs' like this that we can integrate into our manufacturing platform and develop for a range of cancers."

The company cites onem new diagnoses of gastric and oesophageal junction cancers a year, with 789,000 deaths. That makes them the fourth most fatal cancer.

The gastric cancer market was worth US$2.1bn in 2021 and is forecast to be worth $US10.76bn in 2031.

The deadliest is pancreatic cancer: in 2020, 496,000 patients were diagnosed and 466,000 died. Stage four pancreatic cancer has a miserable five-year survival rate of one per cent.

While earlier-stage biotechs aspire to be taken over, Dr Baker says "at a philosophical level" the company wants to progress its tech to commercialisation.

Given the six FDA approved CAR-T products were approved at phase II with fewer than 100 patients, Arovella has a fighting chance.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort - even at a philosophical level

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WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 23-08-24

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday August 19 to Friday August 23, 2024
Total Upgrades: 19
Total Downgrades: 21
Net Ratings Breakdown: Buy 59.14%; Hold 32.55%; Sell 8.31%

August reporting accelerated during the week ending Friday August 23, 2024, with FNArena recording nineteen ratings upgrades and twenty-one downgrades for ASX-listed companies by brokers monitored daily.

Judo Capital and Santos received two ratings upgrades apiece while Amcor and Nufarm both suffered dual ratings downgrades.

Judo features atop the list for positive change to average target price after FY24 results beat expectations.

Despite a strong second half in FY24 and management's target for 15% profit growth in FY25, some brokers still harbour doubts around asset quality as explained in
https://fnarena.com/index.php/2024/08/22/is-judo-capital-too-ambitious/

While first half results for Santos missed consensus forecasts, Ord Minnett upgraded its rating to Buy from Accumulate as medium-term prospects are seen offering a "compelling" investment opportunity.

Morgan Stanley also upgraded to Overweight from Equal-weight, highlighting low-cost leverage to East Asian LNG, which is underpinning free cash flows and investor appeal.

The company's decarbonisation activities are undervalued by investors, in this broker's view, perhaps being overshadowed by traditional fossil fuel earnings.

Following Amcor's in-line FY24 performance, Morgans felt the current valuation is "fair" and downgraded its rating to Hold from Add.

In also downgrading to Lighten from Hold, Ord Minnett noted Amcor's share price strength, subpar cash conversion, and a relatively benign medium-term growth outlook.

Following a negative trading update for Nufarm (September year-end), UBS explained market conditions have taken yet another step down, from both a pricing and a competition/discounting perspective. As a result, the analyst's target was lowered to $4.50 from $6.90 and the stock downgraded to Neutral from Buy.

Given limited visibility around when heightened competitive discounting will end, this broker is no longer confident in the realisation of a $90m-plus earnings recovery for crop protection in FY25.

Citi also downgraded its rating for Nufarm to Sell from Neutral, attributing management's weaker earnings outlook to ongoing global de-stocking and robust competition.

Readers with a keen eye will have noted two ratings upgrades for Brambles in the table below. While FY24 results beat expectations, and Citi upgraded to Neutral from Sell on improving business quality, a data entry glitch gave the appearance of a second upgrade.

Overall, **positive percentage changes to average earnings forecasts outpaced negative changes** while **rises for average target prices slightly outweighed negative changes**, as can be seen in the tables below.

Apart from ratings upgrades, Judo Capital and Brambles came first and fourth for the week's positive changes to target prices.

Featuring second and third were Service Stream and Breville Group after outperforming expectations for FY24 results.

WiseTech Global was fifth after its FY24 earnings beat, higher margins, and the announcement of new client wins. Hub24 came next after releasing in-line FY24 results, and Audinate Group followed with a rise in average target price to $11.53 from $10.17.

FNArena explains Audinate's recent news flow beginning with management's August 6 lowering of market expectation at https://fnarena.com/index.php/2024/08/23/in-brief-audinate-bluescope-nuix-for-gen-ai/

An explanation for BlueScope Steel's FY24 earnings miss is also included.

Audinate and BlueScope fill positions one and three on the table for negative change to earnings, separated by Acrow whose FY24 also fell short of analyst forecasts.

Boss Energy was next after lower forecasts last week by Shaw and Partners, resulting in a new target of $4.20, down from $4.75.

At the same time, the broker upgraded its rating for Boss to Buy from Hold after a -50% fall in share price from recent highs due to a broad-based sell-off in uranium equities, a slower ramp-up at the Honeymoon project and director selling.

Anticipating a strong fourth quarter of 2024 for uranium equities in general, the analyst also noted Boss was trading at a -45% discount to the broker's valuation.

Average earnings forecasts for Peter Warren Automotive also fell by around -24% last week, placing the company fifth on the earnings downgrade table and at the top of negative change to target prices.

Following FY24 results meeting the upper end of management guidance (after a recent profit warning), brokers expect ongoing margin pressure, with Morgans highlighting underperformance relative to peers.

Following FY24 earnings misses, positions two and four for negative change to average targets were filled by oOh!media and Megaport.

The appearance of Megaport in the earnings upgrade table is best explained by FY24 forecasts rolling off broker financial models to be replaced by sunnier outlooks for FY25 and beyond.

The leader on this earnings table is Healius though the percentage increase was exaggerated by the small numbers involved.

FY24 underlying profit for Healius matched recently updated management guidance, with base business revenue growth improving by 6%, but margins compressing on inflationary pressures, explained Morgans.

While underlying growth is improving, broad-based structural change continues, making translation into sustainable earnings growth challenging and difficult to predict, according to the broker, which raised its target to $1.48 from $1.28.

Macquarie highlighted an improved performance for both pathology and imaging in the second half of FY24 with positive volume/revenue trends in recent months.

This broker raised its target for Healius to $1.60 from $1.45 on both higher earnings forecasts and lower capex/working capital assumptions.

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

Total Buy ratings in the database comprise 59.14% of the total, versus 32.55% on Neutral/Hold, while Sell ratings account for the remaining 8.31%.

Upgrade

AMPOL LIMITED ((ALD)) Upgrade to Buy from Hold by Ord Minnett .B/H/S: 2/2/0

By recording 1H profits of $502m, Ampol met the bottom end of its own guidance range for between $500-510m. Underlying net profit fell -4% short of the consensus forecast on increased financing costs, explains Ord Minnett.

As downside risks are already factored into the current share price, the analyst upgrades the rating to Buy from Hold.

An interim dividend of 60 cents was declared, lower than the broker's anticipated 70 cents, reflecting a payout ratio of 61%.

The $35.50 target is unchanged.

ANSELL LIMITED ((ANN)) Upgrade to Hold from Lighten by Ord Minnett .B/H/S: 1/4/0

Ansell's FY24 EPS outpaced consensus forecasts by 9% thanks to strong performances from the industrial and healthcare divisions and FY25 guidance outpaced by 6%.

Ord Minnett observes cash flow conversion of 131% proved a pleasant surprise given concerns about expensive one-off costs.

Most importantly for the broker, the company posted a strong rise in organic growth in the June half after a protracted period of struggle (which had triggered a downgrade in the broker's rating), suggesting destocking in gloves and life sciences is complete.

Rating is upgraded to Hold from Lighten. Target price rises to $27.80 from $24.30.

BOSS ENERGY LIMITED ((BOE)) Upgrade to Buy from Hold by Shaw and Partners .B/H/S: 3/1/0

At a -45% discount to Shaw and Partners' valuation and a -50% drawdown in the stock price, Boss Energy is upgraded to Buy from Hold.

Director selling, a slower ramp up in Honeymoon has contributed to the price decline along with a broad based sell off in uranium stocks.

Due to the slower ramp up of Honeymoon, the broker cuts earnings forecasts bt -37% in FY25 and -15% in FY26.

The target price moves to $4.20 from $4.75. Buy rated from Hold.

BANK OF QUEENSLAND LIMITED ((BOQ)) Upgrade to Hold from Reduce by Morgans .B/H/S: 1/1/4

Bank of Queensland is restructuring its heritage retail banking model from owner managed branches to corporate branches, Morgans states, as well as an ongoing headcount reduction and increased investment in the business.

Accounting for the removal of commissions to the owner managed branch network, a circa 13basis point increase in the net interest margins is forecast by the broker.

Management also highlighted increased investment in business banking.

Morgans upgrades EPS forecasts by 3% for FY24 and 6% for FY25, with an accompanying 18% rise in the target to $6.18.

Rating is upgraded to Hold from Reduce.

BRAMBLES LIMITED ((BXB)) Buy by Ord Minnett and Upgrade to Neutral from Sell by Citi .B/H/S: 4/2/0

Ord Minnett raises its target for Brambles to $20.30 from $17.90 after incorporating increased earnings forecasts following FY24 results and a reduced share count. The analyst incorporates a further US$1bn in share buybacks into forecasts.

In a positive outcome, according to the analyst, FY25 guidance for revenue growth of 4-6% and underlying profit growth of 8-11% is based on a "balanced contribution from both price and volume growth".

The US19cps final dividend was ahead of Ord Minnett's expectation, and management also announced a US$500m buyback.

The Buy rating is unchanged for Ord Minnett's in-house research. [Prior whitelabeled research from Morningstar was set at Accumulate.]

Brambles' FY24 result was much stronger than Citi expected, with a strong margin beat and an upgrade to guidance.

The broker thought a period of consolidation was due after material growth, but based on the outlook believes Brambles may be the only stock on the ASX that doesn't give back its pandemic gains.

On the improved quality of the business, Citi upgrades to Neutral from Sell, and awaits further understanding of the Irrecoverable Pooling Equipment Provision turnaround and return on investments at the upcoming investor day.

Target rises to $17.35 from $14.25.

CENTURIA CAPITAL GROUP ((CNI)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/1/1

Centuria Capital reported FY24 operating earnings in line with Macquarie's prior expectations. Maiden FY25 guidance provides comfort that earnings have reached a trough, with upside via new adjacencies, and the broker sees signs operating conditions are bottoming.

Into FY25, Macquarie expects growth in alternatives, particularly commercial real estate credit, will be the initial lever for growth, with upside in the longer-term via the group's recent acquisition of data centre business ResetData and a recovery in the core real estate portfolio.

With expected downside to consensus earnings being realised, the broker has become more positive with operating metrics suggesting a troughing in conditions. Upgrade to Outperform from Neutral. Target rises to $1.87 from $1.70.

COCHLEAR LIMITED ((COH)) Upgrade to Hold from Lighten by Ord Minnett .B/H/S: 0/2/4

Cochlear reported lower than expected FY24 results, Ord Minnett observes because of higher costs and weaker revenues from upgrades to the Nuclear8 product.

Management's FY25 guidance came in -7% below consensus forecasts from cloud-computing investment spending.

Ex those costs, net profits are expected to advance 18% in FY25, the broker highlights, on implied revenue growth of 9%.

Ord Minnett revises EPS forecasts by -5% for FY25 and -3% for FY26.

Target price moves to $308 from $298.50. Rating upgraded to Hold from Lighten due to the share price fall post earnings.

GOODMAN GROUP ((GMG)) Upgrade to Hold from Lighten by Ord Minnett .B/H/S: 2/3/1

Ord Minnett highlights Goodman Group's FY24 earnings advanced 14% year-on-year which met expectations.

Management profits advanced 61% with lower interest expenses and admin costs, the broker notes.

Regarding the outlook for data centres, Ord Minnett believes this is the most interesting part of the update with Goodman Group well positioned to adapt 12% of industrial sites to data centre use.

The broker estimates a valuation for data centres of $75bn-$165bn and forecasts EPS to grow 12% in FY25.

The target price is revised to $34 from $32, and the rating upgraded to Hold from Lighten, due to the share price decline post results.

GQG PARTNERS INC ((GQG)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 5/0/0

Ord Minnett observes better than forecast 1H24 earnings from GQG Partners, although investment in private capital and Middle East dampened the results.

Performance fees came in higher than forecast, but are a small contributor to overall results; operating costs advanced 48% with management fees up 49.4%.

The fall in the share prices is believed to be an opportunity. The rating is upgraded to Buy from Accumulate.

Target price lifts to $3.30 from $3.29 on a 3%-4% rise in EPS forecasts for FY24-FY26.

ILUKA RESOURCES LIMITED ((ILU)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/2/0

Iluka Resources reported strong 1H2024 results, Macquarie observes, including a 30% increase in earnings and 3% better than expected dividend of 4c.

The broker sees earnings tailwinds from resilient zircon prices, improved synthetic rutile prices in the 2H and better conditions in the rare earths market.

Due to the stock's underperformance compared to mineral sands prices, Iluka Resources is upgraded to Outperform from Neutral,

Target price revised 1% to $7.10.

JUDO CAPITAL HOLDINGS LIMITED ((JDO)) Upgrade to Overweight from Equal-weight by Morgan Stanley and Upgrade to Neutral from Underperform by Macquarie .B/H/S: 3/1/1

Morgan Stanley raises its target for Judo Capital to $1.75 from $1.30 and upgrades to Overweight from Equal-weight after 2H profit exceeded forecasts by the broker and consensus by 2% and 3%, respectively. Industry View: In-Line.

Management slightly upgraded FY25 profit (PBT) guidance. Management commentary (along with 2H trends) provided the broker with greater confidence. It's felt operating leverage will drive a step change in return on equity (ROE) over the next 2-3 years.

Morgan Stanley also has less near-term concerns around credit quality after the non-performing loan ratio fell in the 4Q.

Macquarie acknowledges post the FY24 Judo Capital earnings release, the company has "delivered on existing promises".

Loan growth grew half-on-half to 10% from 9% in the 1H24; bad and doubtful debts increased slightly and the bank advanced its deposit book at around $1bn in 2H24.

The broker believes the 2.8%-2.9% net interest margin guidance for FY25 is too "ambitious".

A soft landing is viewed as a potential positive. The analyst revises EPS forecasts by 5% and 11% for FY25/FY26, respectively with coverage change to a new analyst.

Rating upgraded to Neutral from Underperform. Target price rises to $1.60 from $1.00.

MEGAPORT LIMITED ((MP1)) Upgrade to Add from Hold by Morgans .B/H/S: 4/2/0

The FY24 results from Megaport met expectations according to Morgans, but FY25 guidance came in weaker-than-expected.

Revenue expanded 27% in FY24 with FY25 revenue guidance at 12%, which equates to the 4Q24 annual recurring revenue growth rate.

The broker stresses this disappointed investors who clearly had higher expectations. Guidance is believed to be "conservative".

Morgans revises the EBITDA estimates by -12% for FY25/F26, leading to a fall in the target price to $12.50 from $13.50.

The stock is upgraded to Add from Hold.

See also MP1 downgrade.

MYSTATE LIMITED ((MYS)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 1/0/0

MyState Bank and Queensland-based Auswide Bank ((ABA)) have announced a merger agreement aimed at enhancing their broker networks and expanding their reach across Australia.

Following in-line FY24 results, Ord Minnett increases its target for Mystate to $4.31 from $4.20 and upgrades to Buy from Accumulate based on an attractive fully franked dividend yield and the delivery of expected merger synergies.

In a significant uplift for patient shareholders, suggests the broker, net synergies are expected to be around -$160m or 95cps.

ORIGIN ENERGY LIMITED ((ORG)) Upgrade to Buy from Hold by Ord Minnett .B/H/S: 3/1/1

Origin Energy's FY24 reported net profits came in -19% below Ord Minnett's forecasts because of a lower gas contribution.

The final 27.5c dividend was also below estimates, and FY25 guidance was a "disappointment" , the analyst states, with energy below the FY24 result.

Higher coal costs, with slimmer gas margins are expected to bite in FY25, while Octopus in the UK is experiencing lags from conversion of new users to Kraken, its platform.

Ord Minnett revises EPS forecasts by -4% and -7% for FY25/FY26, respectively.

Over the medium term, the broker continues to like Origin Energy's outlook. The rating is upgraded to Buy from Hold with an $11.60 target price.

SANTOS LIMITED ((STO)) Upgrade to Buy from Accumulate by Ord Minnett and Upgrade to Overweight from Equal-weight by Morgan Stanley .B/H/S: 4/2/0

The first half result from Santos fell short of Ord Minnett's forecast largely because of non-recurring operating costs resulting from weather events. 2024 guidance is unchanged.

The broker believes the slide in the shares since the result was driven by an apparent downgrade to the medium-term free cash flow forecast, with the business now expecting US$4.7bn in 2029 compared with the prior forecast of US$5.1bn in 2028.

The reason for the downgrade, the broker suspects, is delays at Papua LNG and the sell down of PNG LNG, but these should have already been factored into forecasts.

Rating is upgraded to Buy from Accumulate as Ord Minnett believes the medium-term prospects offer a compelling investment opportunity. Target is steady at $8.50.

While Morgan Stanley keeps its $8.00 target for Santos following "solid" 1H results, the rating is upgraded to Overweight from Equal-weight on relative free cash flow (FCF) yields. It's felt low-cost leverage to East Asian LNG underpins FCF and investor appeal.

First half earnings fell by -12% on the previous corresponding period. Management maintained 2024 production and capex guidance and the board declared an interim dividend of 13 cents (consensus forecast 12.9 cents). Industry view: Attractive.

UNIVERSAL STORE HOLDINGS LIMITED ((UNI)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 6/0/0

Universal Store saw strong FY24 sales growth of 9.7% year on year and earnings ahead of guidance, Macquarie notes, driven by continued US growth, the ongoing Perfect Stranger retail rollout and successful contributions from the CTC acquisition.

Strong sales were seen across all brands, up double digits, and the broker sees significant opportunity for store roll-out and sales growth in FY25.

Macquarie increases its sales expectations and sees a significant opportunity for further store rollout, particularly for Perfect Stranger. Gross margin expansion supports operating leverage. Upgrade to Outperform from Neutral.

Target rises to $7.80 from $6.30.

Downgrade

ARN MEDIA LIMITED ((A1N)) Downgrade to Sell from Neutral by UBS .B/H/S: 0/1/2

As macro conditions are likely to remain challenging in both Australian radio and Hong Kong outdoor, and there is no capital return providing downside support, UBS downgrades ARN Media to Sell from Neutral.

The broker lowers 2025-27 EBIT estimates by -16%. Assumptions of a continued buyback over 2024 are also removed and the dividend forecast is lowered. The broker lowers revenue estimates for Cody Outdoor, which missed expectations, by -17% for 2024.

The company is also expected to experience a further drag on working capital of -$12-15m in the second half from the contract wins in Hong Kong, that is likely to drive gearing to 2.3x net debt. Target is lowered to $0.51 from $0.65.

AUDINATE GROUP LIMITED ((AD8)) Downgrade to Neutral from Buy by UBS .B/H/S: 2/2/0

After the shock of Audinate Group's FY25 downgrade earlier this month, there were a number of positives within the detailed FY24 result, UBS suggests. Management noted 2-4x market growth in FY26 and beyond.

The broker continues to like the long-term opportunity and has previously flagged that a small incremental uplift in medium term growth rates can have a large swing on valuation.

That said, given the strong share price reaction to the result, together with the challenging comparables in the first half FY25 and the fact earnings will likely be heavily second half-skewed, UBS downgrades to Neutral from Buy.

Target rises to $12.20 from $10.90.

AMCOR PLC ((AMC)) Downgrade to Lighten from Hold by Ord Minnett and Downgrade to Hold from Add by Morgans.B/H/S: 1/4/0

Amcor reported growth in volumes for the 4Q24, the first time since 4Q22, Ord Minnett observes on FY24 EPS which met expectations.

Destocking in the healthcare division weighed on EBITDA as these products typically have higher margins, and the EBITDA result was -4% below consensus forecasts.

In FY25, management anticipates single-to-mid digit revenue growth. Some -$440m in costs were saved over FY24, with labour costs around 20% of the company's cost-of-goods sold, as inflation has remained stubborn, Ord Minnett notes.

Target price falls to $14.10 from $14.30. Rating downgraded to Lighten from Hold due to share price strength.

Amcor reported FY24 earnings which met Morgans' forecasts and management guidance.

Cost out programs alongside restructuring boosted margins for Flexibles and Rigid packaging, as well as an improvement in volumes and higher than guided cash flow generation.

Gearing remains an issue the analyst notes, although it is expected to reduce over FY25.

Management pointed to circa 3%-8% constant currency growth in EPS for FY25 including payment incentives of around a -4% cost.

Morgans makes small changes to earnings forecasts. The current valuation is believed to be reasonable.

The stock is downgraded to Hold from Buy. Unchanged target price $15.95.

AUSTRALIAN UNITY OFFICE FUND ((AOF)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 0/1/0

Ord Minnett lowers its target for Australian Unity Office Fund to $1.32 from $1.37 and downgrades to Hold from Accumulate after allowing for the sale of Northbourne Avenue in Canberra, and an increased likelihood the Fund will be wound-up.

The responsible entity for the Fund intends to dispose of its main undertaking and wind up the Fund, which requires a minimum 50% of unitholder approval, notes the broker.

BABY BUNTING GROUP LIMITED ((BBN)) Downgrade to Hold from Add by Morgans .B/H/S: 1/4/0

Morgans notes headline results from Baby Bunting were in line with guidance with the business expecting to return to positive growth in sales and margins in FY25.

The company's core customer is financially stretched and competitors have been discounting aggressively to stimulate sales, which creates challenging conditions. Guidance for net profit in FY25 is $9.5-12.5m and the broker points out it is one of very few retailers to do so given the current uncertainty.

An external consultant has been engaged to upgrade the store network and assist in revitalising the design. Rating is downgraded to Hold from Add as there is limited scope for a re-rating. Target is reduced to $1.70 from $1.80.

BREVILLE GROUP LIMITED ((BRG)) Downgrade to Neutral from Buy by UBS .B/H/S: 3/2/0

UBS found the headline results from Breville Group were strong, with inventory returned to "equilibrium" and the business to net cash. UBS upgrades long-term Asia-Pacific forecasts on the back of the successful ramp up in South Korea.

The result has improved confidence for acceleration in the top line in FY25. This is reflected in the price of the stock and while the broker continues to like the global expansion opportunity, the rating is downgraded to Neutral from Buy on valuation grounds. Target is $32.70.

CENTURIA OFFICE REIT ((COF)) Downgrade to Hold from Add by Morgans .B/H/S: 0/3/1

Centuria Office REIT's FY24 result was in line with guidance however the near term outlook remains challenging with FY25 guidance below Morgans' estimates, largely due to impacts from divestments and conservative leasing assumptions.

Gearing is over 41% and post balance date the REIT successfully refinanced and renegotiated covenants.

While Morgans acknowledges the attractive yield on offer, valuation discount and repositioned balance sheet, the broker downgrades to Hold from Add until there is further clarity around leasing outcomes which will continue to put near term pressure on occupancy/cap rates/income.

Target falls to $1.35 from $1.60.

CORPORATE TRAVEL MANAGEMENT LIMITED ((CTD)) Downgrade to Neutral from Buy by UBS .B/H/S: 4/4/0

Corporate Travel Management's FY24 net profit missed estimates with UBS noting underlying uncertainty for earnings going forward. The main issue is the impact of one-off project work.

While headline EBITDA guidance of $210m does not appear demanding the broker's initial analysis suggests underlying EBITDA needs to grow around 30% to offset cycling project work.

In the context of a company targeting a doubling of EBITDA by FY29 the broker downgrades to Neutral from Buy until there is more comfort around the macro outlook and the various inputs to FY25 financials. Target is reduced to $13.55 from $21.80.

CLEANAWAY WASTE MANAGEMENT LIMITED ((CWY)) Downgrade to Hold from Add by Morgans .B/H/S: 4/1/0

Cleanaway Waste Management's second half growth of 8% year on year was 2% ahead of Morgans' expectations, with Solid Waste Services and Liquid Waste & Health Services beating and Industrial and Waste Services and Corporate and Associates missing.

This leveraged into earnings growth, the broker notes, but the leverage weakened at the profit line due to higher net finance costs. Net
finance cost, capex guidance and revised earnings growth outlook for impairment testing has moderated Morgans' bullish stance on the stock.

Target falls to $2.83 from $3.02 on higher debt service, higher lease costs, higher maintenance spend, and lower long term earnings generation. Given recent share price strength, the broker downgrades to Hold from Add.

DOMINO'S PIZZA ENTERPRISES LIMITED ((DMP)) Downgrade to Hold from Buy by Ord Minnett .B/H/S: 2/4/0

Domino's Pizza Enterprises' FY24 earnings met lowered forecasts and Ord Minnett observes the company has cut gearing but believes gearing is likely to expand again in FY25.

Trade to date in FY25 has been soft, same-store sales down 1.3%, and management doubts demand will improve soon.

The broker observes EPS has been falling for three years suggesting either poor execution, or that the company has taken on more projects than can be successfully managed.

EPS forecasts are cut -6% in FY25; -5% in FY26; and -6% in FY27, making the company's price-earning multiple appear toppy, in the broker's view.

Rating is downgraded to Hold from Buy. Target price falls to $31 from $42.00.

DATA#3 LIMITED. ((DTL)) Downgrade to Sell from Neutral by UBS .B/H/S: 1/1/1

UBS expects a slightly "below trend" increase in gross profit in FY25 for Data#3 of 9%, which would be similar to the 8% recorded in FY24.

There is risk to Queensland government expenditure with the upcoming election and Queensland budget cuts include specific reductions in the use of external consultants.

Risks are weighted to the first half of FY25 yet the broker also assesses the company's one-year forward PE is elevated at 29x and this leaves little margin for error. Rating is downgraded to Sell from Neutral. Target is $8.70.

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

EnviroSuite's FY24 earnings (EBITDA) proved a solid miss on Bell Potter's forecasts thanks to a -2% miss on revenue and a miss on gross margins (50.6% vs the broker's forecast 52%). As usual, no guidance was provided.

Bell Potter had been expecting a profit of $0.3m and instead the company posted a -$1.2m loss. Adjusted EBITDA was $1.1m, -$0.5m below Bell Potter's expectations due to more positive net adjustments than anticipated.

The big hit was a surprise -$18.3m goodwill impairment charge, which took the company's net loss to -$32.2m.

Cash flow disappointed, the company posting an operating cash outflow of -$2.4m, compared with Bell Potter's expectations of a $0.4m inflow.

The company closed the year with net debt of -$4.2m compared with a forecast of -$0.6m and the broker expects EnviroSuite's balance sheet will prove something of a millstone.

Rating downgraded to Hold from Buy. Target price halves to 4c from 8c.

FORTESCUE LIMITED ((FMG)) Downgrade to Neutral from Buy by Citi .B/H/S: 1/2/4

All is not well in the state of The Middle Kingdom of China.

Commodity analysts at Citi have marked to market 2Q/3Q 2024 forecasts and cut their benchmark iron ore forecasts for 2024 and 2025 to US$105/t and US$95/t (previously US$110/t and US$100/t) to reflect a more tepid outlook for demand.

The team has also trimmed 2024/25 prime hard coking coal forecasts to US$265 and US$235/t (previously US$275/t and US$250/t).

The key victim is Fortescue which now loses its Buy rating; downgrade to Neutral with its price target reduced to $19.40 from $21.

HELIA GROUP LIMITED ((HLI)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 0/2/0

Due to the strong Helia Group share price performance, Macquarie believes the market is pricing a positive outcome for the CommBank ((CBA)) tender.

The market conditions remain soft with a sizeable increase in delinquencies, up 15% on the previous half, which the broker believes is a sign customers are falling behind on payments.

At 2.8x, the PCA ratio is well above target. Macquarie believes there is scope for increased capital management from buybacks and dividends

EPS forecasts are lifted 24% in FY24 and 2% in FY25.

The stock is downgraded to Neutral from Outperform. Target price falls to $3.80 from $3.90.

MEGAPORT LIMITED ((MP1)) Downgrade to Neutral from Buy by UBS .B/H/S: 4/2/0

Megaport provided a strong FY24 result with EBITDA beating expectations. UBS notes a material slowdown is implied by FY25 revenue guidance which signals some larger issues with the maturing customer base that need to be resolved.

The broker likes the business and its leadership position but given concerns raised by the results, and the extent of downgrades to forecasts, a sign that the existing customer base has stabilised is required.

Rating is downgraded to Neutral from Buy. Target is reduced to $10.15 from $15.85.

See also MP1 upgrade.

NUFARM LIMITED ((NUF)) Downgrade to Sell from Neutral by Citi and Downgrade to Neutral from Buy by UBS.B/H/S: 1/5/1

Citi attributes the downgrade in the earnings outlook for Nufarm to ongoing global de-stocking with competition remaining robust.

The revised FY24 earnings account for adverse pricing and the North American product mix, with a -$184m revenue loss and -$67m loss in EBITDA forecast by the analyst in FY24.

Gearing is anticipated to rise above Nufarm's target range. Citi highlights a 2H24 dividend is unlikely.

The broker revises EPS forecasts by -95.2% for FY24 and -53.7% for FY25.

The stock is downgraded to Sell from Neutral. Target price falls to $3.65 from $4.80.

UBS observes a recent update from Nufarm has signalled the market conditions have stepped back from both the pricing and competition/discounting perspective.

Given limited visibility into when heightened competitive discounting will end, the broker is no longer confident in the realisation of a $90m-plus earnings recovery in crop protection in FY25.

Despite a stretched leverage ratio, UBS does not believe the company needs to raise equity. FY24 EBITDA is now forecast at $307m, which compares with guidance of $300-330m. Rating is downgraded to Neutral from Buy. Target is lowered to $4.50 from $6.90.

OOH!MEDIA LIMITED ((OML)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/3/0

Macquarie was disappointed with the first half earnings from oOh!media, amid softer revenue from road and retail.

The broker concedes the trading outlook is more optimistic, as outdoor media continues to gain share, but suspects renewals and winning government contracts are diluting the margin.

The company is restructuring its GTM strategy and increasingly digitising the portfolio and announced new contract wins with annualised income benefits of $38m. Macquarie points out these are mostly council or government tenders that are typically lower margin.

Rating is downgraded to Neutral from Outperform and the target reduced to $1.56 from $2.28.

REGIS RESOURCES LIMITED ((RRL)) Downgrade to Sell from Neutral by UBS .B/H/S: 3/2/1

UBS notes the FY24 result from Regis Resources included a $192m write down because of the Section 10 declaration over McPhillamys. EBITDA was -12% below estimates. Depreciation was also higher.

The broker suspects it will take some time for the company to reassess its strategy but for now acknowledges it generates cash despite a declining production profile.

Removing McPhillamys from the valuation reduces the target to $1.55 from $1.75. EPS estimates are also down -16% on higher costs and D&A. Rating is downgraded to Sell from Neutral.

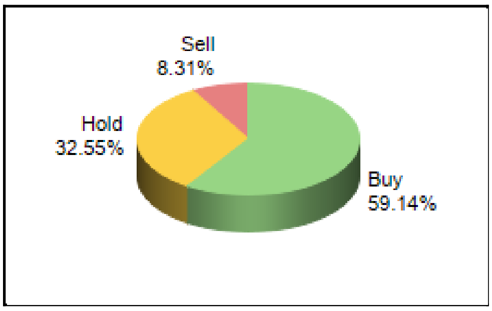
SUPER RETAIL GROUP LIMITED ((SUL)) Downgrade to Neutral from Buy by UBS .B/H/S: 2/2/1

FY24 earnings from Super Retail were slightly below UBS estimates. A special dividend of $0.50 was announced as the company progresses towards meeting its capital management targets.

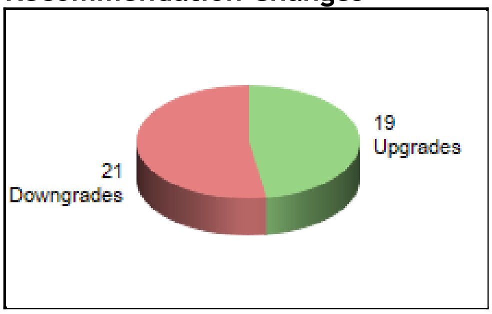
UBS revises FY25 and FY26 estimates down by -0.5% and up by 1.5%, respectively.

The broker considers the sales and margin outlook positive yet, given the share price performance and PE multiple re-rating, the risk/ reward has become more balanced. Hence a downgrade to Neutral from Buy. Target is raised to $18 from $15.

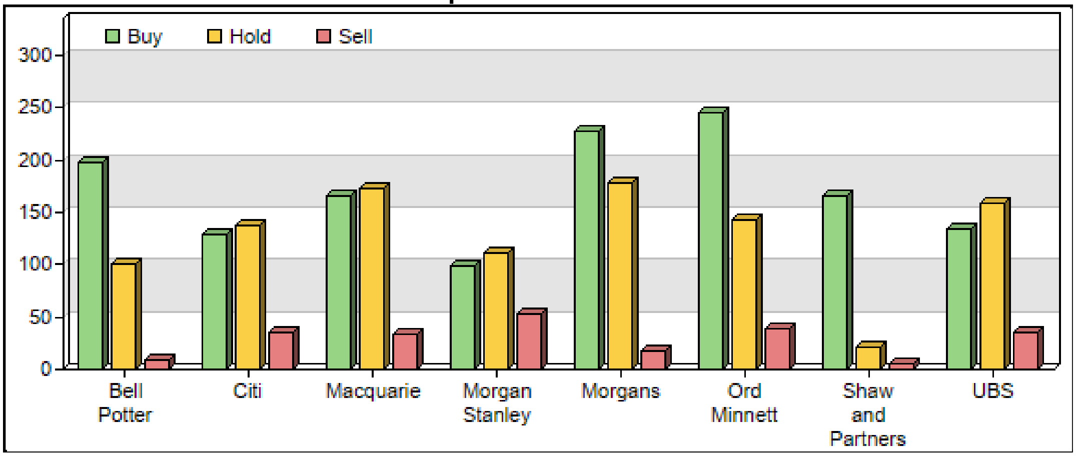
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	AMPOL LIMITED	Buy	Neutral	Ord Minnett
2	ANSELL LIMITED	Neutral	Sell	Ord Minnett
3	BANK OF QUEENSLAND LIMITED	Neutral	Sell	Morgans
4	BOSS ENERGY LIMITED	Buy	Neutral	Shaw and Partners
5	BRAMBLES LIMITED	Buy	Buy	Ord Minnett
6	BRAMBLES LIMITED	Neutral	Sell	Citi
7	CENTURIA CAPITAL GROUP	Buy	Neutral	Macquarie
8	COCHLEAR LIMITED	Neutral	Neutral	Ord Minnett
9	GOODMAN GROUP	Neutral	Sell	Ord Minnett
10	GQG PARTNERS INC	Buy	Buy	Ord Minnett
11	ILUKA RESOURCES LIMITED	Buy	Neutral	Macquarie
12	JUDO CAPITAL HOLDINGS LIMITED	Buy	Neutral	Morgan Stanley
13	JUDO CAPITAL HOLDINGS LIMITED	Neutral	Sell	Macquarie
14	MEGAPORT LIMITED	Buy	Neutral	Morgans
15	MYSTATE LIMITED	Buy	Buy	Ord Minnett
16	ORIGIN ENERGY LIMITED	Buy	Neutral	Ord Minnett
17	SANTOS LIMITED	Buy	Buy	Ord Minnett
18	SANTOS LIMITED	Buy	Neutral	Morgan Stanley
19	UNIVERSAL STORE HOLDINGS LIMITED	Buy	Neutral	Macquarie
Downgrade				
20	AMCOR PLC	Sell	Buy	Ord Minnett
21	AMCOR PLC	Neutral	Buy	Morgans
22	ARN MEDIA LIMITED	Sell	Neutral	UBS
23	AUDINATE GROUP LIMITED	Neutral	Buy	UBS
24	AUSTRALIAN UNITY OFFICE FUND	Neutral	Buy	Ord Minnett
25	BABY BUNTING GROUP LIMITED	Neutral	Buy	Morgans
26	BREVILLE GROUP LIMITED	Neutral	Buy	UBS
27	CENTURIA OFFICE REIT	Neutral	Buy	Morgans
28	CLEANAWAY WASTE MANAGEMENT LIMITED	Neutral	Buy	Morgans
29	CORPORATE TRAVEL MANAGEMENT LIMITED	Neutral	Buy	UBS
30	DATA#3 LIMITED.	Sell	Neutral	UBS
31	DOMINO'S PIZZA ENTERPRISES LIMITED	Neutral	Buy	Ord Minnett
32	ENVIROSUITE LIMITED	Neutral	Buy	Bell Potter
33	FORTESCUE LIMITED	Neutral	Buy	Citi
34	HELIA GROUP LIMITED	Neutral	Buy	Macquarie
35	MEGAPORT LIMITED	Neutral	Buy	UBS
36	NUFARM LIMITED	Sell	Neutral	Citi
37	NUFARM LIMITED	Neutral	Buy	UBS
38	OOH!MEDIA LIMITED	Neutral	Buy	Macquarie
39	REGIS RESOURCES LIMITED	Sell	Neutral	UBS
40	SUPER RETAIL GROUP LIMITED	Neutral	Buy	UBS

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	JDO	JUDO CAPITAL HOLDINGS LIMITED	1.638	1.246	31.46%	5
2	SSM	SERVICE STREAM LIMITED	1.583	1.290	22.71%	3
3	BRG	BREVILLE GROUP LIMITED	33.170	27.480	20.71%	5
4	BXB	BRAMBLES LIMITED	18.758	16.442	14.09%	6
5	WTC	WISETECH GLOBAL LIMITED	109.171	95.859	13.89%	7
6	HUB	HUB24 LIMITED	52.057	45.736	13.82%	7
7	AD8	AUDINATE GROUP LIMITED	11.525	10.175	13.27%	4
8	CWP	CEDAR WOODS PROPERTIES LIMITED	6.367	5.675	12.19%	3
9	DTL	DATA#3 LIMITED.	9.117	8.133	12.10%	3
10	CCX	CITY CHIC COLLECTIVE LIMITED	0.350	0.314	11.46%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	PWH	PWR HOLDINGS LIMITED	10.638	12.975	-18.01%	4
2	OML	OOH!MEDIA LIMITED	1.665	1.920	-13.28%	4
3	NUF	NUFARM LIMITED	4.590	5.239	-12.39%	7
4	MP1	MEGAPORT LIMITED	12.467	14.150	-11.89%	6
5	CTD	CORPORATE TRAVEL MANAGEMENT LIMITED	15.464	17.514	-11.70%	8
6	ATG	ARTICORE GROUP LIMITED	0.520	0.587	-11.41%	3
7	LAU	LINDSAY AUSTRALIA LIMITED	1.217	1.337	-8.98%	3
8	DMP	DOMINO'S PIZZA ENTERPRISES LIMITED	37.092	40.475	-8.36%	6
9	TRS	REJECT SHOP LIMITED	3.867	4.183	-7.55%	3
10	CKF	COLLINS FOODS LIMITED	10.433	11.267	-7.40%	6

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	HLS	HEALIUS LIMITED	3.940	-0.480	920.83%	5
2	SGM	SIMS LIMITED	47.025	-14.367	427.31%	4
3	BBN	BABY BUNTING GROUP LIMITED	8.200	2.660	208.27%	5
4	PXA	PEXA GROUP LIMITED	27.680	14.700	88.30%	5
5	MP1	MEGAPORT LIMITED	14.420	8.133	77.30%	6
6	RRL	REGIS RESOURCES LIMITED	20.300	11.700	73.50%	6
7	NST	NORTHERN STAR RESOURCES LIMITED	91.440	58.350	56.71%	5
8	TRS	REJECT SHOP LIMITED	21.067	13.633	54.53%	3
9	WTC	WISETECH GLOBAL LIMITED	120.300	81.480	47.64%	7
10	LLC	LENDLEASE GROUP	62.680	43.700	43.43%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	AD8	AUDINATE GROUP LIMITED	1.225	10.925	-88.79%	4
2	ACF	ACROW LIMITED	8.000	11.767	-32.01%	3
3	BSL	BLUESCOPE STEEL LIMITED	146.860	206.275	-28.80%	5
4	BOE	BOSS ENERGY LIMITED	7.025	9.650	-27.20%	4
5	PWR	PETER WARREN AUTOMOTIVE HOLDINGS LIMITED	16.850	22.425	-24.86%	4
6	KMD	KMD BRANDS LIMITED	1.107	1.445	-23.39%	3
7	SKC	SKYCITY ENTERTAINMENT GROUP LIMITED	12.421	14.854	-16.38%	3
8	ATG	ARTICORE GROUP LIMITED	-1.667	-1.433	-16.33%	3
9	GOZ	GROWTHPOINT PROPERTIES AUSTRALIA	19.800	23.200	-14.66%	3
10	SEK	SEEK LIMITED	45.000	52.540	-14.35%	5

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.

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.

WEEKLY REPORTS

Uranium Week: Kazatomprom's Shortfall Excites

The world's largest uranium producer, Kazatomprom cuts FY25 guidance sparking a flame under uranium stock prices.

-Kazatomprom cuts FY25 production guidance
-Sulpuric acid supplies remain problematic
-Share prices rally in response
-U308 spot market flat on the week

By Danielle Ecuyer

Uranium production challenges, how bad is it?

The big news of the week came in the form of Kazatomprom's cut to FY25 production guidance last Friday (August 23).

Kazatomprom flagged construction delays at new developed deposits and a shortage of sulphuric acid as the reasons for a lowered guidance to 55mlbs-68.9mlbs of U308 from 79.3mlbs-81.9mlbs.

Sulphuric acid supplies are being impacted from delays in new acid plants, increased competition from the fertiliser industry and trade restrictions, industry consultant TradeTech highlights.

Morgan Stanley highlights revised guidance still represents a 12% increase on 2024. The announcement was in line with the broker's expectation but below what market consensus was positioned for.

TradeTech concurs, suggesting the cut in guidance was "significantly more than market participants were expecting".

The spot uranium market responded initially with buyers moving in at US$82lb and sellers reacting to the demand. Friday ended with buyers and sellers agreeing on a US$81lb U308 price, representing no change on the week.

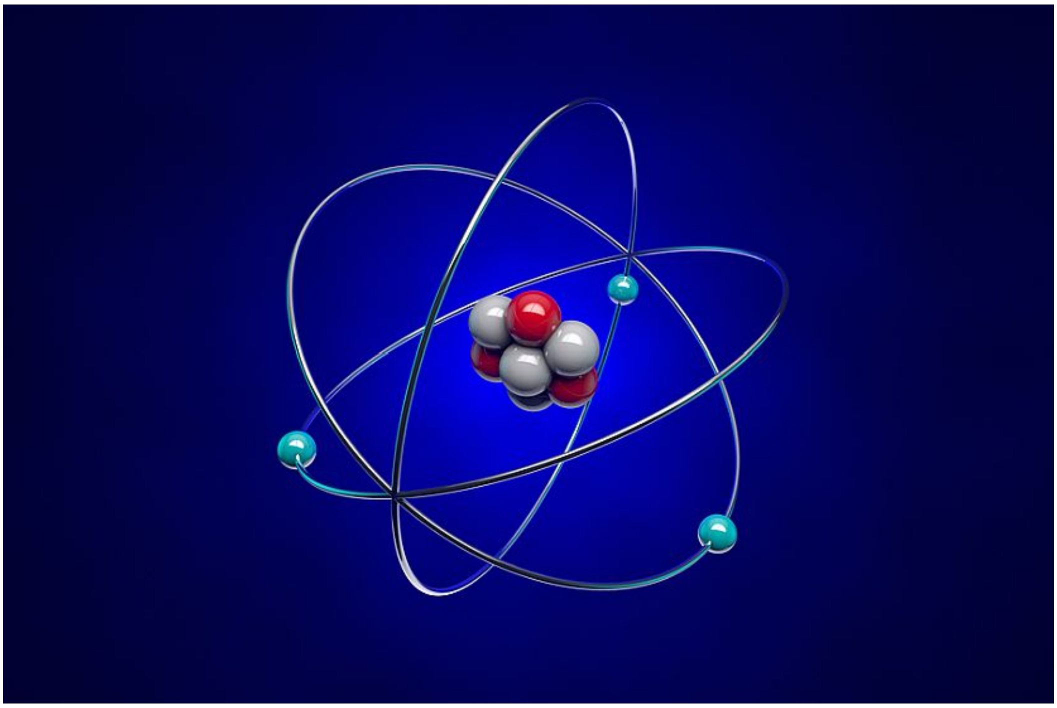
Although the physical market's response was relatively muted, the stock prices of uranium equities bounced on the news. Canada's Comeco rallied 5.57% on Friday with equally strong share price appreciation for Australian uranium producers and explorers as a follow up on Monday.

Morgan Stanley's analysis of the physical market suggests a supply/demand deficit remains, but it is notably smaller than in previous years. The broker points to Kazatomprom's commitment to 2025 contractual obligations with the company intending to use "comfortable level of inventories" to meet any production shortfalls.

Kazatomprom also highlighted no further production guidance will be given until the same time next year for FY26.

With the spot uranium price approaching Morgan Stanley's 4Q24 price forecast of US$79lb, the broker views there is "limited downside".

Low levels of contracting activity, down -71% in 1H2024 from the US ban on Russian imports and the higher uranium price, infers to Morgan Stanley that positioning on the sidelines is apposite at this stage in the cycle.



U308 sellers ready and waiting in the spot market

The spot U308 price remains up 39% year-on-year and down -12% calendar year-to-date, with volatility at 24%, TradeTech observes.

The Mid-Term U308 price stands at US$90lb and the Long-Term price at US$82lb.

In sector news, the World Nuclear Symposium in London is coming up on Sept 4-6 and TradeTech revealed Kazakhstan is moving forward to public hearings as the government advances towards the country's construction and operation of its first nuclear plant.

Last Monday, China approved a record 11 reactors across five states for US$31bn with construction taking about five years, according to state media, TradeTech noted.

The International Atomic Energy Agency (IAEA) reported in its annual publication nuclear power lifted 2.6% in 2023 from 2022 and generated 10% of the world's electricity in 2023.

Boss Energy, just too cheap

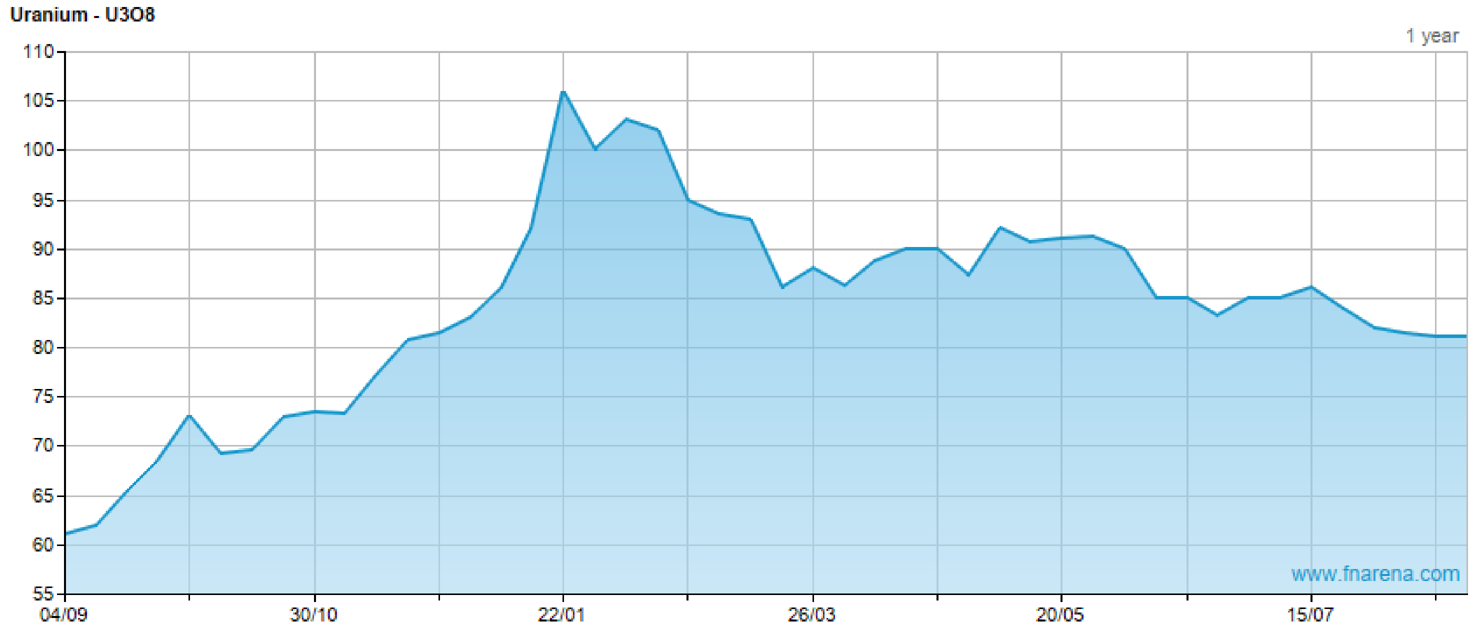
Shaw and Partners revised earnings forecasts by -37% for FY25 and -15% for FY26 for Boss Energy ((BOE)) on a slower ramp up in Honeymoon with an accompanying fall in the target price to $4.20 from $4.75.

The stock was upgraded to Buy from Hold with the -50% drawdown as of August 23 viewed as "overdone" and the -45% discount to valuation considered "excessive".

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	23/08/2024	0.0600	▼-16.67%	$0.19	$0.05			
AEE	23/08/2024	0.1400	▲ 4.00%	$0.36	$0.12			
AGE	23/08/2024	0.0400	0.00%	$0.08	$0.03		$0.100	▲150.0%
AKN	23/08/2024	0.0100	0.00%	$0.07	$0.01			
ASN	23/08/2024	0.1100	▲ 4.17%	$0.20	$0.07			
BKY	23/08/2024	0.3200	▲ 1.64%	$0.45	$0.26			
BMN	23/08/2024	2.5000	▼- 4.24%	$4.87	$1.86		$7.400	▲196.0%
BOE	23/08/2024	3.2000	▼- 0.34%	$6.12	$2.86	46.1	$4.875	▲52.3%
BSN	23/08/2024	0.0400	▲14.29%	$0.21	$0.03			
C29	23/08/2024	0.0800	0.00%	$0.12	$0.06			
CXO	23/08/2024	0.1000	▲ 7.53%	$0.45	$0.08		$0.093	▼- 6.7%

CXU	23/08/2024	0.0200	0.00%	$0.06	$0.01			
DEV	23/08/2024	0.2000	▼- 2.44%	$0.45	$0.19			
DYL	23/08/2024	1.1800	▼- 0.99%	$1.83	$0.85	-83.6	$1.770	▲50.0%
EL8	23/08/2024	0.3500	▼- 3.23%	$0.68	$0.26			
ERA	23/08/2024	0.0200	▲17.65%	$0.08	$0.01			
GLA	23/08/2024	0.0100	▲100.00%	$0.04	$0.01			
GTR	23/08/2024	0.0030	0.00%	$0.02	$0.00			
GUE	23/08/2024	0.0600	▲20.00%	$0.18	$0.05			
HAR	23/08/2024	0.0500	0.00%	$0.28	$0.05			
I88	23/08/2024	0.6800	▼- 1.64%	$1.03	$0.14			
KOB	23/08/2024	0.1400	▲ 7.69%	$0.18	$0.06			
LAM	23/08/2024	0.6000	▲ 7.14%	$1.04	$0.56			
LOT	23/08/2024	0.2600	▼- 8.33%	$0.49	$0.20		$0.685	▲163.5%
MEU	23/08/2024	0.0400	0.00%	$0.06	$0.03			
NXG	23/08/2024	9.5000	▼- 3.46%	$13.66	$8.13		$16.200	▲70.5%
ORP	23/08/2024	0.0500	0.00%	$0.12	$0.05			
PDN	23/08/2024	10.9000	▼- 1.82%	$17.98	$8.10	-86.3	$16.088	▲47.6%
PEN	23/08/2024	0.0900	▼- 8.05%	$0.15	$0.08	30.0	$0.260	▲188.9%
PNX	23/08/2024	0.0040	▲25.00%	$0.01	$0.00			
SLX	23/08/2024	4.5700	▲ 0.75%	$6.74	$2.93		$7.600	▲66.3%
TOE	23/08/2024	0.2500	▼-17.24%	$0.70	$0.01			
WCN	23/08/2024	0.0100	▼-33.33%	$0.02	$0.01			



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WEEKLY REPORTS

The Short Report - 29 Aug 2024

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

Summary:

Week Ending August 15th, 2024 (most recent data available through ASIC).

10%+

PLS 20.83
IEL 13.23
SYR 12.49
LYC 10.89
STX 10.79
LTR 10.64
CHN 10.32
PDN 10.30

In: PDN Out: CTT

9.0-9.9%

CTT
SYA
BOE

In: BOE, CTT Out: PDN

8.0-8.9%

WBT
DYL

Out: BOE

7.0-7.9%

NUF
MIN
SFR
FLT
GMD

In: MIN Out: HLS, BGL

6.0-6.9%

BGL
ADT
SEK
?OBL
CUV
LOT
LIC
WEB

In: LOT Out: WGX

5.0-5.9%

CXO
IFL
RIO
ACL
NAN
CTD
NVX
VUL
DXS

In: ACL, CTD, DXS Out: BOQ, LOT

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.6	0.6	NAB	0.6	0.6
ANZ	0.4	0.5	QBE	0.2	0.3
BHP	0.4	0.4	RIO	5.6	5.7
CBA	1.5	1.5	STO	1.2	1.1
COL	0.7	0.8	TCL	0.8	0.8
CSL	0.5	0.4	TLS	0.3	0.3
FMG	0.7	0.9	WBC	0.7	0.7
GMG	0.7	0.5	WDS	1.1	1.1
JHX	1.1	1.0	WES	1.1	1.2
MQG	0.6	0.6	WOW	0.4	0.4

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

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

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

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

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

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

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

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WEEKLY REPORTS

In Brief: Consumer Discretionary Serves Up A Smorgasbord

In the world of retailing, its often winner takes all, or at least a large piece of the consumer pie. So what did this reporting season reveal about some of Australia's leading consumer discretionary stocks?

-No stopping the taco gravy train
-Accent, hip brands drive growth
-Are store transitions the key to Viva Energy's secret?
-Kogan a tale of two narratives

By Danielle Ecuyer

Quote of the week comes from Jensen Huang, CEO of Nvidia on Q2 earnings call.

"Generative AI will revolutionize every industry."

<u>Tacos and momentum</u>

A retail revue wouldn't be complete without a comment on the biggest swinging IPO this side of 2024 and maybe 2025, which is Guzman Y Gomez ((GYG)).

Living up to the share price momentum, Guzman's performance came in above prospectus forecasts for FY24 earnings, including 8.1% growth in same store sales growth with a 30% restaurant margin, 30 basis points above the prospectus.

Same store sales growth has powered (well almost) into the first seven weeks of FY25 at 7.4%, well above the prospectus, Wilsons quips.

The broker is happy to stay upbeat on the taco chain, based on 91 net new store rollouts; "impressive" same store sales growth, with a topping of margin expansion.

All-in-all a chicken dinner winner of a fast-food chain recipe, leading to a target price increase to $41,14 from $31.98 and an Overweight rating.

<u>Accent the Positive</u>

Looking through the FY24 in-line earnings report and a below expected start to FY25, Evans and Partners instils a sense of hope for investors that Accent Group ((AX1)) is down but anything from out.

Wilsons also viewed the FY24 results with a bit of a yawn. Many of the metrics were in line with pre-released guidance. In turn the share price sell-off post results was attributed to the less than hoped for trading update at the start of FY25.

Like-for-like sales came in at 3.5% growth, below the 2H24 rate of 4%.

Petra Capital observes the trading update for the first seven weeks needs some context and may not be as downbeat as the market reaction implied.

Accent was cycling lower comps for May/June and July. When viewed across a two-year period, Petra reveals no slowdown in like-for-like sales growth, with footwear doing notably better than clothing.

While the Glue stores remain a drag into 1H25, E&P are upbeat on the prospective 50 new store openings in FY25, particularly Nude Lucy, Stylerunner, HOKA and UGG.

Management highlighted "new store performance remains strong with sales, profit and return metrics in line with expectations".

With an improved outlook for consumer spending in FY25, E&P find Accent's forecast of circa 10% earnings before interest and tax growth over FY25/FY26 as underwriting a Positive rating with a valuation of $2.53.

Wilsons likes the improvement in FY24 gross margin to 55.8% with the write-down of Glue inventory a -$3m blemish or -20 basis point drag. This was registered on the back of adverse foreign exchange rates and, still, a weak consumer.

Share price weakness offers a good buying opportunity according to Wilsons (Overweight, $2.40 target price). Near term tailwinds for Accent include the Glue closures, cost-out program, vertical product growth and TAF acquisition strategy.

Petra is also in the upbeat camp (Buy, $2.35 target price) with higher like-for-like sales above 3-4% growth re-leveraging the financials for earnings upgrades.

Valuation around 14x is believed to be attractive on conservative earnings forecast assumptions and potential yield support over 6% for FY25 dividend forecasts.

FNArena daily monitored brokers have an average price target of $2.412, a prospective FY25 average dividend yield of 6.2%, with four Buys (Bell Potter, UBS, upgraded from Neutral, Morgans and Morgan Stanley).

Viva Energy on-the-run to profits

Digesting a -$1.2bn acquisition and transitioning the acquired convenience stores remains the lynch pin of the Viva Energy Group ((VEA)) story.

Goldman Sachs has lingering caution over the time required to transition over 500 stores, add an additional 85 stores and achieve $60m-plus in cost synergies, suggesting management's initial targets are on the optimistic side.

The 1H24 results were broadly in line, although the interim dividend was on the skinny side, some -4% below Goldman Sachs' forecast.

Management did flag the initial store transition is taking longer than anticipated due to town planning and landlord consent delays. The transition target has been scaled back to 30 over the next 12-months from around 70 by December 2024.

Barrenjoey's take on the results revealed a better than expected 6.7c interim dividend against consensus of 6c but overall the result was in line with the analyst's estimates.

The slower conversion of the acquired Coles Express stores to On-The-Run (OTR) format is noted by Barrenjoey. Viva expects more than $100m in EBITDA uplift, above the original $50m-plus by 2028.

Or as Barrenjoey highlights: over $200k per annum increase in shop margin on average is anticipated from all the 500-plus sites.

Could management be forgiven for the rollout hiccup?

Goldmans Sach is forecasting 18% compound average growth in convenience stores EBITDA over the next five years. Barrenjoey highlights management's expectations of a higher level of performance from OTR sites relative to the Reddy/Coles network.

In the short-term, lower refining margins were a drag on target prices. Goldmans Sachs nevertheless sees value and upgrades the stock to Buy with a $3.60 revised target price.

Barrenjoey also tweaks forecasts, adjusts the target price by -5% to $3.70 and is Overweight rated

FNArena's daily monitored brokers have an average target price of $3.78. Macquarie is the highest at $4.10 (Outperform rating) with UBS on Buy and Morgan Stanley on Equal-Weight (Neutral).

Kogan not feeling the love

Kogan ((KGN)) is facing an increasing conga line of competition. Two consumer discretionary giants, Wesfarmers ((WES)) with Catch and Woolworths Group ((WOW)) with MyDeal joined the market in 2019, alongside omni-channel operators Amazon and Temu.

The crux of the brokers' concerns lays in the Kogan model where Kogan First (a subscription model) subsidises benefits to the retail business. Barrenjoey highlights margins on retail have fallen to -7% from 3% pre-covid.

Jarden is also waiving the watch out for Amazon flag. The behemoth recently announced same-day delivery in Sydney. With Kogan's active users declining over nine successive quarters, this broker highlights EBITDA has only grown via subscription membership.

Both brokers raise concerns about the April 8 Kogan First membership price rise to $129 from $99 and what impact it will have.

Management's change of reporting, not to include the subscription and active user metrics, is also raising eyebrows.

Market share losses, lack of earnings transparency, governance issues and increased potential investment spending constitute numerous red flags.

In contrast, Canaccord Genuity proposes a much more upbeat view on the company. In this broker's opinion Kogan remains "one of the largest and most profitable e-commerce retailers" in Australia.

Canaccord espouses Kogan's key advantages over the likes of Amazon/Temu, including 85% of its white goods sourced from proprietary white labels; Kogan First subscription fees generating $44m in income and representing 26% of active customers and 61% to gross sales; its vertical integration across the likes of mobile/insurance/internet, and MightyApe which tips in $40m of first party sales.

All-in-all a retail recipe which delivers a "more immune" business model.

Canaccord clearly holds the gold flag for price targets at $8.20, almost double other brokers. A Buy rating is hardly surprising.

Jarden retains an Underweight (target price $4.70) rating, as does Barrenjoey ($5.30 target price).

Turning to FNArena's daily monitored brokers, Kogan musters one Neutral rating (UBS, target $5.80) and one Sell from Citi ($4.20 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.

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

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 30-08-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

ADACEL TECHNOLOGIES LIMITED ((ADA)) Upgrade to Speculative Buy by Taylor Collison.B/H/S: 0/0/0

Despite Adacel Technologies' disappointing FY24 result, Taylor Collison retains the faith, positing the company offers an asymmetric opportunity for investors related to the re-submission decision by the Federal Aviation Authority for Training Simulator Software, which the broker believes will be re-awarded to Adacel.

The broker considers the company to be heavily undervalued by the market and observes any new contract wins will scale sharply on the company's stable cost base.

Highlights from the FY24 result included the write down of -$1.9m of intangibles, which triggered a -$1.4m EBITDA loss versus the broker's forecast $1m profit.

Cash flow in the June half also disappointed due to the increase in inventory arising from the initial award of the contract, but the broker expects the build to unwind through FY25.

The big negative was downgraded FY25 guidance to $4m to $5m from $6m to $8m at the December half result as customers opted not to take up extra work.

Rating is upgraded to Speculative Buy from Outperform/Accumulate.

CODAN LIMITED ((CDA)) Upgrade to Buy from Hold by Moelis.B/H/S: 0/0/0

Codan reported "solid" FY24 results across the group, Moelis comments. Communications grew with an expanded orderbook of 21% year-on-year and tactical communications reported robust growth in unmanned systems and broadcast markets.

The broker points to ongoing outperformance from Zetron from FY24 into FY25.

Moelis upgrades EPS forecasts by 6% and 9.7% for FY25/FY26, boosted by margin improvements for radio communications and revenue growth for metal detection/radio communications.

The stock is upgraded to Buy from Neutral. Target price moves to $16.85 with a transfer of analyst coverage.

UNIVERSAL STORE HOLDINGS LIMITED ((UNI)) Buy by Jarden.B/H/S: 0/0/0

Universal Store's FY24 results were better than the already upbeat expectations from Jarden. The company continues to perform well in challenging market conditions and relative to competitors, observes the broker.

Gross margin came in 60 basis points above Jarden's forecast and 40 basis above consensus.

Notably, the trading update was strong with like-for-like sales growing by brand. US total sales advanced 15.3% in the first two weeks of FY25.

Jarden revises earnings forecasts by 3.2% for FY25 and 1.2% for FY26. Buy rating unchanged. Target price moves to $7.88 from $6.47.

VIVA ENERGY GROUP LIMITED ((VEA)) Upgrade to Buy from Neutral by Goldman Sachs.B/H/S: 0/0/0

The 1H24 earnings from Viva Energy were broadly in line with forecasts from Goldman Sachs. The interim dividend was 4% above estimate.

The analyst continues to focus on-the-run store transition after the =$1.2bn acquisition in March. Management flagged the rollout will take longer than originally suggested, due to planning and landlord consent delays.

Around 30 transitions are expected over the next 12-months. Goldman Sachs remains cautious on the 500-store transition, the 85 additions and a -$60m cost out program from synergies.

The stock is upgraded to Buy from Neutral. Target price falls -4% to $3.60. Earnings forecasts are tweaked by the broker.

Downgrade

EAGERS AUTOMOTIVE LIMITED ((APE)) Downgrade to Hold from Buy by Moelis.B/H/S: 0/0/0

Eagers Automotive's June-half result nosed out guidance but Moelis observes gross profit margins disappointed, falling to 17.8% from 18.8% at December 31due to pressure on new car margins and excess BYD stock (cleared through discounting).

A jump in interest costs and inventory also hit profit before tax margins. Moelis spies little relief for margins over the next few years but suspects the company does have levers it can pull on the revenue and productivity front that could mitigate some of the impact.

Net operating cash flow fell -35% to $228m and the company closed the year with a strong balance sheet and net debt of $494.1m, observed Moelis.

On the upside, management retained FY24 guidance, forecasting more than $1bn topline growth advising demand remained robust.

EPS forecasts are downgraded -5% to -10% over FY24 and FY25 to reflect the margin-compression outlook.

Rating downgraded to Hold from Buy. Target price falls to $11.51 (it was $12.41 in June).

AUTOSPORTS GROUP LIMITED ((ASG)) Downgrade to Hold from Buy by Moelis.B/H/S: 0/0/0

Autosports Group's FY24 result missed consensus' forecasts by -7% and Moelis' forecasts by -14% (on a pre-AASB16 basis) as revenue fell and gross profit margins slumped to 19.5% from 20.1% with margin weakness skewed to the second half, observes the broker.

No FY25 guidance was provided but management expects the new car market will be subject to strong competition for some time.

Moelis attributes the margin fall to discounting arising from excess new car inventory. Operating cash flow fell -28% on the previous corresponding year, to $119.5m.

The broker expects the Stillwell Motor Group acquisition will be single-digit EPS accretive, funded from cash, and observes the company's balance sheet should rule out further M&A for a year.

EPS forecasts fall -10% in FY25 and FY26 to reflect margin pressures.

Rating is downgraded to Hold from Buy. Target price falls to $2.30.

BIG RIVER INDUSTRIES LIMITED ((BRI)) Downgrade to Hold from Buy by Moelis.B/H/S: 0/0/0

Despite modest gearing, continued cash generation, and sound opex management, residential exposure continues to weigh on the Big River Industries with a partial offset via commercial activity, notes Moelis.

Broadly in-line FY24 results showed the earnings (EBITDA) margin compressed to 7.9% driven by lower volumes in frame and truss manufacturing, explains the broker.

Management's shorter-term outlook commentary suggests to the analysts consumer confidence around residential will remain subdued, while the medium-term outlook is brighter based on demand, low vacancy rates, and expected interest rate falls.

A final fully franked 2 cent dividend represents a 78% payout on FY24 earnings.

The broker's target falls to $1.68 from $2.00 and the rating is downgraded to Hold from Buy.

CLEANAWAY WASTE MANAGEMENT LIMITED ((CWY)) Downgrade to Neutral from Overweight by

Jarden.B/H/S: 0/0/0

Jarden observes Cleanaway Waste Management continues to generate positive earnings before interest and tax with negative EPS revisions as higher net interest charges bite.

The broker cuts EPS forecasts by -4% for FY25. FY26 EPS estimate unchanged.

Operationally, competition in solid waste services continues; liquid waste and health services continued to improve, but Jarden questions its sustainability in FY25.

Target price moves to $3.05 from $3. Rating downgraded to Neutral from Overweight, with a "less appealing" proposition for FY25.

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

Ebos Group posted a solid result in line with Jarden's expectations of underlying earnings up 7% year on year. The dividend was up 9% on a 70% payout ratio.

FY25 maiden earnings guidance of $575-600m compares to Jarden's forecast of $601m, the decline mostly reflecting the impact of non-renewal of the Chemist Warehouse contract, which generated revenues of $2.2bn.

Key drivers include base business growth across both divisions, Community Pharmacy revenue and share growth and cost initiatives.

With Ebos' share price now better capturing earnings prospects and potential bolt-on M&A activity, Jarden downgrades to Neutral from Overweight on more limited valuation upside. Target unchanged at NZ$38.

EMECO HOLDINGS LIMITED ((EHL)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

FY24 EBITDA from Emeco Holdings was largely in line although Jarden notes the negative response from the market was driven by the increased uncertainty in the outlook.

This is particularly apparent in guidance for higher depreciation and the increased growth required from rental to replace underground earnings.

The company has fleshed out a three-year plan to improve its return on capital to a target of 20% by FY26, from 15% in FY24. In the near term priorities, remain with generating greater returns from capital already invested in the core fleet.

While remaining positive, Jarden believes the benefits from initiatives must be demonstrated over FY25 to provide upside to its current investment view and the rating is downgraded to Neutral from Overweight. Target is reduced to $0.85 from $0.90.

INGENIA COMMUNITIES GROUP ((INA)) Downgrade to Sell from Hold by Moelis.B/H/S: 0/0/0

Ingenia Communities' FY24 EPS outpaced guidance but strong development settlements paired with a fall in gross margins to 45% from 48% in FY23.

The broker says the company provided maiden disclosure on its development economics on a per unit basis and pointed out "underlying profit excludes a negative fair value movement on land needed to secure above-ground profit".

The broker cuts its target price to $4.07 from $4.93 to reflect lower net profitability in the development business. Rating is downgraded to Sell from Hold.

QUBE HOLDINGS LIMITED ((QUB)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Qube Holdings delivered FY24 underlying profit growth of 13%, within its targeted 10-15% upgraded guidance range from its Strategy Day in May. Consistent with prior years, Qube has not provided quantitative earnings guidance for the FY25 outlook.

Jarden admits to being far too optimistic about the pace and impact of Patricks' market share reversion to historical levels. Similarly, the broker's forecast of a further 10% profit growth from strong FY24 levels appears too lofty at this stage, despite it being well below Qube's long-run average.

Jarden now sees the stock as fairly valued at current levels and balancing the outlook for earnings growth in FY25. As a result, the broker lowers its rating to Neutral from Overweight, with its target cut to $3.85 from $4.00.

Order	Company	New Rating	Old Rating	Broker
Upgrade				

1	ADACEL TECHNOLOGIES LIMITED	Buy	Buy	Taylor Collison
2	CODAN LIMITED	Buy	Neutral	Moelis
3	UNIVERSAL STORE HOLDINGS LIMITED	Buy	Buy	Jarden
4	VIVA ENERGY GROUP LIMITED	Buy	Neutral	Goldman Sachs
Downgrade				
5	AUTOSPORTS GROUP LIMITED	Neutral	Buy	Moelis
6	BIG RIVER INDUSTRIES LIMITED	Neutral	Buy	Moelis
7	CLEANAWAY WASTE MANAGEMENT LIMITED	Neutral	Buy	Jarden
8	EAGERS AUTOMOTIVE LIMITED	Neutral	Buy	Moelis
9	EBOS GROUP LIMITED	Neutral	Buy	Jarden
10	EMECO HOLDINGS LIMITED	Neutral	Buy	Jarden
11	INGENIA COMMUNITIES GROUP	Sell	Neutral	Moelis
12	QUBE HOLDINGS LIMITED	Neutral	Buy	Jarden

Price Target Changes (Post Thursday Last Week)

Company		Last Price	Broker	New Target	Old Target	Change
A1M	AIC Mines	$0.30	Moelis	0.64	0.70	-8.57%
ABG	Abacus Group	$1.23	Moelis	1.45	1.46	-0.68%
ALK	Alkane Resources	$0.42	Petra Capital	1.13	0.97	16.49%
ANZ	ANZ Bank	$30.04	Goldman Sachs	29.45	29.42	0.10%
			Goldman Sachs	29.48	29.42	0.20%
APE	Eagers Automotive	$10.16	Jarden	12.60	13.00	-3.08%
			Moelis	11.51	12.41	-7.25%
			Wilsons	10.87	10.47	3.82%
ASG	Autosports Group	$2.15	Moelis	2.30	3.40	-32.35%
			Wilsons	3.41	3.69	-7.59%
AUB	AUB Group	$31.46	Goldman Sachs	34.00	33.00	3.03%
			Jarden	33.75	33.85	-0.30%
AX1	Accent Group	$2.08	Wilsons	2.40	2.50	-4.00%
BAP	Bapcor	$4.85	Goldman Sachs	5.20	6.90	-24.64%
BEN	Bendigo & Adelaide Bank	$11.84	Goldman Sachs	11.67	11.41	2.28%
BLX	Beacon Lighting	$2.69	Jarden	2.70	2.80	-3.57%
BOQ	Bank of Queensland	$6.27	Goldman Sachs	5.54	5.44	1.84%
BRE	Brazilian Rare Earths	$2.60	Canaccord Genuity	5.30	5.50	-3.64%
BRG	Breville Group	$33.29	Goldman Sachs	34.20	28.00	22.14%
			Jarden	26.30	23.60	11.44%
			Petra Capital	28.30	24.40	15.98%
			Wilsons	34.90	31.30	11.50%
BRI	Big River Industries	$1.39	Moelis	1.68	2.00	-16.00%
BXB	Brambles	$17.84	Jarden	17.90	15.90	12.58%
CAJ	Capitol Health	$0.32	Jarden	0.29	0.27	7.41%
			Wilsons	0.32	0.27	18.52%
CDA	Codan	$15.24	Canaccord Genuity	15.34	10.83	41.64%
			Moelis	16.85	10.22	64.87%
CGS	Cogstate	$1.02	Canaccord Genuity	1.45	2.10	-30.95%
CKF	Collins Foods	$7.53	Jarden	9.57	10.01	-4.40%
			Wilsons	11.79	12.83	-8.11%
COF	Centuria Office REIT	$1.20	Moelis	1.73	1.88	-7.98%
CTD	Corporate Travel Management	$11.79	Jarden	14.00	19.00	-26.32%
			Wilsons	12.43	15.25	-18.49%
CWP	Cedar Woods Properties	$5.57	Moelis	6.03	5.39	11.87%
CWY	Cleanaway Waste Management	$2.90	Goldman Sachs	3.00	2.70	11.11%
			Jarden	3.05	3.00	1.67%
DMP	Domino's Pizza Enterprises	$30.05	Goldman Sachs	40.00	36.30	10.19%
			Jarden	42.00	48.00	-12.50%
			Petra Capital	34.00	38.10	-10.76%

DTL	Data#3	$7.65	Goldman Sachs	8.15	8.10	0.62%
			Jarden	8.54	8.65	-1.27%
			Wilsons	9.23	9.12	1.21%
DUG	Dug Technology	$3.16	Canaccord Genuity	3.50	3.20	9.37%
			Wilsons	4.11	3.58	14.80%
EDV	Endeavour Group	$5.31	Goldman Sachs	6.20	6.30	-1.59%
EHL	Emeco Holdings	$0.80	Canaccord Genuity	1.05	0.99	6.06%
			Jarden	0.85	0.90	-5.56%
EXP	Experience Co	$0.15	Canaccord Genuity	0.24	0.25	-4.00%
FBU	Fletcher Building	$2.63	Goldman Sachs	3.00	3.05	-1.64%
GEM	G8 Education	$1.26	Canaccord Genuity	1.46	1.43	2.10%
			Moelis	1.46	1.43	2.10%
GOZ	Growthpoint Properties Australia	$2.45	Moelis	3.32	3.43	-3.21%
HLS	Healius	$1.61	Jarden	1.41	1.22	15.57%
HSN	Hansen Technologies	$4.25	Goldman Sachs	4.95	4.85	2.06%
IAG	Insurance Australia Group	$7.45	Goldman Sachs	7.20	7.30	-1.37%
			Jarden	7.55	7.35	2.72%
INA	Ingenia Communities	$5.10	Moelis	4.07	4.93	-17.44%
IPH	IPH	$6.23	Goldman Sachs	8.25	8.70	-5.17%
			Jarden	9.15	10.10	-9.41%
JIN	Jumbo Interactive	$13.81	Wilsons	15.89	18.73	-15.16%
KYP	Kinatico	$0.10	Taylor Collison	0.15	N/A	-
LAU	Lindsay Australia	$0.87	Wilsons	1.22	1.25	-2.40%
LGL	Lynch Group	$1.50	Jarden	1.90	2.00	-5.00%
MGH	Maas Group	$4.51	Wilsons	4.91	4.67	5.14%
MP1	Megaport	$8.38	Canaccord Genuity	11.15	7.10	57.04%
			Goldman Sachs	12.00	14.00	-14.29%
MPL	Medibank Private	$3.88	Goldman Sachs	4.00	3.88	3.09%
MVF	Monash IVF	$1.18	Wilsons	1.46	1.58	-7.59%
NHF	nib Holdings	$6.30	Goldman Sachs	6.60	8.10	-18.52%
NSR	National Storage REIT	$2.40	Moelis	2.40	2.38	0.84%
NST	Northern Star Resources	$15.00	Canaccord Genuity	18.75	18.65	0.54%
			Goldman Sachs	13.70	14.10	-2.84%
PBH	PointsBet Holdings	$0.50	Jarden	0.95	0.85	11.76%
PLS	Pilbara Minerals	$2.91	Goldman Sachs	N/A	2.40	-100.00%
PNR	Pantoro	$0.12	Petra Capital	0.18	0.16	12.50%
PNV	PolyNovo	$2.37	Wilsons	3.00	N/A	-
PWR	Peter Warren Automotive	$1.83	Jarden	2.10	2.75	-23.64%
			Moelis	1.85	1.98	-6.57%
PXA	Pexa Group	$12.99	Goldman Sachs	15.70	16.00	-1.88%
			Jarden	14.45	13.65	5.86%
QUB	Qube Holdings	$3.82	Goldman Sachs	4.20	3.70	13.51%
			Jarden	3.85	4.00	-3.75%
RED	Red 5	$0.32	Petra Capital	0.51	0.45	13.33%
RFF	Rural Funds	$2.04	Moelis	2.20	2.39	-7.95%
			Wilsons	2.43	2.49	-2.41%
RIC	Ridley Corp	$2.20	Wilsons	2.54	2.58	-1.55%
RRL	Regis Resources	$1.83	Canaccord Genuity	2.05	2.30	-10.87%
			Goldman Sachs	1.85	2.10	-11.90%
SBM	St. Barbara	$0.25	Petra Capital	0.59	0.50	18.00%
SFX	Sheffield Resources	$0.31	Petra Capital	0.57	0.68	-16.18%
SGM	Sims	$10.83	Goldman Sachs	11.40	11.10	2.70%
			Jarden	12.00	11.90	0.84%
SHA	Shape Australia	$2.63	Moelis	2.95	2.64	11.74%
			Petra Capital	2.84	2.47	14.98%
SLC	Superloop	$1.71	Canaccord Genuity	2.07	1.86	11.29%
			Wilsons	1.91	1.61	18.63%
SSM	Service Stream	$1.46	Canaccord Genuity	1.68	1.45	15.86%
STN	Saturn Metals	$0.20	Petra Capital	0.78	0.56	39.29%
STO	Santos	$7.16	Goldman Sachs	8.65	8.35	3.59%
			Jarden	8.10	8.25	-1.82%
SUL	Super Retail	$17.66	Goldman Sachs	18.60	17.80	4.49%

		Jarden	17.30	15.10	14.57%
		Wilsons	16.10	13.70	17.52%
SXE Southern Cross Electrical Engineering	$1.79	Moelis	2.10	1.94	8.25%
TLC Lottery Corp	$4.94	Goldman Sachs	5.40	5.60	-3.57%
		Jarden	5.10	5.00	2.00%
TRS Reject Shop	$3.10	Jarden	5.10	5.80	-12.07%
UNI Universal Store	$6.88	Jarden	7.88	6.47	21.79%
		Wilsons	8.40	7.00	20.00%
VEA Viva Energy	$2.89	Goldman Sachs	3.60	3.43	4.96%
VNT Ventia Services	$4.18	Canaccord Genuity	4.75	4.40	7.95%
WGX Westgold Resources	$2.88	Petra Capital	3.67	3.10	18.39%
WHC Whitehaven Coal	$6.61	Goldman Sachs	6.80	7.80	-12.82%
WTC WiseTech Global	$118.68	Goldman Sachs	104.00	91.00	14.29%
		Jarden	101.00	83.00	21.69%
Company	Last Price	Broker	New Target	Old Target	Change

More Highlights

ABG ABACUS GROUP

REITs Overnight Price: $1.20

Moelis rates ((ABG)) as Buy (1)

Abacus Group reported higher than forecast earnings in FY24, comments Moelis, with improved leasing boosting office occupancy to 93.4%, up from 92.6% in February.

The group's retail assets continued to perform well. Like-for-like sales advanced 6.3%, from around 3.8% in FY23.

Some $30.6m in income was generated including distribution, management and development fees from the 19.8% stake in Abacus Storage King ((ASK)), the broker observes.

Buy rated. Target price $1.45.

This report was published on August 25, 2024.

Target price is **$1.45** Current Price is **$1.20** Difference: **$0.25**
If **ABG** meets the Moelis target it will return approximately **21%** (excluding dividends, fees and charges).
Current consensus price target is **$1.23**, suggesting upside of **2.1%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **8.50** cents and EPS of **9.30** cents.
At the last closing share price the estimated dividend yield is **7.08%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **12.90**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **8.6**, implying annual growth of **N/A**.
Current consensus DPS estimate is **8.5**, implying a prospective dividend yield of **7.1%**.
Current consensus EPS estimate suggests the PER is **14.0**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **8.60** cents and EPS of **9.30** cents.
At the last closing share price the estimated dividend yield is **7.17%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **12.90**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **9.0**, implying annual growth of **4.7%**.
Current consensus DPS estimate is **8.8**, implying a prospective dividend yield of **7.3%**.
Current consensus EPS estimate suggests the PER is **13.3**.

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

EHL EMECO HOLDINGS LIMITED

Mining Sector Contracting Overnight Price: $0.80

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

FY24 earnings (EBITDA) and profit for Emeco Holdings were in line with Canaccord Genuity's expectation, while cash conversion of 93% was considered strong.

The broker feels the end of the -$47m growth capex program in FY24 heralds the beginning of a new chapter for Emeco.

The analysts anticipate a materially stronger balance sheet due to growing earnings, falling capex, an improving return on capital (ROC) and a suspended capital management program. The broker expects the latter will be revisited at the end of FY25.

Buy rating unchanged. Target edges up to $1.05 from 99 cents.

This report was published on August 23, 2024.

Target price is **$1.05** Current Price is **$0.80** Difference: **$0.25**
If **EHL** meets the Canaccord Genuity target it will return approximately **31%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **14.50** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **5.52**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **3.10** cents and EPS of **15.30** cents.
At the last closing share price the estimated dividend yield is **3.88%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **5.23**.

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

GOZ GROWTHPOINT PROPERTIES AUSTRALIA

Infra & Property Developers Overnight Price: $2.33

Moelis rates ((GOZ)) as Buy (1)

One-off items boosted the FY24 results for Growthpoint Properties Australia according to Moelis. A 13.9c dividend was in line with guidance.

Office leasing occupancy stood at 92%; industrial is 100% occupied and gearing increased slightly to 40.7%.

Management guided to a payout ratio at the lower end of the range due to the gearing above 40%, which the broker believes is "sound" strategically.

Buy rated. Target price $3.32.

This report was published on August 22, 2024.

Target price is **$3.32** Current Price is **$2.33** Difference: **$0.99**
If **GOZ** meets the Moelis target it will return approximately **42%** (excluding dividends, fees and charges).
Current consensus price target is **$2.55**, suggesting upside of **9.4%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **18.20** cents and EPS of **22.60** cents.
At the last closing share price the estimated dividend yield is **7.81%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **10.31**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **19.8**, implying annual growth of **N/A**.
Current consensus DPS estimate is **18.2**, implying a prospective dividend yield of **7.8%**.
Current consensus EPS estimate suggests the PER is **11.8**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **18.50** cents and EPS of **23.80** cents.
At the last closing share price the estimated dividend yield is **7.94%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **9.79**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **20.4**, implying annual growth of **3.0%**.
Current consensus DPS estimate is **18.7**, implying a prospective dividend yield of **8.0%**.
Current consensus EPS estimate suggests the PER is **11.4**.

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

IPH IPH LIMITED

Legal Overnight Price: $6.34

Jarden rates ((IPH)) as Overweight (2)

Jarden assesses IPH reported better than expected FY24 EPS results and above consensus, due to strong Canadian revenues and an improvement in Australia's market share. Asian results were the weak spot with 3%-4% EBITDA growth expected in the near term.

The Bereskin & Parr acquisition boosts Canadian market share to around 35% and adds circa 3% to FY25 earnings forecasts.

Higher corporate costs, headwinds to the Australian operations, weaker Asia, alongside adjustments from the equity raising and EPS accretion from the acquistion, they all result in forecast EPS declines of -2% in FY25 up to -3% in FY27.

The stock is Overweight rated. Target price falls to $9.15 from $10.10.

This report was published on August 22, 2024.

Target price is **$9.15** Current Price is **$6.34** Difference: **$2.81**
If **IPH** meets the Jarden target it will return approximately **44%** (excluding dividends, fees and charges).
Current consensus price target is **$8.18**, suggesting upside of **29.1%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **36.70** cents and EPS of **48.20** cents.

At the last closing share price the estimated dividend yield is **5.79%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **13.15**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **46.8**, implying annual growth of **86.6%**.
Current consensus DPS estimate is **36.4**, implying a prospective dividend yield of **5.7%**.
Current consensus EPS estimate suggests the PER is **13.5**.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **40.40** cents and EPS of **53.20** cents.
At the last closing share price the estimated dividend yield is **6.37%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.92**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **50.3**, implying annual growth of **7.5%**.
Current consensus DPS estimate is **37.5**, implying a prospective dividend yield of **5.9%**.
Current consensus EPS estimate suggests the PER is **12.6**.

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

KYP KINATICO LIMITED

Software & Services Overnight Price: $0.10

Taylor Collison rates ((KYP)) as Outperform (2)

Kinatico's FY24 result met Taylor Collison's forecasts but the broker downgrades earnings forecasts to reflect an uptick in investment in FY25.

Given the forecast -$4m investment is aimed at expediting Kinatico's $4.2m pipeline, the broker retains an Outperform rating, believing the company's $9.8m cash balance to be sufficient to fund growth..

SaaS revenue grew 90% to $5.3m (37% of total revenue up from 31% in the December half).

The broker observes a strong focus on higher margin products. EPS forecasts rise sharply across FY25 and FY26.

This report was published on August 26, 2024.

Target price is **$0.15** Current Price is **$0.10** Difference: **$0.05**
If **KYP** meets the Taylor Collison target it will return approximately **50%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Taylor Collison forecasts a full year **FY24** dividend of **0.00** cents and EPS of **0.20** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **50.00**.

Forecast for FY25:

Taylor Collison forecasts a full year **FY25** dividend of **0.00** cents and EPS of **3.30** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **3.03**.

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

LAU LINDSAY AUSTRALIA LIMITED

Transportation & Logistics Overnight Price: $0.94

Wilsons rates ((LAU)) as Overweight (1)

Lindsay Australia delivered a better-than-expected FY24 result. Wilsons notes a "solid recovery" in the fourth quarter versus the weather-affected third quarter. Transport led the recovery.

The company expects a continuation of improved transport conditions and a gradual recovery in horticulture volumes and grower sentiment. Wilsons lifts EBITDA forecast by 2-4% for FY25-27. Overweight maintained. Target is reduced to $1.22 from $1.25.

This report was published on August 23, 2024.

Target price is **$1.22** Current Price is **$0.94** Difference: **$0.285**
If **LAU** meets the Wilsons target it will return approximately **30%** (excluding dividends, fees and charges).
Current consensus price target is **$1.22**, suggesting upside of **30.1%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **4.60** cents and EPS of **10.90** cents.
At the last closing share price the estimated dividend yield is **4.92%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.58**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **10.8**, implying annual growth of **23.4%**.
Current consensus DPS estimate is **4.9**, implying a prospective dividend yield of **5.2%**.
Current consensus EPS estimate suggests the PER is **8.7**.

Forecast for FY26:

Wilsons forecasts a full year **FY26** dividend of **5.70** cents and EPS of **13.60** cents.
At the last closing share price the estimated dividend yield is **6.10%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **6.88**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **11.9**, implying annual growth of **10.2%**.
Current consensus DPS estimate is **4.9**, implying a prospective dividend yield of **5.2%**.
Current consensus EPS estimate suggests the PER is **7.9**.

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

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