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AUSTRALIA

The Market In Numbers - 15 Feb 2025

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

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

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

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

Australia & NZ

Index	15 Feb 2025	Week To Date	Month To Date (Feb)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
NZ50	12989.180	0.67%	-0.04%	-0.93%	-0.93%	10.85%
All Ordinaries	8825.10	0.51%	0.40%	4.80%	4.80%	10.12%
S&P ASX 200	8555.80	0.52%	0.28%	4.86%	4.86%	10.15%
S&P ASX 300	8482.60	0.50%	0.26%	4.74%	4.74%	10.05%
Communication Services	1673.30	-0.21%	0.38%	2.82%	2.82%	11.46%
Consumer Discretionary	4253.50	2.38%	1.52%	8.75%	8.75%	21.13%
Consumer Staples	11983.50	2.42%	1.13%	1.82%	1.82%	-3.19%
Energy	8644.30	-1.14%	-2.67%	0.25%	0.25%	-13.83%
Financials	9213.00	0.86%	0.78%	6.95%	6.95%	20.32%
Health Care	43123.70	-3.75%	-6.90%	-3.93%	-3.93%	-2.56%
Industrials	8048.00	2.93%	1.81%	5.25%	5.25%	18.15%
Info Technology	2890.30	-0.73%	1.24%	5.45%	5.45%	23.44%
Materials	17198.00	0.79%	2.53%	6.65%	6.65%	1.89%
Real Estate	3935.30	0.42%	-0.05%	4.62%	4.62%	10.44%
Utilities	8586.00	-0.49%	-2.61%	-4.95%	-4.95%	-7.53%
A-REITs	1798.10	0.37%	-0.02%	4.64%	4.64%	10.70%
All Technology Index	4107.60	1.81%	3.10%	7.94%	7.94%	30.90%
Banks	3912.60	1.39%	2.60%	8.49%	8.49%	22.45%
Gold Index	10349.10	3.64%	6.66%	22.86%	22.86%	40.66%
Metals & Mining	5621.10	1.22%	3.28%	6.95%	6.95%	1.27%

The World

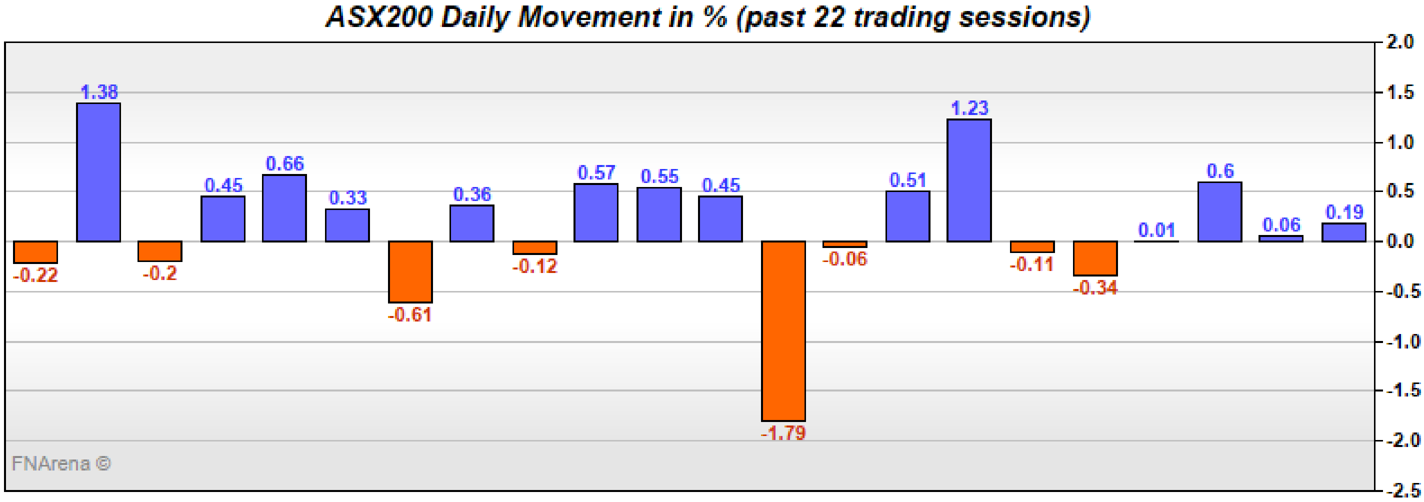
Index	15 Feb 2025	Week To Date	Month To Date (Feb)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
FTSE100	8732.46	0.37%	0.67%	6.84%	6.84%	6.96%
DAX30	22513.42	3.33%	3.60%	13.08%	13.08%	23.46%
Hang Seng	22620.33	7.04%	11.84%	12.76%	12.76%	27.66%
Nikkei 225	39149.43	0.93%	-1.07%	-1.87%	-1.87%	-1.10%
DJIA	44546.08	0.55%	0.00%	4.71%	4.71%	13.87%
S&P500	6114.63	1.47%	1.23%	3.96%	3.96%	11.98%
Nasdaq Comp	20026.77	2.58%	2.03%	3.71%	3.71%	12.94%

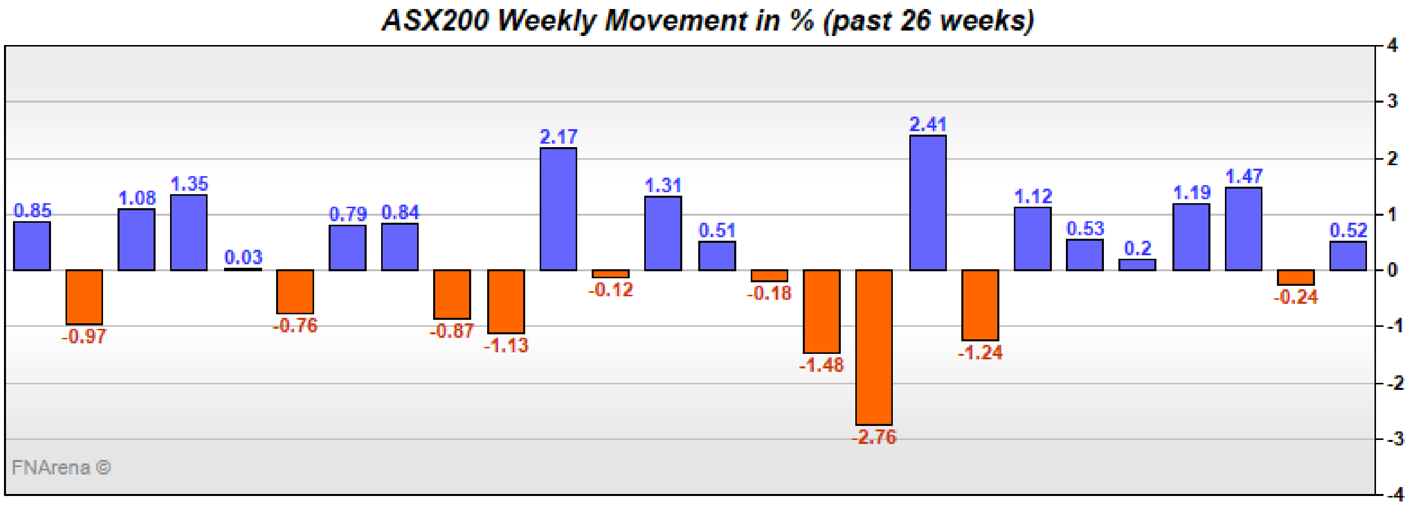
Metals & Minerals

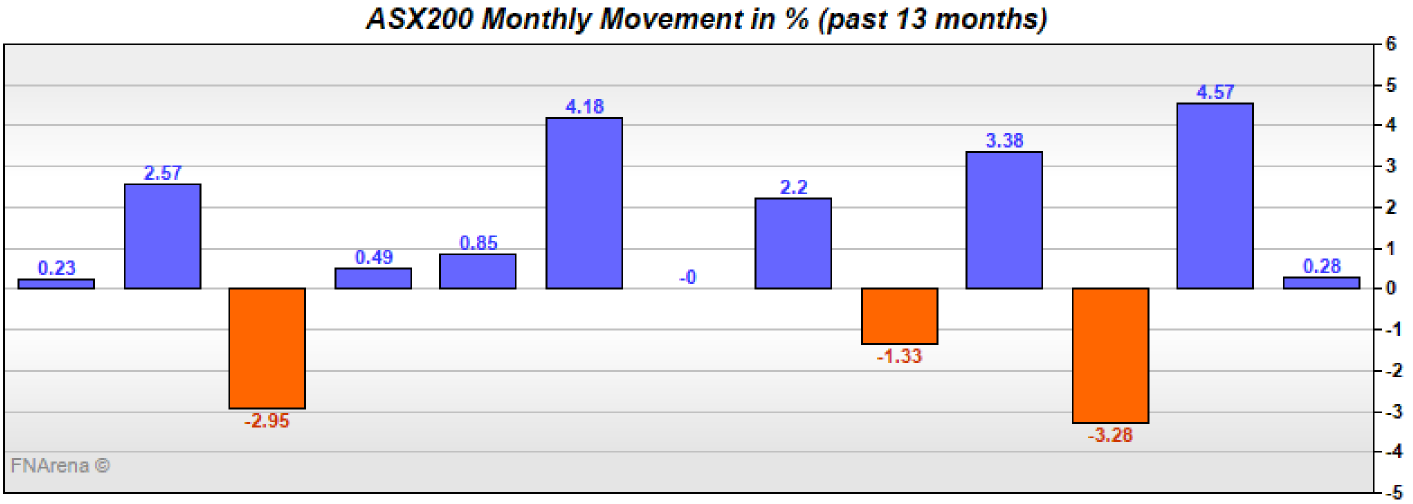
Index	15 Feb 2025	Week To Date	Month To Date (Feb)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
Gold (oz)	2957.64	2.67%	3.88%	12.60%	12.60%	26.51%
Silver (oz)	32.88	0.60%	0.82%	8.78%	8.78%	12.40%
Copper (lb)	4.7807	7.14%	10.96%	16.70%	16.70%	10.32%
Aluminium (lb)	1.1749	-0.47%	-0.26%	2.78%	2.78%	4.48%
Nickel (lb)	6.8351	0.93%	-0.25%	-4.34%	-4.34%	-12.12%
Zinc (lb)	1.2784	0.61%	1.86%	-5.39%	-5.39%	-3.60%
Uranium (lb) weekly	71.25	0.00%	0.14%	-1.04%	-1.04%	-14.41%
Iron Ore (t)	106.77	0.51%	5.37%	2.82%	2.82%	0.24%

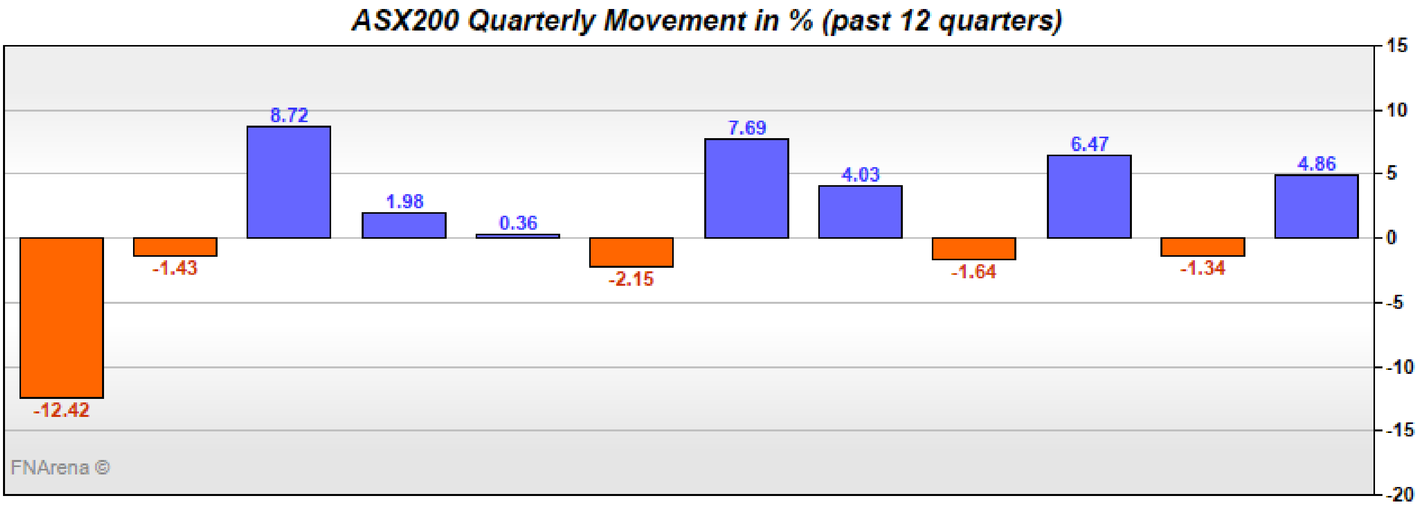
Energy

Index	15 Feb 2025	Week To Date	Month To Date (Feb)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
West Texas Crude	71.41	1.20%	-2.25%	2.78%	2.78%	-12.77%
Brent Crude	75.14	1.17%	-1.13%	3.56%	3.56%	-12.06%









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

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

FNArena welcomes comments and suggestions at info@fnarena.com

AUSTRALIA

A2 Milks It

The a2 Milk Company posted a solid first half, gaining market share, and the second half is set to enjoy a number of tailwinds.

-a2 Milk's first half exceeds expectations
-Market share gains overcome Chinese brand dominance
-First half headwinds to subside
-New product launches offer potential

By Greg Peel

Infant milk formula distributor The a2 Milk Company ((A2M)) reported a solid first half result, with sales up 10% year on year, earnings up 5% and profit up 6.9%. Cash flow was materially stronger than expected, albeit benefiting from timing issues.

The balance sheet remains in a strong net cash position of $1.0bn, and the board declared its first dividend with an interim of 8.5cps.

While the company's top-line growth was solid, as was previously guided to, its margins were down year on year, Morgans points out. Gross profit margin fell -190 basis points and the earnings margin was down -65bps to 13.3% following Synlait Milk's ((SM1)) operational issues which constrained infant formula supply, and resulted in a2 Milk airfreighting product to China to try and catch up sales.

Yesterday's release marks another creditable performance, Jarden suggests, given the China infant formula end-market remains in structural decline (first half value down -6% year on year), albeit the A2 protein segment continues to grow (up 14%) and now represents some 20% of total value, up 18% from FY24.

At the profit level, the interim result also absorbed aforementioned additional airfreight costs associated with China Label products, as well as temporary supply constraints.

Market Share

The a2 brand has maintained its number five player market position and was the third largest share gainer in the period. English Label (EL) sales were up 13% year on year compared to market value growth of 7%, Jarden notes, driven by strength in the China cross-border e-commerce (CBEC) and offline-to-online (O2O) channels.

On the flipside, Daigou trade continues its declining trend and now represents less than 5% of total formula sales.

Jarden reports new EL product launches include a2 Platinum into Vietnam and a2 Gentle Gold into Australia, with Vietnam planned for the second half, and a2 Genesis, which is an ultra-premium, probiotic human milk oligosaccharide (HMO) product, tested in the Hong Kong CBEC market and to be launched in March.

China Label sales were up 2% year on year compared to a market value decline of -8%, but was constrained by temporary supply shortages in the first quarter. China Label formula share is now 5.3%, up 0.4 percentage points half on half and benefiting from a continued shift to online channels and offline retailer consolidation.

The result demonstrated to Citi that gone are the days in which market share gains were dominated by domestic Chinese brands, with a2 Milk the third highest market share gainer behind Yili and Nestle, with the latter recently flagging science-based innovation through HMOs. Distribution improvements are driving Nestle's growth.

In the top five brands, two are domestic and three are international, including a2 Milk, suggesting Chinese nationalism is having less of an impact on purchase decisions.

Guidance

FY25 revenue guidance has been upgraded from mid-to-high single digit growth to low-to-mid double digit growth. Earnings margin guidance has also now been upgraded to be slightly up year on year as opposed to flat previously.

Management informed the upgrade reflects stronger than expected demand for EL formula in the CBEC and O2O channels, increased Liquid Milk sales, particularly in the USA Club channel, forex benefits and higher global dairy trade pricing increasing Mataura Valley Milk external ingredients sales.

One for Mum, one for Dad, and one for Xi

Citi believes a2 Milk is gearing up for a strong FY26 due to increased second half marketing --at least 10% higher than the first half-- with guidance for FY25 marketing and sales to be up, despite the first half being down and the second half having a higher sales base.

An important driver, as President Xi moves to address China's declining population, is the number of babies born in the Year of the Dragon (Chinese lunar year 2024). Citi notes birth rates were up 5.8%, and babies are now moving to the higher-volume stage three (toddler) formula, which is the largest segment of the market.

Children born in a Year of the Dragon (the only mythical creature in the Chinese zodiac) are said to be destined for good fortune and greatness, which is why, in many Asian nations, more babies are born during Dragon years than any other.

Chinese marriage data nevertheless suggest weaker 2025 births, Macquarie notes, but management highlights a multi-period covid bump (no pun intended I'm sure), government stimulus focused on second babies, and better support for births outside marriage.

a2 Milk highlighted strong demand for early-stage and trial products, which could support growth into FY26, Macquarie suggests, even in a tougher backdrop.

Citi notes the potential for further Chinese government stimulus aimed at increasing the birth rate beyond the 2024 level to be announced at China's Two Sessions meeting next month.

Further Tailwinds

The airfreight cost drag worth some -$8m in the first half is unlikely to repeat, Citi declares, and distribution growth is set to accelerate following first half supply constraints.

In terms of planned new product launches, key highlights for Jarden include a2 Genesis targeting the ultra-premium EL segment with its HMO ingredient. Management noted on the earnings call that HMO has been the fastest growing sub-segment of EL over the last three years and now comprises some 30% of total EL market value. Key competitors experiencing HMO success have been Danone and Nestle.

In China Label, a new fortified seniors' powder range (three distinctive products) was launched late in the first half and a new fortified kids' powder is targeted to launch in the March quarter, albeit this segment is seen cannibalising some share from stage four (three years and older) formula.

In the US, securing a longer-term market access option for infant formula remains with the FDA for final approval.

While a2 Milk is launching new products across EL formula, kids and seniors, its priority remains to invest in the supply chain, Morgans notes, likely in 2025, to gain access to more China Label registrations and increase its addressable market.

Given the company is likely to acquire an underutilised facility, in the near term, this investment is likely to be earnings per share dilutive, although Morgans recognises there is a possibility the loss-making Matura Valley Milk facility is shut down.

It will all come down to management's strategy decisions, Morgan Stanley determines. Supply chain investment cost is dependent on the progression of the strategy. Outright acquisitions (in the hundreds of millions), a possible Matura upgrade (costing -$150-200m), and other capital requirements are dependent on strategy.

Management nonetheless hopes significant excess capital to be returned to shareholders over time.

Priced In?

a2 Milk has a great brand, Morgans believes, which is taking market share. The management team continues to execute well. The company generates strong cashflow and has a very strong balance sheet.

However, trading on an FY26 PE of 25.1x, Morgans thinks the shares are fairly valued, and maintains a Hold rating, with a target increase to $6.87 from $5.95.

Of a similar opinion is Bell Potter.

The first half saw a good result and the upgrade to guidance a little stronger than this broker would have expected when forex movements were allowed for. Forward growth is "reasonable", but at 17.6x FY25 earnings the shares are trading at a big premium to the sector, Bell Potter notes, with dairy peers at 12.2x and infant formula peers at 8.2x, notwithstanding a2 Milk's own three-year average PE of 14.5x.

Bell Potter sticks with Hold, while lifting its target to $7.25 from $6.00.

Management continues to execute well, suggests Wilsons, noting further market share gains, new product launches and continued progress on its strategic roadmap. However, supply chain transformation and a challenging formula market remain front of mind for the broker.

The current share price, in Wilsons' view, is fairly priced and as such this broker remains Market Weight, with a target increase to $7.06 from $5.75.

A "first glance" report from Morgan Stanley makes no change to its Equal-weight rating or $5.90 target.

Despite a2 Milk's share price re-rate, Macquarie believes momentum remains, and the EL market outlook is a key positive. Given ongoing market share gains, performance of new product launches, the Chinese birth rate, and balance sheet deployment into M&A/further capital management, Macquarie sees limited downside catalysts near term.

Macquarie points out the PE is around the median post-covid, and upgrades to Outperform from Neutral, with a target increase to $7.85 from $5.70.

a2 Milk is benefiting from the turnaround in the Chinese birth rate in 2025, Citi agrees, along with the structural shift towards EL, in which the company outperforms with a 20% share, ongoing market consolidation and its own "excellent" execution.

Citi reiterates Buy, lifting its target to $8.20 from $7.33.

Jarden maintains an Overweight rating, notwithstanding the more limited valuation support. The company has returned to strong momentum and has a number of defined catalysts over the next twelve months which could provide upside risk to Jarden's existing growth estimates and/or provide additional capital returns to shareholders via special dividends.

Jarden lifts its target to NZ$7.75 from NZ$7.15.

AUSTRALIA

Pro Medicus' Valuation Predicament

Pro Medicus continues to win contacts at an accelerating pace, leaving brokers to raise targets on a promising outlook and simultaneously question a demanding valuation.

-Pro Medicus' first half profit beat, but revenue missed excpectations
-Market share rises to 9% in the US, margins rise
-First contract win in the cardiology space
-Wilsons' target based on takeover value

By Mark Woodruff

Healthcare imaging software company Pro Medicus ((PME)) achieved record revenue and net profit in the first half of FY25, driven in part by nearly $500m in new Visage product suite contracts signed over the past seven months. The level of new contracts exceeds the total secured in the previous three years combined.

Co-founder, Managing Director and CEO Dr. Sam Hupert highlighted in the earnings call Pro Medicus' competitive edge over rivals whose solutions are not fully cloud-based, alongside its patented thin-streaming technology, which delivers superior study recall speed.

These advantages allow the company to command a significant price premium over competitors. Importantly, the cloud-based picture archiving and communication system (PACS) market is growing at 15% per annum, highlights Morgan Stanley, outperforming by 6% growth for on premise alternatives.

While Morgans raises its 12-month target price, and notes key forward metrics continue to look strong, it remains hard for this broker to justify the current valuation. Morgans. of course, is far from the only one.

For years, Pro Medicus' valuation has perplexed many, points out Wilsons. This broker believes the shares likely embed a premium for corporate appeal to the likes of Philips, GE, and Siemens, relating to an eminently scalable platform across global radiology.

First half results

Underlying profit for the half beat the consensus expectation by 1%, but revenue missed by -2% largely due to timing of contract implementations.

Revenue from ordinary activities rose by 31.1% to $97.2m, aided by a 34.6% increase in North American revenue to $86.4m.

Current market share in the US market is around 9%, up from 7% in August, helped along by the largest ever contract win of $330m over ten years with Trinity Health, and the signing so far in FY25 of seven new contracts worth $57m per year in revenue.

European revenue was flat compared to the previous corresponding period, while Australia continues to grow modestly but remains immaterial to earnings, points out Wilsons.

Crucially, the company continues to enjoy **strong EBIT margins, improving by more than management expected to around 72% from 66% at the same time last year**, largely due to a step-up in transaction revenue.

Transaction growth from existing clients increases at around two-to-three times the industry average, thanks in part to productivity improvements delivered by the company's Visage platform, explains Bell Potter.

At a time when a global shortage of radiologists is showing no sign of abating, hospitals and medical centres are seeking productivity gains.

Management continues to win new business in the traditional client base of Academic Medical Centres and Independent Delivery Networks. However, the recent win at Duly Health in the Private radiology segment is pivotal, suggests Bell Potter.

This broker points out consolidation in Private radiology (the segment with the lowest-margin work) creates organisations of sufficient size for Pro Medicus to now bid on requests for proposals, increasing the company's total addressable market (TAM).

Management believes around 85% of the US TAM is addressable by Pro Medicus, with this share expected to increase as smaller players are consolidated.

Rising by 17.7% during the half, cash and other financial assets reached $182.3m, and a fully franked interim dividend of 25 cents was declared.

Rising margins

Citi believes the earnings margin will continue to expand as revenue growth outpaces growth in operating expenses. Indeed, Wilsons assesses a subtle change by management in not fighting suggestions margins should expand further from here.

The analysts attribute the recent margin increase to the accelerated pace of contract wins with larger clients, without much incremental investment.

Looking forward, the first cardiology implementation will 'go live' this coming April after management signed its inaugural contract for the full Cardiac-Echo package.

Cardiology will generate nearly twice the margin of radiology (though the TAM is about 20% of the radiology opportunity), and this first customer bodes well for more activity, suggests the broker, given several loyal accounts have been involved in helping develop the end product.

Valuation

Helping explain the premium valuation for Pro Medicus, Goldman Sachs highlights a best-in-class SaaS margin by comparison to global peers, as well as 71% achieved under the Rule of 40 metric, leaving second placed Veeva Systems Inc floundering in relative terms at 49%.

US-based Veeva is a leading provider of cloud-based software solutions for the global life sciences industry.

For an ASX comparison, WiseTech Global ((WTC)) and TechnologyOne ((TNE)) are third and fourth at 44% and 40%, respectively, measured against the Rule of 40, which combines revenue growth with the free cash flow (FCF) margin percentage.

A global margin comparison is even more striking, with Pro Medicus above 70%, while Oracle and Adobe are at 42% and 37%, respectively.

Interestingly, Wilsons prices Pro Medicus as a takeover target and uses gross profit dollars to an acquirer, rather than free cash flow (FCF) to the company, as its valuation method of choice.

A less bullish Citi suggests the current valuation implies even greater growth than the broker's forecast FY24-30 EPS compound annual growth rate (CAGR) of 31%, which will become more difficult to achieve over time partly due to market share limitations.

Outlook

Following an unprecedented amount of contract conversions over the last two months, management notes a strong pipeline replenishment, and Morgan Stanley believes Pro Medicus is best suited to win in new adjacencies.

Following first half results, the average target in the FNArena database jumped to $242.25 from $210.92, with targets ranging from Bell Potter's $330 to Ord Minnett on $140 (research not updated).

Bell Potter upgraded to Buy from Hold, joining Morgan Stanley at Buy (equivalent), leaving two daily monitored brokers on Hold and two with a Sell rating.

Outside of daily monitoring, Goldman Sachs has a Buy (target $309), and Wilsons joined Moelis on Hold after downgrading from Buy on valuation and raising its target to $297 from $275. Moelis' prfice target is $285.60.

RBC Capital rates the stock Sector Perform with a $295 price target.

The author owns shares in Pro Medicus.

COMMODITIES

BHP Interview: Dividends, Copper & M&A

By Rudi Filapek-Vandyck, Editor

On Tuesday, BHP Group ((BHP)) reported a -23% drop in first-half profit with its interim dividend trimmed to an eight-year low.

The result contained very few genuine surprises and most analysts have merely tinkered with forecasts and valuations post the release.

FNArena was granted the opportunity to interview Vandita Pant, Chief Financial Officer at the Big Australian since 1 March 2024.

Question: *Many retail investors would own BHP Group ((BHP)) shares for a very long time and they would expect to receive lots of dividends. The payout is currently at the bottom of the range and it's also declining now in multiple consecutive years. Maybe you could provide some background on why the decision on the dividend has been taken, and should retail investors now be a little bit more cautious with what to expect from BHP in terms of dividends?*

Vandita Pant: First thing I would say is we know our shareholders are multi-generational holders of BHP stock, and we are a very long-term oriented company as well.

We are very clear in our policy, which has been in place now for eight years, that whatever we make, 50% of that goes to our shareholders, which is the minimum payout ratio.

That is the stability our shareholders can bank on.

In the years when we make a lot of money, when commodity prices are good, we pay our shareholders even more additional dividends, with buybacks, et cetera.

Our track record speaks for itself. In the last eight years since our new capital allocation policy came into being, we have returned in cash US$83bn to our shareholders.

And this is not even counting the Woodside Energy ((WDS)) in specie dividend, which if you add it, would make it US$100bn returned.

There is another part. As you said, we have some very long-term shareholders, and they're tied to the success of BHP, and want to see value and return and growth coming into the company.

That's the reason we are now in a reinvestment phase; investing on behalf of our shareholders in future facing commodities, like copper.

We are the world's largest producer of copper, growing at the fastest pace with projects that are really attractive. We are able to invest in those projects on behalf of our shareholders for good value.

I would say, as we move into a reinvestment phase, we will still have stability and certainty of a 50% payout.

We're especially excited about growth opportunities in copper. In the last three years to June this year, we would have increased our copper volumes by 24%.

Just in this half, our copper growth is 10% half on half. More interestingly, 40% of our EBITDA has been contributed by copper.

So, now we have the luxury of having the best iron ore business in the world, which is our Western Australia iron ore business, operating at the lowest cost and highest margin of any Pilbara player, coupled with 40% contribution coming from copper.

With a lot of growth in front of us, all of this will generate value for our shareholders.

Question: *Now that you mentioned copper, BHP has communicated a road map for further growth in copper. I* *noticed a few things are happening at Prominent Hill. Maybe you can give us some colour about what exactly is happening at Prominent Hill and with BHP's copper aspirations generally?*

Vandita Pant: We have a great suite of projects and options in copper; in South Australia, in Chile, in Argentina, in the US, really fantastic projects.

I would say, overall, you would have seen that we are industry leading in our delivery on projects.

Our track record on projects is industry leading on three counts. On cost, we manage it better than most of our competitors. On schedule. And thirdly, most importantly, on business outcomes from the projects on all three measures, industry wide, BHP comes out at the top.

In terms of the performance at Prominent Hill, what you're referring to is a small project which was part of Oz Minerals. When we took it over, Oz management had talked about around US$400m of capital spend on that project.

When we took it over, we took the view from the independent expert advice, which was around US$650m. We have increased that by around US$200m.

It's a small increase in the scheme of things, as BHP's capex spend is US$10bn for the year.

The important thing is, we are very forensically looking into this, so it doesn't get repeated for other small projects. Overall, our track record on projects is industry leading.

Question: *Am I correct in deciphering the message that BHP doesn't need acquisitions to take maximum benefit from the coming copper mega trend?*

Vandita Pant: In the current market, it is increasingly challenging to do a large global M&A deal and still create value.

You are rightly hearing that we have very attractive and now maturing options for growth, which are organic, and we are 100% focused on developing these in copper and in potash, while delivering in other parts of our great business.

I would say our current focus is completely on organic options. But, of course, like any major company, you would expect us not to comment on any specific situation, so I'll leave it there.

Question: *I'll squeeze in one last question: for a company like BHP, what is happening in the economies of India and China remains all-important. Can you share some of your insights about both countries?*

Vandita Pant: I am quite bullish on India. India continues to be the fastest growing major economy in the world.

The government just announced a budget with urban infrastructure spending to go up by 50% which bodes very well for our met coal business; 40% of our met coal goes to India.

In terms of China, the pro-growth stance of the Chinese government is clear. We think that starts to push progressively for change in the composition of the economy and boost domestic demand.

Sectors like infrastructure, machinery, EV exports, etc have been doing well.

Last year there was a lot of weakness in construction. We think that drag starts to come out now, and we are seeing some early signs of recovery in data, like housing sales and housing sale prices, coming through.

The reality for China is last year was the sixth year of 1 billion tons of steel production, yet again, and that is very good news for iron ore demand, and for BHP and its shareholders.

INTERNATIONAL

China's 'Sputnik Moment'

By James Cook, Investment Director Emerging Markets at Federated Hermes

On 4th October, 1957, the Soviet Union successfully launched Sputnik 1, the world's first artificial satellite. The launch ushered in new political, military, technological, and scientific developments, and started the US-USSR space race.

On 20th January, 2025, Chinese technology start-up DeepSeek released two large language models (LLM), including DeepSeek-R1, a partly open-source large LLM that rivals the performance of the dominant tools developed by US tech giants but built with fractions of the cost and computing power.

China technology-led market rally: Frenzied adoption of DeepSeek and China's leading technology firms developing other AI models has helped drive a technology-led rally in Chinese equity markets. The Hang Seng China Enterprise Index, Hong Kong's tech heavy index has returned 17.4% year to date (17/02/25), the MSCI China index has gained 13.5% year to date (17/02/25), outperforming the S&P 500 (+4.2%), making it the best performer in Asia, while the MSCI India index is down 6.3%.

Source: Bloomberg as at 17/02/25

DeepSeek's AI breakthrough: the primary driver has been DeepSeek's advancements in artificial intelligence. Their new AI model, which is more cost-effective than its US counterparts, has sparked a wave of investor optimism.

DeepSeek's prowess has served as a wake-up call for investors who underestimated China's leadership and growth potential in technology, leading to a broader re-evaluation of the beaten-down sector. We don't think DeepSeek-related AI apps or so call DeepSeek stocks will result in immediate revenue / profits but it serves as a catalyst for investor to rethink China.

Hedge funds piling in: While scepticism remains, DeepSeek has spurred optimism for investors in China. Hedge funds have been piling into Chinese equities at the fastest pace in months in almost entirely long buys, driven by bullishness on the DeepSeek-related technology rally and hopes for more stimulus.

Rotation to China from India: This is helping drive a rotation to China away from India and a surge in China's still comparatively cheap technology names as Chinese companies, including Tencent, Alibaba and Baidu are fast catching up with the global AI frenzy after missing out in the past few years. China's onshore and offshore equity markets have added more than $1.3 trillion in total value in just the past month, while India's market has shrunk by more than $720 billion. The MSCI China is on course to outperform MSCI India for the third consecutive month.

Government support: After scaring investors with the regulatory onslaught of the Covid years, Beijing may help push the new AI theme, as indicated by President Xi meeting yesterday with Technology entrepreneurs including Jack Ma, founder of Alibaba.

This may be taken as a sign the government is now pivoting to support private enterprises in an acknowledgement of their contribution to society and the economy, even the most rebellious ones. Whilst expectations for further stimulus announcements in March are low, there is an expectation the government will focus on consumption, helping restore confidence and deployment of the large savings pile, which may sustain the technology rally.

Less bad on trade: Adding to the wave of optimism are signs that Donald Trump's tariffs on Chinese products 10% in the initial salvo may turn out to be less drastic than feared.

Risk-reward: Added together, China becomes more attractive than India in the current set up on a risk-reward basis. The valuation differential adds to China's appeal. The MSCI China index is trading at just 11 times forward earnings estimates, compared with 21x for the MSCI India index.

Market positioning is very favourable, as Asia/GEM investors are still underweight China. Mainland fund inflows have doubled YTD versus 2024 and the scope of stocks is expanding from mostly yield plays (last year) to technology and AI-related opportunities this year.

Source: Bloomberg, as at 18/02/25.

DeepSeek is not better than Open AI but it's lower costs increase the potential for widespread AI adoption which would boots Chinese companies' earnings per share as the new technologies cut costs, enhances productivity and spawns new revenue streams.

If the government shows more support of private sectors, entrepreneurs may start investing again, and China can move closer to escaping its economic funk.

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RUDI'S VIEWS

Rudi Interviewed: Turning Laggards Into Winners

It has become the 'unofficial' tradition in recent years: an interview with Livewire Markets ahead of yet another corporate reporting season in Australia. Below is a sub-edited transcript from the pre-February results season interview that took place on February 11. The video is available on Livewire and on YouTube.

Sarah Allen: Hello and welcome to one of Livewire's favourite reporting season traditions. Today, I'm joined by Rudi Filapek-Vandyck from FNArena to talk all things reporting season.

Rudi, thank you so much for joining us today. The share market's been at near record highs of late. What are the big opportunities or risks that you're seeing this reporting season?

Rudi Filapek-Vandyck: Each reporting season has its own character and this reporting season has a very particular character, which is probably going to surprise a lot of people.

Recently, I was walking around and I saw a religious statement that said: hope never disappoints.

I don't want to drag this into some religious corner or anything, but I do remember it because I thought that's a very nice summary of what February is going to offer us.

Another way of looking at it is: how do we turn yesterday's laggards and losers into winners?

That's definitely what's on investors' mind right now. What I mean to say is: we've had a share market now for two years that has, at face value, performed quite well, but it was carried by about 40% of the market.

So there's 60% that hasn't performed over the past two years, at least. What 2025 might bring is that we pull in at least a big part of that 60% to perform this year.

And there are a few reasons why that's on investors' mind. First, we haven't seen any earnings growth in Australia for three years and counting.

The way the share market works, on a very simple comparison of what were you doing last year and what are you doing this year, that means the longer it lasts, the easier the comparison becomes for that 60% that hasn't performed.

All you need is two bad years and now a little bit of a better year, and wow, we're in for growth!

So that's one component, but equally important is there is growing confidence that earnings in Australia have bottomed and that we will see better times ahead.

That's already being reflected in forecasts. Forecasts are on the rise, which hasn't been the case for quite a while.

From the US, we are seeing the earnings base is broadening and the gap between the winners and the laggards is narrowing.

Then, of course, we have one big trigger in Australia: the RBA is going to cut interest rates, and that's going to keep optimism high.

We always tend to look at the numbers, valuations, forecasts, targets, ratings, you name it, but I think market sentiment, investor sentiment, is the all-important factor here.

Those elements I've just summed up, we've seen that in January already, they're already changing the mindset of the average investor.

We're now looking at company reports and market updates with a positive mindset.

If I look at what we've seen so far, reports by Amcor ((AMC)), for example, market updates by Incitec Pivot ((IPL)) and by Seven West Media ((SWNM)): those are not necessarily great reports, but with a positive mindset, they're good enough to get on board.

That's what we see in this reporting season, and I'm assuming we will see a lot more of that in reporting season and outside of it.

Investors are now taking a different view on reports with the aim of: can I get on board or not? Is it worth it?

That's going to be the big difference between August last year and February this year.

Last year August was completely different. There was no confidence. There was no optimism, or very, very little optimism.

We had the usual suspects performing very, very well, and the other 60% a little bit wishy-washy.

Investors had no appetite to go outside of the winner's circle, and that's why the momentum trade last year was so strong.

2024 was a year of momentum trade. If you were on a good ticket, it just kept going. If you weren't there, a lot of investors got frustrated last year.

I suspect that's going to change this year.

Now, how are we going to respond to that as an investor? That's the $64m question, of course.

It's very interesting, I think, because it's not that straightforward. It basically depends on what type of investor you are and what's your strategy? What are you interested in?

There is a possibility that the winners from last year, the REAs ((REA))), the Car Groups ((CAR)), Goodman Groups ((GMG)), NextDCs ((NXT)) and others, that they might hit a ceiling for the time being.

They've done very well for two years. None of them are cheap. They might perform in line with expectations, maybe a little bit better, maybe a little bit worse. There may not be that much momentum behind those stocks for the time being.

Now, depending on the type of investor you are, are you now going to say goodbye to those stocks? Are you going to jump on some of the laggards instead? Or are you taking on, temporarily, some underperformance with a longer-term view?

Or even better: you have cash available, and you hope some of them are actually going to sell off.

Notice, for example, very good results by ResMed ((RMD)) but the share price is weaker. Slightly disappointing results by Car Group, and share price is weaker.

If you're a particular type of investor, which I am very much aligned to, that's not cause for jubilation or to cry out: see I told you, they were too expensive!

It's the opposite: I have cash available, maybe I should add some of those in my portfolio?

That is the proposition, I think, that 2025 is more likely than not going to put forward to investors. It's a completely different dynamic. So, everything will be different this year.

Interviewer: Speaking of some of those companies that have had really high valuations, but also still performance: the big banks. Most of the banks report out of season, but we do have Commonwealth Bank ((CBA)) and Bendigo and Adelaide Bank ((BEN)) coming up. Let's cut to the chase: Can they continue to deliver?

Rudi: I think the answer is yes. A lot has been written about and said, in particular about Commonwealth Bank, but let's start with the basics.

Banks are not in a fantastic place. They are not a screaming buy. They're not growing very strongly. They're basically holding their turf, not doing too badly, keeping the financial metrics intact.

And with the exception of maybe a Bank of Queensland ((BOQ)), not too many disappointments or disasters are happening. So that's a very safe course, but the shares are in demand.

I think there are two elements too many commentators and too many investors do not understand about the banks.

One element is the international aspect. That's why I'm not negative about the sector.

As the Editor of FNArena, I'm little bit privileged. I do get a lot of research from research houses internationally.

The dynamics internationally are still to the extent that the finance sector, banks in particular, often are being put forward as one of the outperformers for 2025, internationally.

If that is correct, international banks don't have to be the number one sector, but if they keep performing internationally, there's no way Australian banks are going to sell off.

That's just plain logic. For the same reason, if the Nasdaq keeps up in the US, we won't see a big draw down in local technology stocks. That's just how these things work.

The other element, which is equally important, is often missed by people who only look at banks in an isolated case.

You look at Commonwealth Bank in an isolated Commonwealth Bank case, and you look at valuation, prospects, growth, etc and you probably conclude the shares are extremely overvalued. There's no one who will deny this.

But I already figured out 10 years ago that's not how you look at Commonwealth Bank.

Commonwealth Bank is at arm's length the best bank in Australia. There are many ways to illustrate that.

By default, the market puts a premium on Commonwealth Bank in comparison to the sector.

So, the way you should look at Commonwealth Bank is through that premium versus the sector.

Hence, Commonwealth Bank shares at $150, or at $160, or whatever, in isolation looks very expensive, but you need to see it in comparison to the other banks.

If shares in other banks keep rising, Commonwealth Bank will keep its premium. The sector needs to fall as a whole, for Commonwealth Bank shares to come down as well. And that obviously isn't happening.

It's a bit of a long explanation, but I wouldn't necessarily expect the banks are going to shoot the lights out. I don't think they're in for full disaster either.

I think they probably will do relatively well, and for a lot of investors, as we know, the banks offer dividends and franking, and they just love it.

Interviewer: Turning more broadly, which stocks and sectors are on your watch list this season?

Rudi: Some of the stocks I just mentioned, they're very much either in my portfolio or on my wish list.

But two sectors have caught my attention this season, because the expectations are so polarised. So, it becomes a case of winners and losers inside the same sector.

The two sectors are healthcare and telecommunication.

Healthcare used to be, pre-covid, the best performing sector in Australia. I even learned recently that, at that time, this was the only sector in Australia that would outperform its peers internationally.

Five years post covid and those times are over. Covid is really weighing on that sector. We can see that from share prices of Ramsay Health Care ((RHC)), Sonic Healthcare ((SHL)), Healius ((HLS)), even CSL ((CSL)) and Cochlear ((COH); it's all not quite the same as it used to be.

We still have very good performing companies in that sector. Telix Pharmaceuticals ((TLX)) is one of them, as is Pro Medicus ((PME)), although you can argue whether that's more of a technology stock, and ResMed; I'm still a big fan of ResMed.

So, there is still quality and performance in there.

What I noticed recently is when analysts put forward their potential surprises for the season, they've often put forward two of the smaller stocks in healthcare and both are worth considering.

One is Australian Clinical Labs ((ACL)), the other is Integral Diagnostics ((IDX)), which is a merger company.

It seems to be that pre-results confidence is high both will come out with good results and share prices should respond positively.

Full disclosure: I am a shareholder in Integral Diagnostics. I think that's probably a multi-year growth story emerging.

Telecommunication is equally polarised. For those who think that, for example, shares in TPG Telecom ((TPG)) are finally due for a rebound, that's not the view of analysts who still think there's more bad news forthcoming.

But here's the takeaway: analysts also thought that was the case for Domino's Pizza ((DMP)), and all it took for Domino's was to announce restructuring, with less costs and closing down of outlets.

TPG could announce something similar. They are also in negotiations to sell some of their assets. It's not necessarily bad news only.

The discussion about Telstra ((TLS)) is whether it will increase its dividend and whether it can. Apparently, they're running into limits on their franking credits, and that might be a problem.

The one telecommunication company that's being put forward as potentially shooting the lights out this year is Superloop ((SLC)), and that company has been on a tear for quite a while.

I guess, for investors, there's also a message in here that just because a company has performed, it doesn't mean this is the end of performance just yet.

Interviewer: You've mentioned a few growth names. Where are you seeing the best opportunities for growth?

Rudi: The best opportunities are in quality growth; companies that have a runway that is longer than just two or three years.

I already mentioned REA. There's no end to that road. Yes, they will acquire more business at some point. They probably have another go in the UK, if they find a new CEO anytime soon.

Car Group; one of the great stories we have on the stock exchange. My experience is that if you're part of the register, you are more likely to have a big smile on your face after a while.

You have to take the volatility on board. Not every year is a super year for those companies, but on average they're up there, they grow and continue growing and that's basically what you want being a long-term investor.

Interviewer: Are there any areas you steer clear off in the current season?

Rudi: I tend not to jump on when I suspect growth is more manufactured than real, or if it's of low quality, and if the company itself is not that high in quality.

I have this special gene: if everyone's making money out of something, I don't need to be part of that.

Every once in a while, that gene kicks in. Whenever there's disasters on the share market. I'm seldom there.

I like to make comparisons. For example, if I have a choice between Healius and Sonic Healthcare, I will never opt for Healius.

But in the current context, maybe it's better to look at either Australian Clinical Labs or at Integral Diagnostics.

Otherwise, I own no banks outside of Macquarie Group ((MQG)), and no energy stocks.

With the added observation that when analysts make their forecasts for this season, Worley ((WOR)) sits high on everyone's list, not just because of a potential not-as-bad-as-feared result, but there's potential for a surprise on the margins, plus, apparently, since the last changes they made, cash is coming in.

Now everyone starts speculating what are they going to do? Share buyback? More dividends?

It will keep interest in the stock.

Interviewer: In the past, you had reasonably high cash balances. You went as high as 40% in 2022 and cash was at 18% in 2023. What are you holding at the moment?

Rudi: At the moment I have 12.5% in cash. But I think we need to add as well that I have about 5% or 6% in gold. I think that's equally important.

I've been carrying gold for years. My principle is: everyone should own gold. If you ask how much? Well, it sort of depends: How worried are you about the world?

Back in 2020, I had, from memory, about 11% or 13% in gold. The world was closing down. It was looking very worrisome at the time.

On average I own about 5% or 6% in gold because I do think there are plenty of reasons to have some gold in your portfolio. You just don't worry about the volatility.

If you want to do it in Aussie dollars, or US dollars, that's by the by. The currency sometimes works against you or for you.

About that cash: I was prepared to see Trump go really nasty if the election went the other way last year. As it turned out, he won that election quite comfortably and he didn't go nasty.

Subsequently, I've kept that cash just because I wasn't quite sure what was going to happen.

You can now argue, with all-time highs for the market, or almost, this has been my mistake. Too cautious.

Maybe yes, maybe no. I've had two great years with the portfolio. I'm now underperforming but I don't think that's because I'm 12.5% in cash.

That is simply because the market is making a switch into the laggards and the losers from last year, and I'm simply, to a very large extent, not there.

Just a little bit; everyone has portfolio constituents that haven't performed.

But the opportunities will come. They will come through volatility caused by Trump or otherwise, or they will come because of the results.

And as I said earlier, if some of those great growth, quality stocks we have on the stock exchange sell off, I'll be buying.

That's why I have some cash on the sidelines. Otherwise, I can't do it.

Companies that I own now, Hub24 ((HUB)) and WiseTech Global ((WTC)); I bought them when they sold off. I did the same thing with ResMed about 15, 16 months ago

That's why you have cash on the sidelines. It's not necessarily a view that everything will fall apart. When opportunity comes along, it's good to have a little bit on the sidelines.

For some people, 12.5% sounds like a lot, wow! But you find two or three stocks to put some money in and all of a sudden you already start wondering, like, ooh, do I have too much in the market?

Interviewer: Final question: if there was only one Aussie large cap and one small cap that hasn't reported already that you could hold for the rest of the financial year, what would they be?

Rudi: I have a bad history with this as last time I picked CSL ((CSL)), although that was with a longer-term view in mind.

In the current context, I think I would pick NextDC, because I think it's still not well understood by investors. Plus, I think this whole data centre growth story is definitely not near its end, and the share price is still lower than where it was late last year.

I'm very confident that's still an ongoing growth story, and that share price should be a lot higher in years to come, whether that's end of this year or the end of the following year, that's by the by.

NextDC doesn't pay a dividend, of course, and on paper there are no profits, but that's the type of story we're talking about.

I'm very confident in holding NextDC shares.

Interviewer: And the small cap?

Rudi: Well, how about we do Integral Diagnostics? I mentioned it earlier. I'm a shareholder. I think everyone should pay some attention.

It's an interesting combination they've put together. The company seems to be in a segment of the market that seems to have the wind in the sails, or at least soon will be, and they're not necessarily battling the headwinds that Healius has, or Ramsay Healthcare, or CSL, so they should be in a better place.

The share price is definitely not priced for it.

Interviewer: Thank you so much for sharing those tips and sharing your insights today, Rudi, a great repeat of the tradition.

(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.)

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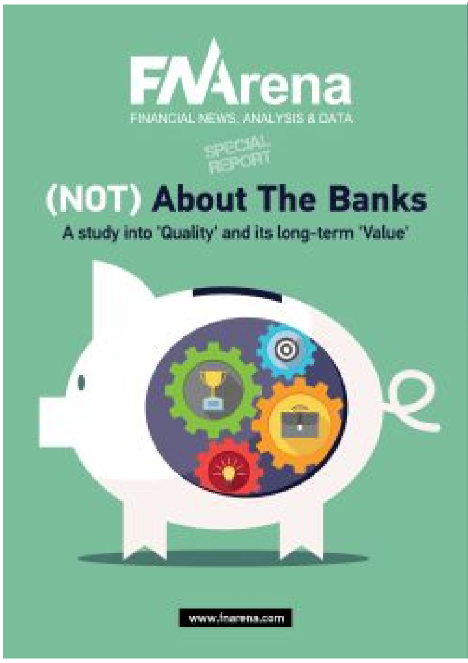

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RUDI'S VIEWS

Rudi's View: More Beats In Early Feb Results

More Beats In Early Feb Results

By Rudi Filapek-Vandyck, Editor

If everything goes to plan, the RBA will deliver its first rate cut since 2020 at Tuesday's board meeting.

Whether this will be supportive of further share market gains remains to be seen as forward-looking equities have, of course, already responded to the local bond market that has made Tuesday's rate cut pretty much a done deal.

Meanwhile, in the background of it all, the public debate has shifted from will they/won't they to how many rate cuts should we expect this year?

The bond market is suggesting at least three and potentially four rate cuts are on the agenda. Plenty of voices around think that's too optimistic. So what happens if/when the RBA cuts and then signals a la Jerome Powell there's no hurry to follow up with another one until more clarity emerges about what's going on in the world generally?

The ASX200 is trading on an average Price-Earnings (PE) ratio of 18.2x which, no matter how one cuts the numbers, remains well above past averages. One comparison is the multi-decade long average which is around 14.7x. The average for the past ten years is around 16x.

In the US too forecasts for the next Fed rate cut are currently being pushed out towards September or beyond. A similar observation can be made about share market valuations over there. The current quarterly reporting season does not carry the same halo as its predecessors from the past 18 months.

Depending on what exactly we focus on, there's an argument to be made US corporate result outcomes thus far have a slight negative skew, without trying to make this a major development in itself. But the Fed is now on pause and there's plenty to worry about in and around Washington, or at least there's plenty of uncertainty.

US equity markets, throughout all their rallies and turbulence, are essentially at their levels from December. This is very different from the picture that dominates equity markets in Europe and in Asia. Even the ASX200 looks to be carving out what looks more of an ongoing uptrend on price charts, culminating into a fresh all-time record high on Friday.

Co-responsible for the local share market's positive performance thus far in February, following on from an already positive January, has been the positive trend in the first two weeks of the local results season. With investor optimism riding high and the domestic economy holding up reasonably well, the first 50-odd corporate releases have, on average, generated much better outcomes than what we witnessed in both results seasons last year.

Despite all the criticism about a share price that cannot possibly be justified, in isolation, the interim release from CommBank ((CBA)) did not sour the mood and financial performances from Ansell ((ANN)), Computershare ((CPU)), JB Hi-Fi ((JBH)), News Corp ((NWS)), Nick Scali ((NCK)), Pinnacle Investment Management ((PNI)), ResMed ((RMD)), SGH Ltd ((SGH)) and Temple & Webster ((TPW)) all turned out better-than-forecast, even if not all have been immediately rewarded for it.

As is also apparent from FNArena's weekly update on ratings, price targets and earnings forecasts (see: https://fnarena.com/index.php/2025/02/17/weekly-ratings-targets-forecast-changes-14-02-25/) adjustments made to analysts' valuations and forecasts have been much larger than downgrades applied.

But here follows the sobering truth: the numbers in Australia thus far are still relatively low and most reporting seasons start off on a positive note. Let's call it the nature of the beast. By early March the FNArena Monitor will contain updates on circa 390 companies. On Monday, when I am writing these sentences, the corresponding number is still only 57.

FNArena's Corporate Results Monitor: https://fnarena.com/index.php/past-corporate-results-analysis/

Indeed, on Monday shares in Bendigo and Adelaide Bank ((BEN)) are trading down by double digits as margin pressure surprised to the downside. A quarterly update by Westpac ((WBC)) equally did not please, and neither did updates by AMP ((AMP)) on Friday and Insurance Australia Group ((IAG)) before that.

A pre-result guidance by Woodside Energy ((WDS)) has confirmed market worries about the sustainability of the energy producer's dividend.

Sector analysts at Citi have not been in favour of owning shares in Australia's largest energy producer for a long while now (and correct about it too). Following Woodside's market update, they have decided to open a 30-day Downside Catalyst Watch on the shares, which essentially implies they see the share price weakening further.

As also shown in Stock Analysis on the FNArena website, analysts are already anticipating ongoing dividend cuts by Woodside, with the dividend projected to fall from US253c in 2022 to US82c by late 2025. I guess the question now is: how much lower will these numbers go?

For good measure: Monday's results also offered plenty of good news releases as shown by share price responses for a2 Milk ((A2M)), Audinate Group ((AD8)), BlueScope Steel ((BSL)), and GPT Group ((GPT)).

In contrast, shares in perennial struggler Aurizon Holdings ((AZJ)) have sunk to a fresh 13-year low as yet another operational result was unable to meet analysts' forecasts.

This company is often --erroneously it needs to be emphasised-- hailed as a local Buffett stock and many a domestic 'value' investor carries it in portfolio, only to see the share price continuing its stretched-out, long-winded downtrend.

On my observation, many a shareholder is not even that sad about it, instead focusing on the fact the shares continue offering a high yield; currently estimated at 6.1% and 6.9% for this financial year and FY26, plus 60% franking on top. Seldom does any of those shareholders mention the decline in capital which is now almost -50% from pre-covid 2019.

Make of that what you like. But collecting high yielding dividends while seeing your capital erode away is not my idea of a great investment.

Aurizon Holdings is not the only company in Australia for which expectations for a successful turnaround have come too early this season. That list will continue to grow this month as RBA rate cuts haven't happened yet and there may not be as many as hoped for.

In addition, many operational headwinds remain in place, including for Amotiv ((AOV)), AMP, CSL ((CSL)), Cochlear ((COH)), Lendlease ((LLC)), Orora ((ORA)) and Treasury Wine Estates ((TWE)).

Countering the early enthusiasm from February results, FNArena's Monitor is showing more 'misses' than 'beats' for both the ASX50 and the ASX200 to date. That's far from an excellent start, even if these numbers might look better once we include updates for Monday's results.

We should all have a much better insight by week's end, even if that still leaves the final week with plenty of questions to be answered.

Meanwhile, analysts at Macquarie are pondering whether expectations for the Finance sector had become too optimistic, with results to date noticeably polarised. See the ASX ((ASX)), AMP, Bendigo and Adelaide Bank, Insurance Australia Group and Westpac versus CommBank and Suncorp Group ((SUN)).

Combining all 57 result assessments thus far, the pendulum is still very much in favour of 'beats' (36.8%) with 33.3% of releases in line with forecasts, and the remaining 29.8% falling short of expectations. Those numbers, if sustained, would make this a better season than August and February last year, but let's not get ahead of ourselves.

There will be plenty of swings and roundabouts in the two weeks before March.

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See also:

https://fnarena.com/index.php/2025/02/17/rudi-interviewed-turning-laggards-into-winners/

https://fnarena.com/index.php/2025/02/13/rudis-view-bhp-capstone-copper-nextdc-wisetech-woodside/

https://fnarena.com/index.php/2025/02/12/rudis-view-hope-trumps-uncertainties/

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).

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(This story was written on Monday, 17th February, 2025. 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).

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

RUDI'S VIEWS

Rudi's View: Best Ideas & Conviction Calls

By Rudi Filapek-Vandyck, Editor

Crestone's Best Sector Ideas are an attempt to identify the best in breed business models for major industry group sectors for long-term oriented investors. Anticipated performance over the next three years is part of the key considerations.

The latest updated selection consists of 17 companies, with no changes made from December.

-Aristocrat Leisure ((ALL))
-Ampol ((ALD))
-APA Group ((APA))
-Beach Energy ((BPT))
-Brambles ((BXB))
-CSL ((CSL))
-Goodman Group ((GMG))
-IGO Ltd ((IGO))
-James Hardie Industries ((JHX))
-Lottery Corp ((TLC))
-Macquarie Group ((MQG))
-Metcash ((MTS))
-Monadelphous Group ((MND))
-REA Group ((REA))
-ResMed ((RMD))
-Suncorp Group ((SUN))
-Xero ((XRO))

Crestone's selection of **sustainable dividend growers** consists of 22 names. Historically, the stock pickers remind investors, companies that grow dividends consistently can offer superior long-term return for those who own them.

This selection has equally seen no changes from December.

-Amcor ((AMC))
-Ampol ((ALD))
-APA Group ((APA))
-Atlas Arteria ((ALX))
-Beach Energy ((BPT))
-BHP Group ((BHP))
-Car Group ((CAR))
-Coles Group ((COL))
-Dalrymple Bay Infrastructure ((DBI))
-Iress Ltd ((IRE))
-Lottery Corp ((TLC))
-Macquarie Group ((MQG))
-Metcash ((MTS))
-Mirvac Group ((MGR))
-Pro Medicus ((PME))
-QBE Insurance ((QBE))
-RAM Essential Services ((REP))
-ResMed ((RMD))
-Suncorp Group ((SUN))
-Tabcorp Holdings ((TAH))
-Telstra ((TLS))

-Westpac Banking ((WBC))

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Morningstar's Best Stock Ideas currently consists of the following 15 nominations:

-APA Group ((APA))
-ASX ((ASX))
-Aurizon Holdings ((AZJ))
-Bapcor ((BAP))
-Brambles ((BXB))
-Domino's Pizza ((DMP))
-Dexus ((DXS))
-Endeavour Group ((EDV))
-Fineos Corp ((FCL))
-IDP Education ((IEL))
-IGO Ltd ((IGO))
-Ramsay Health Care ((RHC))
-SiteMinder ((SDR))
-TPG Telecom ((TPG))
-Woodside Energy ((WDS))

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Wilsons' preferred ASX-listed exposures to the artificial intelligence theme are (in order of preference) NextDC ((NXT)), Macquarie Technology ((MAQ)), then DUG Technology ((DUG)).

****

When it comes to **mining companies**, **Citi analysts** remain Buy rated on the coal and uranium names, with selective Buy calls elsewhere including for BlueScope Steel ((BSL)), Capstone Copper ((CSC)) and BHP Group ((BHP)). Citi continues to prefer Pilbara Minerals ((PLS)) for ASX100 lithium exposure.

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Shaw and Partners' Model Large Cap Portfolio currently consists of the following:

-Block ((SQ2))
-CSL ((CSL))
-Flight Centre ((FLT))
-Paladin Energy ((PDN))
-ResMed ((RMD))
-Suncorp Group ((SUN))
-Telix Pharmaceuticals ((TLX))
-Xero ((XRO))

The broker's favourites among **Emerging Companies**:

-Amaero International ((3DA))
-Australian Vanadium ((AVL))
-Bannerman ((BMN))
-Chrysos ((C79))
-Humm Group ((HUM))
-Metro Mining ((MMI))
-Santana Minerals ((SMI))
-Southern Cross Electrical ((SXE))

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Morgan Stanley's international selection of 31 **Best Businesses**, which aims to combine elements of corporate Quality with 'valuation', forecasts and Quant analysis, for a two-year investment horizon (which can be extended, of course), includes two ASX-listed companies: Macquarie Group ((MQG)) and Rio Tinto ((RIO)).

****

Ord Minnett's selection of **Conviction Calls** ("*our best small cap stock ideas as selected by our analysts*").

-ARB Corp ((ARB))
-Aussie Broadband ((ABB))
-Brazilian Rare Earths ((BRE))
-Cosol ((COS))
-Cuscal ((CCL))
-EQT Holdings ((EQT))
-Electro Optic Systems Holdings ((EOS))
-GQG Partners ((GQG))
-Qoria ((QOR))
-Regis Healthcare ((REG))
-SiteMinder ((SDR))
-Stanmore Resources ((SMR))
-Vault Minerals ((VAU))
-Waypoint REIT ((WPR))
-Zip Co ((ZIP))

****

Shaw and Partners Top 10 list of Small Cap Ideas for 2025:

-Amaero International ((3DA))
-Australian Vanadium ((AVL))
-Beforepay ((B4P))
-Bannerman Energy ((BMN))
-Chrysos ((C79))
-Humm Group ((HUM))
-Metro Mining ((MMI))
-Santana Minerals ((SMI))
-Silex Systems ((SLX))
-Southern Cross Electrical Engineering ((SXE))

****

In December, analysts at **Bell Potter** published their most favoured stock picks for the year ahead, with multiple ideas put forward per sector.

-Listed Investment Companies (LICs): Australian Foundation Investment Company (AFI), Qualitas Real Estate Income Fund ((QRI)), and MFF Capital Investments ((MFF))

-Technology & Gaming: Life360 ((360)), Light & Wonder ((LNW)), and Gentrack Group ((GTK))

-Diversified Financials: Perpetual ((PPT)) and Regal Partners ((RPL))

-Real Estate: Aspen Group ((APZ)), Cedar Woods ((CWP)), and Dexus Convenience Retail REIT ((DXC))

-Retailers: JB Hi-Fi ((JBH)), Premier Investments ((PMV)), and Accent Group ((AX1))

-Industrials: GenusPlus Group ((GNP)), SRG Global ((SRG)), and Duratec ((DUR)) as well as Austal Ltd ((ASB)), Brickworks ((BKW)), and IPD Group ((IPG))

-Healthcare: PolyNovo ((PNV)), Clarity Pharmaceuticals ((CU6)), and CSL ((CSL)) as well as EBR Systems ((EBR)), Biome Australia ((BIO)), and Genetic Signatures ((GSS))

-Gold companies: Genesis Minerals ((GMD)), Gold Road Resources ((GOR)), and Santana Minerals ((SMI))

-Base Metals: AIC Mines ((A1M)) and Nickel Industries ((NIC))

-Strategic Minerals: Alpha HPA ((A4N)) and IperionX ((IPX))

-Bulks & Energy companies: Boss Energy ((BOE)), Champion Iron ((CIA)), and Fenix Resources ((FEX))

****

Jarden's December update reduced the number of **Best Ideas** from the circa 110 smaller cap companies covered (ex-AS100) to 18 from 20 previously.

The broker's Emerging Companies' Key Picks (in order of total shareholder return) are:

-Qualitas ((QAL))
-Universal Store Holdings ((UNI))
-SiteMinder ((SDR))
-Temple & Webster ((TPW))
-Nick Scali ((NCK))
-EVT Ltd ((EVT))

The above are all picked by the broker's Emerging Companies research team. The following stock picks have been selected by respective sector analysts:

-Champion Iron ((CIA))
-Domain Holdings Australia ((DHG))
-Genesis Energy ((GNE))
-Integral Diagnostics ((IDX))
-Ingenia Communities Group ((INA))
-Inghams Group ((ING))
-Karoon Gas ((KAR))
-Michael Hill International ((MHJ))
-Monadelphous ((MND))
-Pointsbet Holdings ((PBH))
-Pepper Money ((PPM))
-Telix Pharmaceuticals ((TLX))

****

Macquarie's selection of **best fundamental picks among quality mid-cap companies** on the ASX:

-AUB Group ((AUB))
-Breville Group ((BRG))
-Ebos Group ((EBO))
-Flight Centre ((FLT))
-Fisher & Paykel Healthcare ((FPH))
-Integral Diagnostics ((IDX))
-Lovisa Holdings ((LOV))
-Nick Scali ((NCK))
-Megaport ((MP1))
-Monash IVF ((MVF))
-Propel Funeral Partners ((PFP))
-Pinnacle Investment Management ((PNI))
-Qualitas ((QAL))
-Reliance Worldwide ((RWC))
-Ventia Services ((VNT))

****

Morgan Stanley's Macro+ Focus List in Australia is currently made up of:

-AGL Energy ((AGL))
-Aristocrat Leisure ((ALL))
-Car Group ((CAR))
-GPT Group ((GPT))
-James Hardie ((JHX))
-Macquarie Group ((MQG))
-Paladin Energy ((PDN))
-Santos ((STO))

-Suncorp Group ((SUN))
-WiseTech Global ((WTC))

****

Morgan Stanley's **Australia Macro+ Model Portfolio** is currently made up of the following:

-ANZ Bank ((ANZ))
-CommBank ((CBA))
-National Australia Bank ((NAB))
-Westpac ((WBC))

-Macquarie Group ((MQG))

-Suncorp Group ((SUN))

-Goodman Group ((GMG))
-GPT Group ((GPT))
-Scentre Group ((SCG))
-Stockland ((STG))

-Aristocrat Leisure ((ALL))
-CAR Group ((CAR))
-Domino's Pizza ((DMP))
-The Lottery Corp ((TLC))
-Wesfarmers ((WES))
-WiseTech Global ((WTC))

-James Hardie ((JHX))

-Orica ((ORI))

-Coles Group ((COL))

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

-AGL Energy ((AGL))
-Origin Energy ((ORG))
-Telstra ((TLS))
-Transurban ((TCL))

-BHP Group ((BHP))
-Newmont Corp ((NEM))
-Rio Tinto ((RIO))
-South32 ((S32))

-Paladin Energy ((PDN))
-Santos ((STO))
-Woodside Energy ((WDS))

****

Macquarie Wealth's recommended **Growth Portfolio**:

-Goodman Group ((GMG))
-Seek ((SEK))
-Aristocrat leisure ((ALL))
-Northern Star ((NST))
-CSL ((CSL))
-Computershare ((CPU))
-NextDC ((NXT))

-Flight Centre ((FLT))
-Cleanaway Waste Management ((CWY))
-Steadfast Group ((SDF))
-James Hardie Industries ((JHX))
-ResMed ((RMD))
-Pexa Group ((PXA))
-Pinnacle Investment Management ((PNI))
-Treasury Wine Estates ((TWE))
-Viva Energy ((VEA))
-Xero ((XRO))
-IGO Ltd ((IGO))

Macquarie Wealth's recommended **Income Portfolio:**

-Suncorp Group ((SUN))
-Telstra ((TLS))
-National Australia Bank ((NAB))
-Westpac Bank ((WBC))
-ANZ Bank ((ANZ))
-BHP Group ((BHP))
-CommBank ((CBA))
-Premier Investments ((PMV))
-Coles Group ((COL))
-Viva Energy ((VEA))
-Atlas Arteria ((ALX))
-Aurizon Holdings ((AZJ))
-APA Group ((APA))
-GPT Group ((GPT))
-Deterra Royalties ((DRR))
-Metcash ((MTS))
-Amotiv ((AOV))
-Charter Hall Retail REIT ((CQR))
-Amcor ((AMC))

****

Macquarie's ASX Quality Compounders:

The highest quality compounders' as identified by Macquarie quant research inside the ASX300:

-James Hardie ((JHX))
-Cochlear ((COH))
-REA Group ((REA))
-TechnologyOne ((TNE))
-ResMed ((RMD))
-Data#3 ((DTL))
-Pro Medicus ((PME))
-Jumbo Interactive ((JIN))
-PWR Holdings ((PWH))
-Netwealth Group ((NWL))
-Aristocrat Leisure ((ALL))
-Spark New Zealand ((SPK))
-Codan ((CDA))
-Clinuvel Pharmacauticals ((CUV))
-Redox ((RDX))

Given Macquarie's research strong leaning on the past five years, with high barriers to match, the following 11 companies fell just outside the above list:

-Fisher & Paykel Healthcare ((FPH))
-Medibank Private ((MPL))
-Coles Group ((COL))

-The Lottery Corp ((TLC))
-Lovisa Holdings ((LOV))
-CSL ((CSL))
-IDP Education ((IEL))
-Pinnacle Investment Management ((PNI))
-ARB Corp ((ARB))
-Breville Group ((BRG))
-Johns Lyng ((JLG))

My own research and All-Weather stock selections are 24/7 available for paying subscribers: https://fnarena.com/index.php/analysis-data/all-weather-stocks/

(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.)

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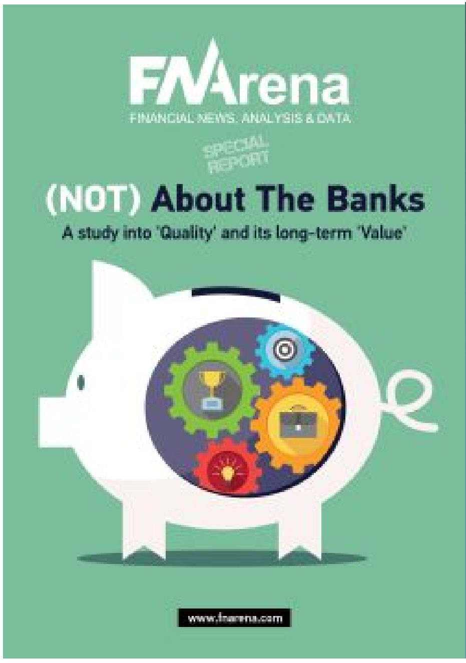

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FNArena is proud about its track record and past achievements: Ten Years On

SMALL CAPS

Temple & Webster Embraces The Future

An exceptional earnings beat from Temple & Webster was driven by a simultaneous increase in both revenue and margins, with a little help from AI.

-Temple & Webster 's H1 blew away earnings forecasts
-Revenues and margins both higher despite marketing spend
-AI the primary driver behind margin expansion
-Cash flow offers balance sheet flexibility

By Greg Peel

The highlight of online furniture and homewares retailer Temple & Webster's ((TPW)) first half result was the company's capacity to grow both revenue and margins over the period, leading to an earnings result that blew analysts' forecasts out of the water, and led to a 12% share price jump on the day.

A key concern for investors, Jarden notes, heading into the release, was marketing spend that would typically weigh on margins. But it was not to be.

Revenues grew 24% year on year in the first half, 1% ahead of consensus forecasts, and ahead of 21% guidance provided in October, but cost of doing business came in -6% below. Earnings grew by 76% --47% ahead of consensus-- while margins came in 4.2%, above guidance of 1-3%.

How did they do it? Well, the future, it seems is here.

Over the period, more than 60% of all customer interactions were handled by AI, Macquarie notes, resulting in a -50% reduction in customer care costs since the first half of FY23. AI improved revenue per visit by 3% and increased shipping price accuracy by 17%, supporting margin improvements.

Fixed cost as a percentage of revenue declined to 10.5%, below 11% year ago. Management reiterated long-term guidance of less than 6% of sales for fixed costs, a target Macquarie expects to be reached by FY30.

Further highlights for Jarden include: Exclusive Product & Private Label up to 45% of sales (versus 37% a year ago), with exclusive label only accounting for 24% of total Home Improvement sales; marketing reducing as a percentage of sales (from 16.1% to 16.0%); repeat orders increasing by 1.8% to 58% and likely to be a significant contributor to growth as Temple & Webster increases its focus on building brand awareness to reach its long-term target of 80% repeat orders; and, as noted, AI driving cost stabilisation, particularly in customer service costs.

<u>Can it Last?</u>

Temple & Webster's product offering and range is resonating with a more value-conscious consumer, Canaccord Genuity concludes, in a tough macroeconomic environment and a weaker homewares and furniture market, which has seen the company's share of the $19bn-plus Australian market increase to 2.9% from 2.3% in October 2024.

Yet, while the company grew revenues in the first half by 24%, and by 27-28% over November/December, the first six weeks of the second half saw revenues only grow by 16%, compared to 22% consensus, when January, notes UBS, is a seasonally important month.

Was it all just a dream?

Is January still a seasonally important month? Retail sales data have been shifting in the past couple of years to peak growth in November (Black Friday) and away from the traditional December Christmas rush and Boxing Day/January sales period. Temple & Webster did not shy away from Black Friday deals in 2024.

Brokers are not too fussed. Sales growth did accelerate in the first ten days of February to 19%, and revenues were cycling 35% growth in the year before. Comparables get easier to cycle through the remainder of the year, Citi notes.

Temple & Webster has the marketing budget flexibility to help drive revenue growth, Jarden suggests, and revenue per available customer will no longer be a headwind, having returned to growth of 2% year on year in the first half compared to -3% seen in FY24.

Guidance has been maintained for FY25 earnings margins of 1-3% and revenue of $1bn between FY26-FY28.

Citi sees potential for the company to accelerate its marketing investment in the second half, given the opportunities that will arise from an improving consumer backdrop. The prospect of multiple RBA rate cuts in 2025 presents a good consumer backdrop for Temple & Webster to invest in brand and marketing to drive further top-line growth, Citi suggests.

Multiple rate cuts may yet depend on developments across the ocean.

<u>Capital Management?</u>

Margins were the highlight of the first half result, and so was free cash flow. The business continues to generate material free cash flow, UBS notes, which will support the share buyback in place.

Free cash flow of $33m versus earnings of $13m is a good reminder of the benefits of a negative working capital and capex-light business model, Morgans Stanely points out.

The company ended the half $139m net cash, providing flexibility, Macquarie suggests, for both organic and inorganic opportunities.

Bell Potter continues to be very positive on the outlook for Temple & Webster as a nimble e-commerce retailer offering growth ahead of peers and with the potential for accretive capital management or as an executor of longer-term opportunities in channels and/or regions given the strong cash balance.

Targets Surge

The consensus target among the six brokers monitored daily by FNArena has increased to $16.95 from $12.52. That's a big jump, but the share price has rallied even harder, with the shares currently trading around $18.23.

Outside of daily coverage, Jarden has lifted its target to $18.65 from $14.01, and Canaccord to $17.50 from $13.00. RBC Capital continues to rate the stock an Outperform (equivalent of Buy) and has upgraded its price target to $19 from $16.

Macquarie, Morgan Stanley and Citi all have Buy or equivalent ratings, as does Jarden.

Temple & Webster achieved strong sales growth supported by increasing active customers, improved sales conversion (leads converting to sales) and increased revenue per customer. Going forward, Macquarie expects AI to drive further revenue growth and margin expansion.

The key highlight of the result for Morgan Stanley was the 4.2% earnings margin, which is another step towards management's long-term margin target of 15%-plus. This broker is increasingly confident Temple & Webster can achieve all targets.

The first half margin beat should allay some investor concerns, however Morgan Stanley expects long-term margins to remain the key investor pushback. This will take time to prove.

Home improvement sales have now doubled over the last two years (albeit off a small base). This is a big market, Morgans Stanley notes, featuring a total addressable market of $17bn, with online migration tailwinds and no dominant online player. The broker thinks Temple & Webster is well positioned to succeed in this adjacency.

AI benefits have been very tangible on the cost side and Morgan Stanely expects the next phase of AI investment to focus on growing sales with the company set to launch its "personalised store" in the second half. A more customised website, based on a user's preferences, should drive higher sales conversion rates.

Positive observations around top-line growth and margin expansion in the long run overshadows the weaker-than-expected trading update, Citi suggests. Dynamics allowing the company to continue to take market share remain intact. Citi remains positive on Temple & Webster heading into a consumer environment likely supported by multiple rate cuts.

We can but hope.

Management is looking towards an earnings margin in excess of 15% in the long term. Jarden is more conservative, applying a 12.3% estimate. Yet when adopting Temple & Webster's margin targets, there is 30%-plus upside from the current share price and Jarden sees further upside if the retailer is able to reaccelerate sales when interest rates fall and/or by increasing marketing spend.

Jarden reiterates its Buy rating, as confidence in the long-term thesis grows.

Ultimately, Canaccord Genuity believes Temple & Webster has never been in a better place financially and operationally with core metrics on traffic, website conversion, NPS and brand recognition setting itself up for long-tailed growth where it currently retains a small market share (2.9%).

In game theory, strategic dominance refers to a situation where one player has superior tactics regardless of how their opponent may play, Canaccord notes, leading the broker to posit: With $139m cash on hand and a market-leading position in online who is going to beat it?

Barrenjoey might be most conservative in the market right now, having lifted its price target to $13.15 from $11.50 alongside an unchanged Neutral rating.

SMALL CAPS

Nick Scali's Margin & UK Opportunity Excites

Despite some valuation concerns emerging, analysts are keeping their focus on the long-term opportunities domestically and in the UK for retailer Nick Scali.

-Consensus-beating first half profit and earnings from Nick Scali
-Significant store rollout opportunities
-Rebranding of Fabb stores to Nick Scali in the UK
-Valuation concerns emerge following firm rally

By Mark Woodruff

Furniture retailer Nick Scali's ((NCK)) share price scaled new highs earlier this month, after first half earnings and the interim dividend beat consensus expectations.

In a tough operating environment with significantly higher freight rates, the first half gross margin still exceeded Macquarie's forecast, while underlying profit beat the consensus estimate by 19% and the midpoint of management's guidance by 14%.

Despite near-term difficulty sourcing locations, Macquarie also forecasts significant store rollout opportunities in the A&NZ region and the UK.

Selling a range of contemporary furniture products, Nick Scali and Plush (sofas and related accessories) largely target the 35 to 55-year demographic in the mid-to upper-income brackets, who are usually second-home buyers.

Not all were convinced by the interim result, with Ord Minnett noting lower orders domestically and in New Zealand, along with a disappointing performance at the fledgling UK division.

Management referred to the likelihood of even greater second half operating losses in the UK due to store refurbishments and rebranding, though Citi points out the UK business represents only a small part of Nick Scali's overall operations.

Last May, management completed the acquisition of UK-based Fabb Furniture including 21 stores across the UK, all located in out-of-town retail parks.

Management aims to rebrand these stores under the Nick Scali name, refurbish them, and transition to its product range, leveraging its existing supply chain and buying power.

Ord Minnett now forecasts a -6% fall in second half revenue for the A&NZ region, down from the prior expectation for 6% growth, due to weakness in the Australasian order book during the December quarter and into January.

Citi believes the market will look through these softening revenue trends for A&NZ and focus on an improving broader medium-term macroeconomic outlook.

Partly explaining weakness in sales, management noted foot traffic declined by -18% on the Australia Day weekend, significantly impacting the outcome for January.

More positively for future sales, the economics team at Citi expects three interest rate cuts by the Reserve Bank over 2025, implying two more to come following last week's cut.

An interim dividend of 30cps was announced, representing a payout ratio of 75% for the half, up from 66% in the previous corresponding period.

Store rollout

As of December 2024, the retailer was operating 65 Nick Scali stores, 44 Plush stores, and 20 UK stores, with management targeting 86 Nick Scali stores and 90-100 Plush stores in A&NZ longer-term.

Macquarie points out management is only 60% towards achieving its long-term target of 176-186 stores for the A&NZ region, noting Plush network optimisation also continues, with two smaller stores closed in the first half and relocated to larger, new concept stores to drive better conversion.

Lending further potential upside, the analyst is not currently factoring in a UK store rollout, yet several new UK stores "are currently being reviewed", stated management.

Gross margin percentage

Overall, the first half gross margin of 62.2% came in 110bps ahead of Macquarie's forecast, beating the consensus estimate by 180bps.

For the A&NZ region, the broker predicts gross margins will return to the 65-66% range from FY26, up from 64.4% in the first half.

While acknowledging January A&NZ sales were lower than the previous corresponding period, Macquarie still anticipates material upside for revenue and margins in the UK.

Management also expects the UK margin will eventually improve to between 57-59% from 45.1% currently.

Once Nick Scali products are delivered to stores in the UK, the analyst forecasts a gross margin percentage of 58% by the first half of FY27 for this segment.

Since acquisition of the Fabb stores, the UK margin has risen by 410bps to 45.1% and Macquarie is forecasting 49% for the second half.

Outlook

While raising its target to $18.50 from $15.88, Jarden has downgraded to Overweight from Buy on valuation and partly also due to near-term execution risk in the UK.

Regardless, this broker remains positive on the long-term opportunity (particularly in the UK) and considers Nick Scali one of the highest-quality ASX-listed retailers, citing its strong brand, high margin and capital light business model.

Ord Minnett has downgraded its EPS forecasts for Nick Scali across FY25-27 by -12%, -5%, and -11%, respectively, and pulled back its rating to Sell from Accumulate on valuation grounds following a 33% share price surge since late-November. Ord Minnett's target has weakened to $14.50 from $15.00.

Outperform-rated Macquarie has raised its target to $19.90 from $15.60, and Citi (Buy) remains at $15.31. In sum, FNArena's consensus target has risen to $16.57 from $15.30, only including brokers covered daily by FNArena.

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WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 14-02-25

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday February 10 to Friday February 14, 2025
Total Upgrades: 11
Total Downgrades: 8
Net Ratings Breakdown: Buy 59.85%; Hold 32.88%; Sell 7.27%

The second week of the February reporting season concluded on Friday February 14, 2025, with FNArena recording eleven upgrades and eight downgrades for ASX-listed companies by brokers monitored daily.

Percentage increases in analysts' average 12-month target prices and earnings forecasts significantly outpaced declines, as shown in the tables below.

In last week's update, Sigma Healthcare was highlighted for the largest increase in average earnings forecasts by brokers after management upgraded FY25 normalised EBIT guidance to $64-70m from $50-60m due to an improved operational performance, including strong execution of the new Chemist Warehouse supply contract which commenced on July 1, 2024.

The newly merged Chemist Warehouse and Sigma Healthcare began trading on the ASX last Thursday, ending the week at a market capitalisation of $36bn, up from $4.5bn for standalone Sigma. The combined entity is now the eighteenth largest company on the ASX, when measured by market capitalisation.

After Morgans updated its research for the prior week's earnings guidance, average earnings forecasts for Sigma rose another 10.7% last week.

Chemist Warehouse shareholders hold approximately 49% of Sigma Healthcare, with shares in escrow until August, when 10% can be released, while the remaining 90% will stay in escrow until August 2026.

Sigma will be re-weighted into the ASX200 and ASX300 indices, and at the March rebalance, Morgans expects it will move into the ASX100 and possibly the ASX50, subject to vacancies, which could drive an additional $280m of demand from index funds.

Appearing ahead of Sigma on the earnings upgrade table below are uranium and lithium exposures Deep Yellow and Liontown Resources, with increases in average forecasts of 33% and 14%, respectively.

For Deep Yellow, the percentage increase was magnified due to the small numbers involved.

Prior to management's final investment decision for Tumas next month, and following an 18% reserve upgrade in December, the analyst at Morgans visited the company's project in Namibia.

Noting early works are well underway after commencing in late-2024, the broker (Speculative Buy) raised its target to $1.73 from $1.69, after allowing for increased mined inventory following the reserve upgrade.

Reacting to one of the last December quarter operational reports, UBS highlighted management at Liontown Resources exceeded its own production projections, while cost control proved better-than-expected, as the ramp-up at Kathleen Valley tracks ahead of expectation.

After the broker raised its FY25 and FY26 production estimates by 13% and 8%, respectively, and lowered cost forecasts by -26% and -11%, the target was increased to 75 cents from 50 cents and the rating upgraded to Neutral from Sell.

A further boost to fundamentals, according to the analysts, is $192m of cash on hand and a further $100m of debt available. Also, spodumene prices are trading better-than-expected.

On the flipside, fellow lithium miner Pilbara Minerals received the largest percentage cut in average earnings forecast by brokers after management pre-announced some outcomes ahead of the 1H result on February 20.

While Macquarie trimmed its FY25 EPS estimate by -16%, the analyst's FY26 forecast increased by 28%.

This broker had just resumed coverage of Pilbara Minerals with a Neutral rating and $2.30 target price, following completion of the Latin Resources acquisition, noting the key asset, Colina in Brazil, will be accretive for net asset value and long-term earnings.

Evaluating Pilbara Minerals in the context of its lithium sector peers, Macquarie highlights the underlying asset quality and low risk profile, though acknowledges short-term valuation metrics screen as expensive.

GrainCorp was next with a nearly -20% fall in average earnings forecast after both its trading update and FY25 guidance fell short of consensus forecasts. While the 2024/25 winter harvest volume proved in line with expectations, the anticipated margin increase was not forthcoming, explained Macquarie.

Elevated global grain supply has weighed on margins more than the broker expected. Beyond FY25, the 2025/26 season is firming and the winter harvest profile across the east coast appears much like 2024/2, noted the analyst.

Ord Minnett highlighted positives such as strong East Coast crop volumes, strong crush volumes and a recent increase in grain pricing.

Orora also had a rough week. First half results missed consensus expectations and management lowered FY25 guidance.

Explanations for all the misses and beats, in a very busy week, are detailed at https://fnarena.com/index.php/reporting_season/, helping explain the significant increase in average targets for Imdex, Seven West Media, Temple & Webster, Ansell, Pro Medicus, Computershare, and JB Hi-Fi.

Further analysis of JB Hi-Fi's first half result by FNArena is available at https://fnarena.com/index.php/2025/02/12/can-jb-hi-fi-maintain-its-strength/. While first half sales and profit beat expectations, competitive pressures resulted in lower margins, and analysts have mixed views on both the second half outlook and the overall valuation.

Total Buy ratings in the database comprise 59.85% of the total, versus 32.88% on Neutral/Hold, while Sell ratings account for the remaining 7.27%.

Upgrade

BRAVURA SOLUTIONS LIMITED ((BVS)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 2/0/0

Macquarie upgrades Bravura Solutions to Outperform from Neutral, raising the target price to $3.17 from $2.05 due to higher earnings forecasts, lower capex, and improved operating efficiency.

The company reported better-than-expected 1H25 revenue, around 5% above the broker's forecast, which underpinned a 14% beat on earnings before interest, tax, and depreciation (EBITDA), along with a return of capital and dividends announced for 2H25.

The EMEA segment was well ahead of forecasts, while APAC was slightly lower. Cash on hand ended at $151.8m following the Fidelity license sale.

Following a FY25 guidance upgrade in November, management further raised revenue guidance by 2.9% at the midpoint and EBITDA by 11.8% at the midpoint.

Macquarie lifts EPS forecasts by 25% for FY25 and 9% for FY26.

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

Morgans raises its target for CAR Group to $41.40 from $37.20 and upgrades to Add from Hold following a resilient first-half result, with pro forma revenue growth of 9-30% across key markets.

The broker attributes the negative share price reaction on results day to a slight earnings (EBITDA) miss versus consensus and a deferral of a price rise for Trader Interactive in the US.

The 50%-franked interim dividend of 38.5c was in line with consensus, according to the broker.

Morgans notes management continues to build the foundations for long-term growth in Australia and internationally.

DOMAIN HOLDINGS AUSTRALIA LIMITED ((DHG)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 2/3/1

Bell Potter raises its target for Domain Holdings Australia to $3.30 from $3.20 and upgrades to Buy from Hold after a 27% increase in adjusted EPS in H1, beating market expectations. Management also slightly raised the outlook for FY25 listings.

Listings and controllable yield growth of 5% and 8%, respectively, generated a residential revenue increase of 12%, in line with the broker's forecast.

A flat 2 cent fully franked interim dividend was declared. While early days, Bell Potter suggests Domain may be at the start of a consensus earnings upgrade cycle.

DOMINO'S PIZZA ENTERPRISES LIMITED ((DMP)) Upgrade to Neutral from Underperform by Macquarie .B/H/S: 1/5/0

Macquarie raises its target price for Domino's Pizza Enterprises to $35.10 from $28.20, driven equally by higher earnings forecasts and a lift in the assumed terminal growth rate. The rating is upgraded to Neutral from Underperform.

The broker attributes these changes to a rapid strategic turnaround, with management refining its focus on franchisee sales and long-term network performance.

A minimum of $34m per annum in network savings has been identified, with proceeds set to be reinvested into franchisees, according to the broker.

Management sees little risk of further store closures beyond the approximately 200 already announced.

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

Citi upgrades Imdex to Neutral from Sell, raising the target price to $2.85 from $1.95 following the 1H25 earnings report.

Citi believes Imdex delivered a "resilient" 1H25 result, with earnings before interest, tax, and depreciation slightly above expectations. The analyst highlights a higher percentage of R&D was capitalised.

Despite a soft backdrop in global exploration levels, the company generated a better-than-expected APAC result with improved margins well above estimates, leading to stronger-than-expected earnings before interest, tax, and depreciation.

Sensors and SaaS via the digital service showed good top-line growth. The broker notes the decline in revenue for the period as a negative, and cash conversion was lower than forecast.

Management does not provide guidance, but Citi explains sustained activity levels were flagged for the remainder of FY25, while industry sentiment was highlighted as improving and exploration levels are expected to turn in FY26.

Citi slightly raises earnings forecasts on better margins and a more positive business mix, with improved cost efficiency from management.

JB HI-FI LIMITED ((JBH)) Upgrade to Hold from Lighten by Ord Minnett .B/H/S: 2/3/2

Ord Minnett upgrades JB Hi-Fi to Hold from Lighten and raises the target price to $89 from $85 following the 1H25 earnings report.

The broker believes the strong results contrast with the challenging market conditions described by management, attributing the performance to good cost management and market share gains. Same-store sales growth in January has been strong.

Ord Minnett lifts the forecast fully-franked dividend per share to 310c from 280c.

The fall in the stock price post-result makes the valuation more appealing, leading to the rating upgrade, the broker explains.

See also JBH downgrade.

LIONTOWN RESOURCES LIMITED ((LTR)) Upgrade to Neutral from Sell by UBS .B/H/S: 1/4/1

UBS highlights Liontown Resources' December quarter production was ahead of its own projections and costs were better than expected as the ramp-up at Kathleen Valley tracks ahead of expectation.

The broker has now raised FY25 and FY26 forecasts on increased confidence, lifting production estimates by 13% and 8%, and lowering costs by -26% and -11% respectively.

Additionally, the broker reckons the company funding looks more comfortable with $192m cash, a further $100m debt available, the ramp-up progressing well and spodumene prices trading better than expected.

Target price rises to 75c from 50c. Rating upgraded to Neutral from Sell.

NEWS CORPORATION ((NWS)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 4/0/0

Ord Minnett upgrades News Corp to Accumulate from Hold with a new target price of $61 from $50.

The analyst notes the company recorded a robust 4Q 2024 while offering what is described as a mixed outlook for 2H25. Ord Minnett expects the US realty portal to benefit from a recovery in the property market at some stage.

Book publishing is anticipated to generate ongoing earnings growth in 2H25, though at a weaker clip than 1H25, while Dow Jones is expected to have more robust earnings due to improved business-to-business results, the broker states.

New media could be more challenging due to weakness in advertising across Australia and UK markets.

The broker lifts EPS estimates by 2% and 8% for FY25/FY26, respectively. Ord Minnett also increases the target price for REA Group to $260 from $240 post the earnings results.

PRO MEDICUS LIMITED ((PME)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 2/2/2

Despite first half misses for revenue and earnings against consensus expectations, Bell Potter raises its target for Pro Medicus to $330 from $260 and upgrades to Buy from Hold.

The broker prefers to focus on the ten contract wins in the last 12 months and upgrades its FY25 and FY26 revenue forecasts by 4% and 2%, respectively.

The analysts highlight demand for Visage is increasing despite price rises and an influx of approvals of AI tools in the radiology space, which have little/no reimbursement.

The recent Australian dollar slide is expected to add around $6m to FY25 revenues, and Bell Potter expects more contract wins shortly, based on the strong pipeline.

SOUTH32 LIMITED ((S32)) Upgrade to Buy from Neutral by Citi .B/H/S: 6/0/0

Citi assesses a solid performance, though cost pressures remain, in South32's 1H25 results. Earnings (EBITDA) of US$375m were in line with consensus but beat the broker's forecast of US$322m.

FY25 production guidance was largely unchanged, but unit cost guidance was raised.

Group net debt decreased by -US$715m to US$47m due to the sale of metallurgical coal, offset by Hermosa capex, including a $267m build in working capital.

Positively, the broker notes cash generation rose with an unwinding of working capital and reduced open positions on increased production. The buyback was extended, with news on exiting Cerro Matoso.

The broker upgrades the stock to Buy from Neutral, lifting the target price to $4 from $3.90, highlighting investors should focus on FY27 and increased production, with Citi forecasting an FY27 copper price of US$4.76/lb.

SCENTRE GROUP ((SCG)) Upgrade to Neutral from Sell by UBS .B/H/S: 3/2/0

UBS has lifted Scentre Group's earnings forecasts by an average 6% for FY25-30 after incorporating a -25bps rate cut in 1H25 and 4% from 2H25 onwards, and refinancing the hybrid notes, assuming a 230bps margin with the full $4bn reset over a 2.5yr period.

The broker has upgraded Scentre to Neutral from Sell, reflecting more resilient retail conditions vs its previous expectations and debt cost tailwinds.

Target price rises to $3.74 from $3.53.

Downgrade

AGL ENERGY LIMITED ((AGL)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 2/2/0

Ord Minette notes AGL Energy's 1H25 net profit was well ahead of market expectations, driven by wider margins. The interim dividend met the consensus forecast.

The company tightened FY25 earnings guidance as strong customer market margins are expected to erode in 2H, interest costs increase, and D&A charges drag on the bottom line. The broker expects these drivers will likely spill into FY26.

Following the result, the analyst cut both FY26 and FY26 EPS estimates by -3%. Target price lowered to $11.0 from $11.2, and rating downgraded to Hold from Accumulate.

COMPUTERSHARE LIMITED ((CPU)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 0/6/0

Ord Minnett notes Computershare's 1H25 earnings and interim dividend were ahead of market forecasts, as increased transaction revenue more than offset higher interest charges and operational expenses.

The company upgraded its FY25 EPS growth guidance to 15%, on increased margin income from higher client balances, a lower tax rate and the completion of its share buyback.

The broker upgraded EPS forecasts by 7% across the FY25-27 horizon. This pushed the target price higher to $42.00 from $36.25 but the rating is downgraded to Hold from Accumulate on valuation grounds.

EVOLUTION MINING LIMITED ((EVN)) Downgrade to Lighten from Hold by Ord Minnett and Downgrade to Sell from Neutral by UBS.B/H/S: 1/2/2

Ord Minnett notes Evolution Mining capped off a strong 1H25 with net profit beating its forecast by 6% and consensus by 20%. Interim dividend of 7c beat the consensus of 5c but missed the broker's 8c forecast.

The broker sees potential capex risk associated with Ernest Henry Mining extension and Open Pit Continuation project, and increased its capex assumptions for FY26-27 to better align with management commentary.

Target price lowered to $5.30 from $5.35, and rating downgraded to Lighten from Hold on stretched valuation.

UBS raises its target for Evolution Mining to $5.45 from $5.40 following 1H results and downgrades to Sell from Neutral as the share price has surged ahead of the broker's valuation.

The analyst describes 1H earnings (EBITDA) of $985m as a "decent beat", and while profit was also stronger-than-expected some accounting changes contributed.

The 7 cent interim dividend beat expectations held by the broker and consensus.

As Evolution's copper production dilutes gold leverage, the broker suggests Northern Star Resources ((NST)) and Newmont Corp ((NEM)) currently offer better exposure to higher gold prices.

INGENIA COMMUNITIES GROUP ((INA)) Downgrade to Neutral from Buy by UBS .B/H/S: 2/1/0

UBS downgrades Ingenia Communities to Neutral from Buy with a higher target price of $6.15 from $5.79. The downgrade is due to strong share price performance.

The analyst anticipates an increase in volumes in FY25 following more normal production and additional sites becoming available. Robust growth in manufactured housing estates is flagged, with new unit demand outpacing supply, UBS explains.

The broker raises EPS estimates by 16% and 11% for FY25/FY26, respectively. While the market is anticipating earnings upgrades, the analyst believes attention should be focused on any cyclical uplift in the housing market post rate cuts and improved operational efficiency.

Neutral. Target $6.15.

JB HI-FI LIMITED ((JBH)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 2/3/2

Bell Potter notes JB Hi-Fi's 1H25 revenue and net profit after tax were better than expected, alongside a robust trading update for January, including like-for-like sales growth of 7.1% for JB Hi-Fi Australia, 10% for NZ, and 5.9% for The Good Guys.

Accounting for an increase in revenue growth assumptions, the analyst lifts net profit after tax forecasts by 2.8% and 3.8% for FY25 and FY26, respectively.

Bell Potter downgrades the stock to Hold from Buy due to the current valuation. Target price lifts 1% to $99.

See also JBH upgrade.

NICK SCALI LIMITED ((NCK)) Downgrade to Sell from Accumulate by Ord Minnett .B/H/S: 2/0/1

Ord Minnett downgrades Nick Scali to Sell from Accumulate due to valuation concerns and lowers its target price to $14.50 from $15.

The analyst notes the company announced better-than-consensus 1H25 earnings and dividend per share, with higher-than-forecast results from Australia.

Deeper investigation suggests to the broker the company experienced a softer order book in 2Q25 and into January. Ord Minnett now forecasts revenue to fall in 2H25 by -6%, from previous growth of 6%.

Management pointed to ongoing volatility in 2H25, with higher-than-expected losses in the UK due to more refurbishments and new store openings.

Ord Minnett lowers EPS forecasts by -12% and -5% for FY25 and FY26, respectively.

QANTAS AIRWAYS LIMITED ((QAN)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 2/4/0

Macquarie downgrades Qantas Airways to Neutral from Outperform, raising the target price to $9.30 from $8.40.

Qantas is expected to report a strong 1H25 result, up around 21%, the broker explains, with tailwinds from lower oil prices, a buyback, and "optimal" load factors.

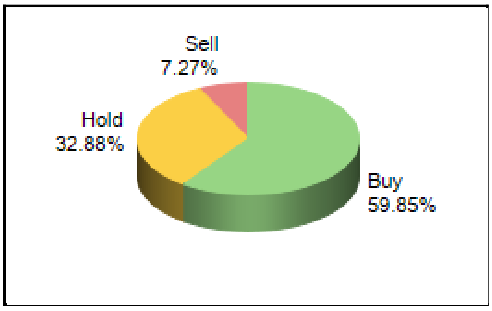
Trends from 2H24 are anticipated to continue, including Jetstar leading capacity growth in both domestic and international segments.

Macquarie expects load factors to reach 1H19 levels of around 80% for Qantas and 89% for Jetstar, maximising the return on assets.

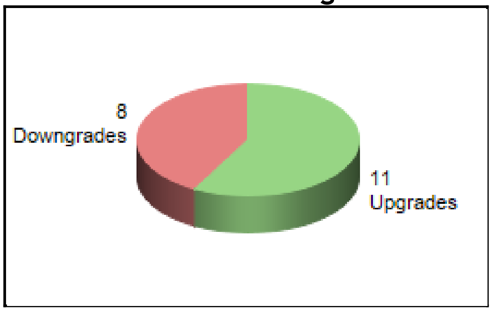
The outlook for FY26 is tempered by currency headwinds and yield pressures from Europe and US routes, the analyst believes.

The broker lowers the FY25 EPS forecast by -0.9% and raises FY26 by 1.1%.

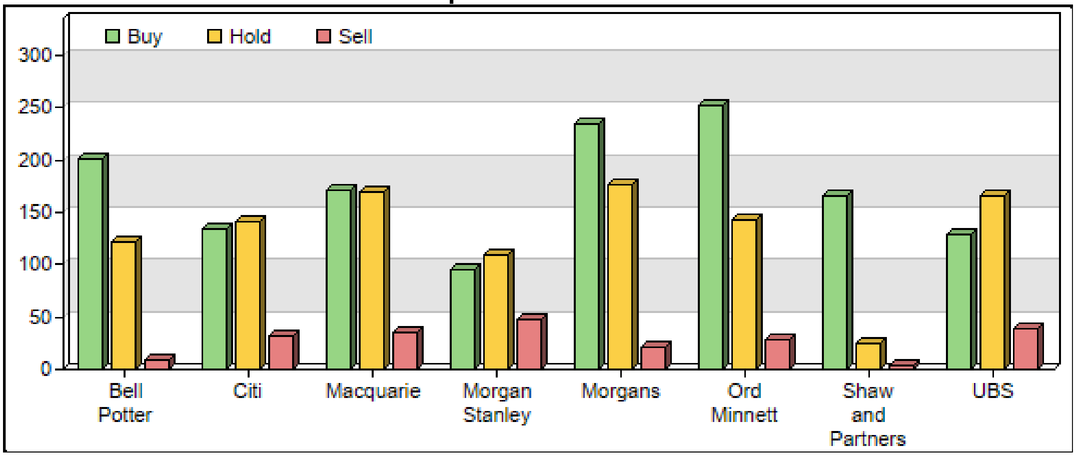
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	BRAVURA SOLUTIONS LIMITED	Buy	Neutral	Macquarie
2	CAR GROUP LIMITED	Buy	Neutral	Morgans
3	DOMAIN HOLDINGS AUSTRALIA LIMITED	Buy	Neutral	Bell Potter
4	DOMINO'S PIZZA ENTERPRISES LIMITED	Neutral	Sell	Macquarie
5	IMDEX LIMITED	Neutral	Sell	Citi
6	JB HI-FI LIMITED	Neutral	Sell	Ord Minnett
7	LIONTOWN RESOURCES LIMITED	Neutral	Sell	UBS
8	NEWS CORPORATION	Buy	Neutral	Ord Minnett
9	PRO MEDICUS LIMITED	Buy	Neutral	Bell Potter
10	SCENTRE GROUP	Neutral	Sell	UBS
11	SOUTH32 LIMITED	Buy	Neutral	Citi
Downgrade				
12	AGL ENERGY LIMITED	Neutral	Buy	Ord Minnett
13	COMPUTERSHARE LIMITED	Neutral	Buy	Ord Minnett
14	EVOLUTION MINING LIMITED	Sell	Neutral	UBS
15	EVOLUTION MINING LIMITED	Sell	Neutral	Ord Minnett
16	INGENIA COMMUNITIES GROUP	Neutral	Neutral	UBS
17	JB HI-FI LIMITED	Neutral	Buy	Bell Potter
18	NICK SCALI LIMITED	Sell	Buy	Ord Minnett
19	QANTAS AIRWAYS LIMITED	Neutral	Buy	Macquarie

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	IMD	IMDEX LIMITED	2.920	2.280	28.07%	5
2	SWM	SEVEN WEST MEDIA LIMITED	0.178	0.150	18.67%	4
3	TPW	TEMPLE & WEBSTER GROUP LIMITED	14.800	12.517	18.24%	6
4	ANN	ANSELL LIMITED	37.216	31.840	16.88%	5
5	JBH	JB HI-FI LIMITED	94.314	81.743	15.38%	7
6	PME	PRO MEDICUS LIMITED	242.250	210.917	14.86%	6
7	CPU	COMPUTERSHARE LIMITED	38.985	34.488	13.04%	6
8	BRG	BREVILLE GROUP LIMITED	38.358	34.560	10.99%	6
9	NCK	NICK SCALI LIMITED	16.570	15.303	8.28%	3
10	SGH	SGH LIMITED	56.938	52.975	7.48%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	ORA	ORORA LIMITED	2.487	2.682	-7.27%	6

2	GNC	GRAINCORP LIMITED	8.824	9.462	-6.74%	5
3	AD8	AUDINATE GROUP LIMITED	9.475	10.100	-6.19%	4
4	29M	29METALS LIMITED	0.263	0.278	-5.40%	4
5	TWE	TREASURY WINE ESTATES LIMITED	13.033	13.628	-4.37%	6
6	JLG	JOHNS LYNG GROUP LIMITED	4.490	4.610	-2.60%	5
7	IAG	INSURANCE AUSTRALIA GROUP LIMITED	8.653	8.848	-2.20%	6
8	DYL	DEEP YELLOW LIMITED	1.810	1.850	-2.16%	3
9	RGN	REGION GROUP	2.372	2.412	-1.66%	5
10	DHG	DOMAIN HOLDINGS AUSTRALIA LIMITED	3.108	3.158	-1.58%	6

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	DYL	DEEP YELLOW LIMITED	-0.267	-0.400	33.25%	3
2	TPW	TEMPLE & WEBSTER GROUP LIMITED	8.380	6.640	26.20%	6
3	EVN	EVOLUTION MINING LIMITED	42.717	35.440	20.53%	6
4	LTR	LIONTOWN RESOURCES LIMITED	-3.820	-4.460	14.35%	6
5	SIG	SIGMA HEALTHCARE LIMITED	3.100	2.800	10.71%	4
6	SWM	SEVEN WEST MEDIA LIMITED	3.867	3.500	10.49%	4
7	BOE	BOSS ENERGY LIMITED	13.717	12.550	9.30%	6
8	SUN	SUNCORP GROUP LIMITED	113.160	103.700	9.12%	6
9	IAG	INSURANCE AUSTRALIA GROUP LIMITED	45.440	41.725	8.90%	6
10	CPU	COMPUTERSHARE LIMITED	206.837	193.807	6.72%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	PLS	PILBARA MINERALS LIMITED	0.286	0.843	-66.07%	7
2	GNC	GRAINCORP LIMITED	42.025	52.425	-19.84%	5
3	ORA	ORORA LIMITED	12.280	14.640	-16.12%	6
4	IPL	INCITEC PIVOT LIMITED	17.600	18.460	-4.66%	6
5	MQG	MACQUARIE GROUP LIMITED	982.525	1018.533	-3.54%	5
6	CSL	CSL LIMITED	995.025	1030.689	-3.46%	6
7	DMP	DOMINO'S PIZZA ENTERPRISES LIMITED	131.300	135.775	-3.30%	6
8	DRR	DETERRA ROYALTIES LIMITED	31.375	32.375	-3.09%	5
9	ILU	ILUKA RESOURCES LIMITED	49.600	50.680	-2.13%	5
10	IMD	IMDEX LIMITED	9.540	9.740	-2.05%	5

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WEEKLY REPORTS

Uranium Week: Confusing Spot Weakness

Site visits to Namibian uranium mining facilities reaffirms the underlying growth story for the commodity despite ongoing weakness in U308 spot price

-Uranium mining companies walk the talk
-U308 spot price sinks on uncertainties - tariffs and Ukraine
-Japan and Britain move to more nuclear energy power generation

By Danielle Ecuyer

Contrast and compare: spot market versus miners

The stark contrast between what is happening in the U308 spot market against the likes of **Paladin Energy** ((PDN)) was highlighted last week.

Industry consultant TradeTech reported a fall in the spot price by -US$2.80/lb to US$66.35/lb, with various uncertainties from trade tariffs to a possible cessation of the war in Ukraine cited as reasons for inaction and increased spot market selling pressure.

In contrast, Shaw and Partners came back from a site visit to Paladin's Langer Heinrich mine in Namibia filled with optimism around the mine's restart and the capacity to generate 6mlbs per annum in uranium production by 2026.

The broker stresses that obstacles around poor quality stockpiled ore grade and water shortages in the September quarter are now in the rear view mirror, and the fall in the stock price of over -40% was overdone with the benefit of hindsight.

Management has successfully addressed the water issue, pointing to a desalination plant and two aquifer bore fields. The broker explains disruption in supply from the desalination plant is par for the course as maintenance and pump issues arise. The installation of onsite water storage is designed to offset supply interruptions.

Regarding the issues around stockpile grade, the problem will continue until Paladin transitions to mining fresh ore, expected in June 2025, although management is considering how this timeline can be advanced.

The company is highlighted by the broker as on track to achieve FY25 revised guidance of 3mlbs-3.5mlbs, with the month of December post a shutdown in November reaching 309klb. Even maintaining the December production rate brings the company in line with the lower end of guidance.

For Shaw and Partners, Paladin remains the preferred uranium exposure on the ASX, with a Buy rating and an unchanged target of $15.80.

While Shaw has the standout target price, FNArena's consensus target price for daily monitored brokers stands at an average of $11.575, with four Buy-equivalent ratings and two Hold-equivalent ratings.

The broker also visited **Bannerman Energy**'s ((BMN)) Etango project in Namibia and came away positively surprised by the work in progress since the May 2024 site visit.

Management highlighted the construction of water storage facilities, the nearly finished power transmission lines, as well as the site access road from the main highway.

Etango is located closer to the coast than Langer Heinrich, so pumping costs are expected to be lower.

The project has a 207mlb resource, and at this stage, the Etango-8 project will consume 53mlb once operational, the analyst explains, leaving substantial opportunities for expansion in the future.

Bannerman's Etango is one of the few fully permitted and shovel-ready uranium projects, and the broker believes the stock offers a cheap entry point for investors with substantial upside potential in the contract uranium price.

Bannerman is Buy rated with a $7.40 target price.

Contract price outlook versus the short term shorts

Looking through the weakness in the U308 spot price, Shaw again stresses this market is not indicative of "industry fundamentals" and points to upside in contracting prices above US$100/lb, with the view the upcoming cycle could realise a price of US$150/lb or more.

TradeTech noted at the end of last week uncertainty led sellers to lower offers, with the last transaction on Friday 14 at US$65.25/lb for 50,000lbs of U308 delivered to Cameco's Canadian facility.

Other transactions were conducted at US$67.75/lb for ConverDyn's US facility and US$65.50/lb for Orano's facility in France. TradeTech's Mid-Term price indicator stands at US$76/lb, and the Long-Term price indicator at US$82/lb.

Short interest in Australian uranium stocks has Boss Energy ((BOE)) ranked the highest on the ASX at 19.5% and Paladin at 16.05%, compared to 18.27% and 16% a month earlier, respectively.

Deep Yellow ((DYL)) is ranked the 10th most shorted, at 10.12%, slightly lower than a month earlier at 10.9%.

Zero emission targets and energy demand fuel nuclear power

While short-term factors might be creating opportunities for U308 buyers in the spot market, trends in nuclear energy production saw Japan's draft strategic energy plan move to strengthen the country's reliance on nuclear power, fourteen years after the triple meltdown at Fukushima Daiichi power plant.

Japan is facing growing energy demand from semiconductor factories and AI-related data centres, as well as the need to achieve net-zero emissions by 2050.

The new plan aims for nuclear energy to generate 20% of the country's electricity supply by 2040, with 40%-50% from renewable sources. The plan has encountered criticism over concerns about refitting aging reactors in earthquake-prone areas.

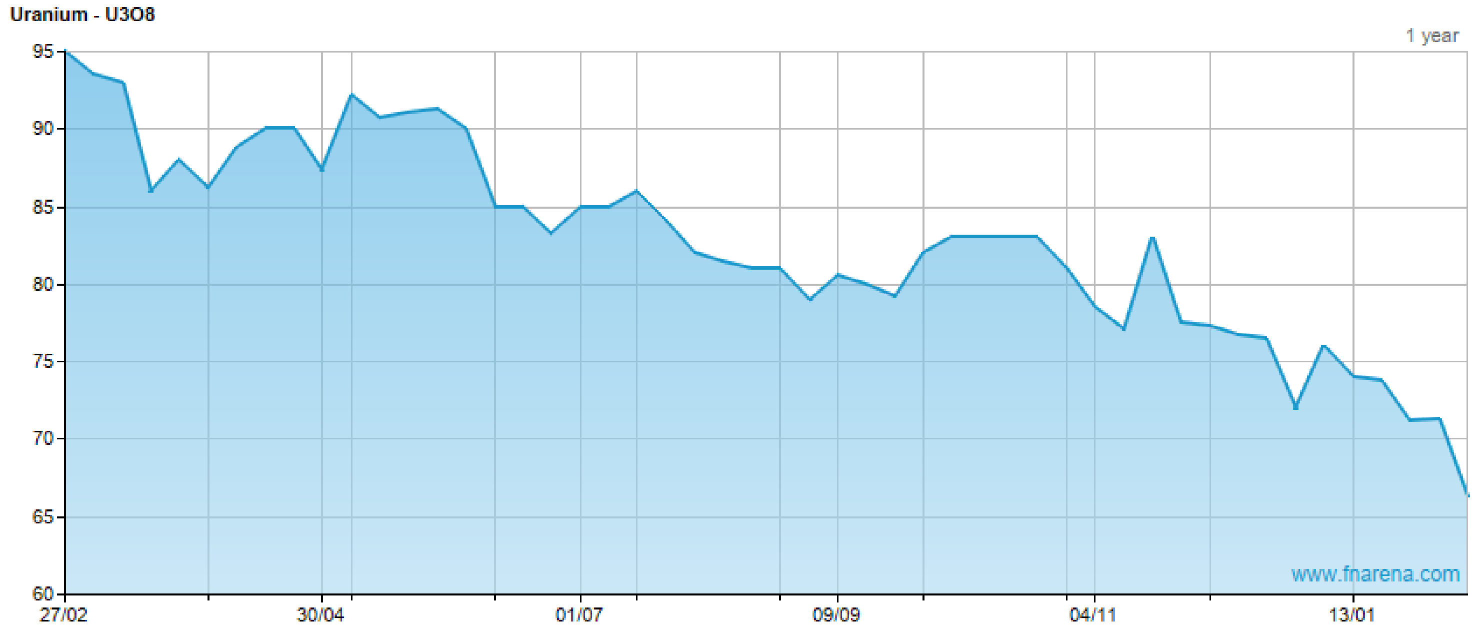
In Britain, the UK's first new location for a commercial nuclear power plant since 1978 is being assessed for a license by the regulator. The project is a micro reactor to be built on the site of a former coal plant in South Wales. All recent plants have been built on or near sites with existing plants.

US company Last Energy plans to construct the first 20MW micro reactor at the plant in 2027, with four reactors eventually coming online at a cost of -US$378m.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	14/02/2025	0.0500	0.00%	$0.16	$0.03			
AEE	14/02/2025	0.1200	▼- 3.85%	$0.26	$0.11			
AGE	14/02/2025	0.0300	▼- 3.03%	$0.07	$0.03		$0.100	▲233.3%
AKN	14/02/2025	0.0100	0.00%	$0.04	$0.01			
ASN	14/02/2025	0.0700	0.00%	$0.17	$0.05			
BKY	14/02/2025	0.4000	▲15.94%	$0.45	$0.27			
BMN	14/02/2025	2.8800	▼- 1.99%	$4.87	$1.90		$7.400	▲156.9%
BOE	14/02/2025	3.1900	▼- 2.74%	$5.99	$2.21	22.9	$4.025	▲26.2%
BSN	14/02/2025	0.0200	0.00%	$0.17	$0.02			
C29	14/02/2025	0.0600	▲20.00%	$0.13	$0.03			
CXO	14/02/2025	0.0900	0.00%	$0.26	$0.08		$0.090	
CXU	14/02/2025	0.0100	0.00%	$0.05	$0.01			
DEV	14/02/2025	0.0800	▼- 2.53%	$0.45	$0.07			
DYL	14/02/2025	1.2500	▼- 0.79%	$1.83	$0.91	-457.5	$1.810	▲44.8%
EL8	14/02/2025	0.2600	0.00%	$0.62	$0.23			
ERA	14/02/2025	0.0030	0.00%	$0.06	$0.00			
GLA	14/02/2025	0.0100	0.00%	$0.03	$0.01			
GTR	14/02/2025	0.0030	0.00%	$0.01	$0.00			

GUE	14/02/2025	0.0800	0.00%	$0.14	$0.05			
HAR	14/02/2025	0.0500	▲25.00%	$0.19	$0.03			
I88	14/02/2025	0.4800	▼-15.00%	$1.03	$0.14			
KOB	14/02/2025	0.0700	0.00%	$0.18	$0.07			
LAM	14/02/2025	0.7500	0.00%	$1.04	$0.48			
LOT	14/02/2025	0.2000	▼-17.02%	$0.49	$0.17		$0.533	▲166.7%
MEU	14/02/2025	0.0600	▲ 1.85%	$0.06	$0.04			
NXG	14/02/2025	9.6600	▼- 3.89%	$13.66	$7.89		$16.600	▲71.8%
ORP	14/02/2025	0.0400	0.00%	$0.12	$0.03			
PDN	14/02/2025	8.2100	▼- 4.97%	$17.98	$6.83	59.3	$11.575	▲41.0%
PEN	14/02/2025	1.0200	▼-14.53%	$2.70	$0.99		$4.810	▲371.6%
SLX	14/02/2025	5.2000	▼-13.74%	$6.74	$3.35		$7.200	▲38.5%
TOE	14/02/2025	0.2000	▲ 2.50%	$0.52	$0.19			
WCN	14/02/2025	0.0200	▼- 5.00%	$0.03	$0.01			



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WEEKLY REPORTS

The Short Report - 20 Feb 2025

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

Summary:

Week Ending February 13th, 2025 (most recent data available through ASIC).

GSBW34 refers to the Australian commonwealth bond 3.50% 2034.

XQLQAR refers to a bond by the Queensland state government, 4.50% coupon, 2035.

10%+

GSBW34	127.94%
BOE	20.16%
PDN	16.89%
MIN	12.57%
IEL	12.53%
SYR	12.33%
SGR	11.29%
DMP	11.26%
PLS	11.23%
DYL	10.90%
LTR	10.19%
KAR	10.17%
DRO	10.01%

In: DRO

9.0-9.9%

MP1	9.79%
LIC	9.72%
CTT	9.56%
LYC	9.13%
ADT	9.01%

In: CTT
Out: DRO

8.0-8.9%

JLG	8.75%
AD8	8.37%

In: AD8
Out: CTT

7.0-7.9%

RIO	7.80%
SEK	7.64%
CTD	7.49%
EDV	7.41%
GMD	7.36%
CUV	7.26%
CIA	7.18%

In: CIA
Out: AD8, BGL

6.0-6.9%

CHN	6.84%
BGL	6.80%
SLX	6.61%
STX	6.53%
IMU	6.36%
APE	6.00%

In: BGL
Out: CIA

5.0-5.9%

NHC	5.57%
SFR	5.45%
RFF	5.29%
INR	5.29%
LOT	5.25%

In: RFF, LOT
Out: SIG, ZIP

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.4	0.2	NAB	0.6	0.6
ANZ	0.3	0.3	QBE	0.2	0.2
BHP	0.4	0.4	RIO	7.8	7.7
CBA	1.1	1.1	STO	0.4	0.7
COL	0.6	0.7	TCL	0.9	0.8
CSL	0.4	0.4	TLS	0.2	0.2
FMG	1.4	1.3	WBC	0.6	0.6
GMG	0.4	0.4	WDS	2.0	1.9
JHX	0.7	0.7	WES	0.7	0.7
MQG	0.5	0.5	WOW	0.6	0.6

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.*

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 - 21-02-25

Broker Rating Changes (Post Thursday Last Week)

Upgrade

CHARTER HALL RETAIL REIT ((CQR)) Upgrade to Buy from Hold by Moelis.B/H/S: 0/0/0

Charter Hall Retail REIT reported 1H25 earnings per unit of 12.6c and a dividend of 12.3c, and reiterated full-year guidance.

Moelis reckons the REIT's operating performance remained strong in the context of a tough consumer environment

The broker expects Charter Hall's ((CHC)) acquisition of Hotel Property Investments ((HPI)) will result in the REIT owning 50% of the latter portfolio by June.

The analyst expects the deal to be marginally dilutive near-term, but expects this to resolve on Hotel Property's relatively high embedded rent growth and expected RBA rate cuts.

Target price rises to $3.94 from $3.89, and rating upgraded to Buy from Hold.

DATA#3 LIMITED. ((DTL)) Upgrade to Overweight from Market Weight by Wilsons.B/H/S: 0/0/0

Data#3 provided a strong first half result in a challenging environment, Wilsons assesses. The broker highlights services gross sales, with this the first period where services were meaningfully greater than product gross margin.

In light of this, and with the balance of risks to the upside over the coming year, the rating is upgraded to Overweight from Market Weight. Wilsons increases FY25 revenue estimates by 3% and the target to $9.75 from $9.23.

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED ((FPH)) Upgrade to Overweight from Market Weight by Wilsons.B/H/S: 0/0/0

Wilsons upgrades Fisher & Paykel Healthcare to Overweight from Market Weight, noting the new rating already reflects strong CDC data in emergency departments (ED) and the -12% fall in share price from pre-tariff highs.

The broker believes the spike in ED visits signals a "severe" flu season compared with the company's "moderate" expectation. This could bolster a potential beat to FY25 sales and net profit guidance.

Additionally, Wilsons has not adjusted forecasts for potential tariff impost but with the tariff already in the price, the analyst believes both the potential scenarios from here are positive for the stock.

Target price retained at $35.

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

Wilsons notes GrainCorp's FY25 trading update and guidance fell short of consensus forecasts, driven by lower margins.

The company announced an intention for on-market share buy-back of up to $50m and to progress the feasibility assessment of a renewable fuels facility with MOU partners Ampol ((ALD)) and IFM investors.

The broker left FY25 earnings broadly unchanged but lowered FY26 earnings on anticipated lower volumes in agribusiness and lower margins in the nutrition and energy business.

Rating upgraded to Overweight from Market Weight. Target price $8.91.

GPT GROUP ((GPT)) Neutral by Jarden.B/H/S: 0/0/0

GPT Group's new management team has further clarified its strategy of growing external assets under management and improving returns, although execution in a crowded funds management market is now key, Jarden suggests.

Initial FY25 funds from operations guidance suggests less initial dilution than feared, but based on the headwind of interest expense, recent asset sales and lower trading profits, Jarden believes this could still prove ambitious.

After recent underperformance, expectations are arguably low, but the broker believes investors have attractive pure-play alternatives for Malls, an Office recovery or the interest rate sensitivity of funds.

The -7.5% discount to NTA and 4.9% dividend yield suggest to Jarden a risk-reward that is fairly balanced. Target rises to $5.10 from $4.95. Neutral retained.

HOMECO DAILY NEEDS REIT ((HDN)) Upgrade to Buy from Hold by Moelis.B/H/S: 0/0/0

HomeCo Daily Needs REIT's 1H25 funds from operations proved marginally short of Moelis' estimates. The REIT reiterated FY25 guidance of 8.8c which requires a slightly stronger 2H but management attributed it to the timing difference between acquisitions and divestments.

The broker highlights the REIT's portfolio performance has shown consistent operating metrics improvement over the last 4-5 years, reflective of the management's strategy execution and overall portfolio curation.

Target price rises marginally to $1.36 from $1.35. Rating upgraded to Buy from Hold on recent share price weakness.

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

Opthea is expected to provide phase III readouts this year for its sozinibercept drug, and Wilsons considers the current share price assumes a positive outcome.

Full de-risking of the drug should support an unrisked price target of $2.08, the broker calculates, raising its target to $1.00 from $0.28.

If approved, Wilsons expects utilisation patterns of the drug to be dramatically different to protocol use in the phase III, noting the product specification as an add-on to the standard care in retinal disease remains controversial.

The rating is upgraded to Market Weight from Underweight.

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

Further to the first half results from Origin Energy, which were in line with Jarden's estimates, the rating is upgraded to Neutral from Underweight.

The broker was surprised by the unchanged guidance for emerging markets EBITDA despite the positive first half performance and does factor in higher earnings through the forecast period.

The target is reduced to $10.25 from $10.45, largely related to APLNG, where Jarden still awaits answers on the near-term production outlook and whether reserves are impacted.

XRF SCIENTIFIC LIMITED ((XRF)) Upgrade to Buy from Speculative Buy by Canaccord Genuity.B/H/S: 0/0/0

XRF Scientific posted a "solid" first half result which Canaccord Genuity believes is stronger than it appears at face value. EBITDA and pre-tax profit were ahead of expectations, underpinned by resilient margins.

There is strength in international customer demand and added capabilities now considerably enhance cross-selling potential. The broker moves the rating to Buy from Speculative Buy and raises the target to $2.22 from $1.75.

Downgrade

BLUESCOPE STEEL LIMITED ((BSL)) Downgrade to Underweight from Neutral by Jarden.B/H/S: 0/0/0

BlueScope Steel's 1H25 result was at the high end of previously lowered guidance, boosted by -$25m in realised cost savings. The operating result highlighted operational challenges still remain, Jarden notes. Australia exceeded guidance/expectations, while North America disappointed.

Realising -$200m in sustained cost savings net of inflationary pressures requires flawless execution, the broker suggests, particularly given no accompanying significant item/permanent charges.

Jarden is constructive on BlueScope, but views its strategy, financial discipline and management team and earnings profile as already in the share price. Target rises to $23.20 from $21.80. Downgrade to Underweight from Neutral.

BRAMBLES LIMITED ((BXB)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Jarden has downgraded Brambles Ltd to Neutral from Overweight; with an increased target price of $19.45, up from $17.90 following a strong re-rating and increase in the company's share price.

COMMONWEALTH BANK OF AUSTRALIA ((CBA)) Downgrade to Sell from Underweight by Jarden.B/H/S: 0/0/0

Jarden views CommBank's 1H result as "clean and simple" and likes the flexible and forward-looking investment mindset.

Headline net interest margin was better than expected at 208bps, but the broker expects it to nudge lower to 206bps in 2H on drags from lower cash rates.

The broker notes banks typically outperform on rate cuts but this cycle looks very different with already benign bad debts and healthy volumes. Rate cuts (when they come to pass) may drive sector rotation out of banks, the analyst believes.

Given the limited margin of safety, Jarden cuts its rating to Sell from Underweight. The broker lifted FY25 EPS by 1% and lowered FY26 by -1%.

Target price $110.

COCHLEAR LIMITED ((COH)) Downgrade to Market Weight from Overweight by Wilsons.B/H/S: 0/0/0

Cochlear missed 1H services sales by -14% despite Wilsons' forecasts already factoring in weaker services growth for FY25.

The broker reckons two consecutive services misses suggests the market may have misjudged growth following the first spectacular 18 months of the N8 processor product cycle.

The company's 1H25 net profit and revenue missed also Wilsons' forecast, by -3%. Management reiterated FY25 underlying net profit guidance but with expectations to the low end of guidance, which signals a miss to Wilsons' forecast.

The broker cut FY25-26 EPS forecast by -2%. Target price lowered to $280 and rating downgraded to Market Weight from Overweight.

DOMAIN HOLDINGS AUSTRALIA LIMITED ((DHG)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

Domain Holdings Australia's 1H25 EBITDA was 2% ahead of Jarden's estimate due to lower operating costs and the company narrowed its FY25 cost guidance range to the lower end of its previous range.

Looking forward, the broker notes listing volumes are the key variable in 2H25 and estimates a conservative -2.5% decline. This has resulted in a 1% upgrade to its FY25 EBITDA estimate, which the analyst reckons is potentially conservative.

On Greg Ellis' announcement as interim CEO, the broker expects the transition to be smooth and understands he will be actively making strategic decisions.

The broker has lifted FY25 EPS estimate by 11.5% and FY26 by around 8% mostly due to lower D&A. Rating downgraded to Overweight from Buy. Target is $3.30.

EVOLUTION MINING LIMITED ((EVN)) Downgrade to Hold from Buy by Canaccord Genuity.B/H/S: 0/0/0

Canaccord Genuity downgrades Evolution Mining to Hold from Buy with an unchanged target of $6.15 post 1H25 results, which were better than expected and ahead of consensus due to lower-than-forecast costs.

The 7c fully franked dividend per share compared to the broker's forecast of 4c and 5c for consensus.

Management confirmed it is on track for FY25 production guidance of 710-780koz p.a., with a softer March quarter expected due to maintenance at Cowal.

Achieving a gearing target of around 15% by December 2025 would provide better capital management options, the analyst explains, with expected excess capital potential in FY26.

Hold. Target $6.15.

HUB24 LIMITED ((HUB)) Downgrade to Market Weight from Overweight by Wilsons.B/H/S: 0/0/0

Wilsons is pleased its call since August for Hub24's valuation discount to close with Netwealth Group ((NWL)) has finally come to pass. However, the broker has now "reluctantly" downgraded the stock to Market Weight from Overweight on valuation grounds.

The company's 1H25 result was healthy, the broker notes, but its forecast upgrades were limited due to sustained reduction in Pooled Cash balance as Hub24 enters 2H, increased headcount and higher tax rates.

Target price rises to $82 from $80.

IMDEX LIMITED ((IMD)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Imdex reported 1H25 underlying EBITDA of $64m which was largely in line with consensus. Jarden is forecasting 2H25 EBITDA of $68m mainly due to forex benefits, as the company flagged flat activity into 2H.

The broker reckons further benefits from cost-out or operating leverage could emerge through 2H25, should activity return earlier than current management expectations of FY26.

The broker cut FY25 and FY26 EPS by -4% and -3% respectively. Target price rises to $2.45 from $2.30.

Rating downgraded to Neutral from Overweight until the broker sees evidence of stronger activity and earnings leverage in FY26.

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

Monadelphous Group's 1H25 core net profit of $43m was ahead of Jarden's $36m estimate on strong improvement in group EBITDA margins.

Excluding insurance and forex impact, EBITDA margins still grew strongly, up 75bps year on year, Jarden suggests.

The broker has lifted long-run EBITDA margins estimate closer to 7% by FY27. The analyst raised FY25 EPS forecast by 3.8% and FY26 by 4.8%.

Target price rises to $16.1 from $13.5. Rating downgraded to Neutral from Overweight following share price rise.

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

Jarden misinterpreted Orora's guidance at the 1H25 result alluding to a "mid-30's" EBIT ambition longer term for its glass manufacturing segment, as representing a half-year EBIT contribution. This meant the broker essentially doubled the stated ambition in its forward forecasts

The broker has now unwound this overestimate over FY26-27, resulting in a downgrade to its recently revised core EPS forecasts.

Target price cut to $2.4 from $2.6, and rating downgraded to Overweight from Buy.

PRO MEDICUS LIMITED ((PME)) Downgrade to Market Weight from Overweight by Wilsons.B/H/S: 0/0/0

Pro Medicus' 1H25 topline revenue of $97M missed Wilsons' estimate by -7% but the broker admits it was a case of its forecast being too high. Overall, directionally the result met the broker's expectations.

The broker lowered FY25 revenue estimates on account of the 1H miss while leaving 2H forecasts unchanged. FY26 forecast was lifted by 1.2% owing mainly to new contracts.

Target price rises to $297 from $275 but rating lowered to Market Weight from Overweight.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	CHARTER HALL RETAIL REIT	Buy	Neutral	Moelis
2	DATA#3 LIMITED.	Buy	Buy	Wilsons
3	FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED	Buy	Neutral	Wilsons
4	GPT GROUP	Neutral	Sell	Jarden

5	GRAINCORP LIMITED	Buy	Neutral	Wilsons
6	HOMECO DAILY NEEDS REIT	Buy	Neutral	Moelis
7	OPTHEA LIMITED	Neutral	Sell	Wilsons
8	ORIGIN ENERGY LIMITED	Neutral	Sell	Jarden
9	XRF SCIENTIFIC LIMITED	Buy	Buy	Canaccord Genuity
Downgrade				
10	BLUESCOPE STEEL LIMITED	Sell	Neutral	Jarden
11	BRAMBLES LIMITED	Neutral	Buy	Jarden
12	COCHLEAR LIMITED	Neutral	Buy	Wilsons
13	COMMONWEALTH BANK OF AUSTRALIA	Sell	Sell	Jarden
14	DOMAIN HOLDINGS AUSTRALIA LIMITED	Buy	Buy	Jarden
15	EVOLUTION MINING LIMITED	Neutral	Buy	Canaccord Genuity
16	HUB24 LIMITED	Neutral	Buy	Wilsons
17	IMDEX LIMITED	Neutral	Buy	Jarden
18	MONADELPHOUS GROUP LIMITED	Neutral	Buy	Jarden
19	ORORA LIMITED	Buy	Buy	Jarden
20	PRO MEDICUS LIMITED	Neutral	Buy	Wilsons

Price Target Changes (Post Thursday Last Week)

Company		Last Price	Broker	New Target	Old Target	Change
A2M	a2 Milk Co	$7.50	Wilsons	7.06	5.75	22.78%
AD8	Audinate Group	$8.93	Moelis	10.27	9.45	8.68%
AGL	AGL Energy	$10.69	Goldman Sachs	11.90	11.65	2.15%
AGN	Argenica Therapeutics	$0.85	Petra Capital	1.19	1.20	-0.83%
ALL	Aristocrat Leisure	$75.13	Jarden	67.00	61.00	9.84%
AMP	AMP	$1.39	Goldman Sachs	1.48	1.54	-3.90%
			Jarden	1.40	1.45	-3.45%
AOV	Amotiv	$10.00	Goldman Sachs	12.20	13.00	-6.15%
AQZ	Alliance Aviation Services	$2.54	Wilsons	3.93	4.32	-9.03%
ARB	ARB Corp	$38.43	Goldman Sachs	38.00	39.20	-3.06%
			Wilsons	49.12	50.27	-2.29%
ARF	Arena REIT	$3.77	Jarden	4.55	4.30	5.81%
ASB	Austal	$3.57	Petra Capital	4.07	3.70	10.00%
ASK	Abacus Storage King	$1.22	Jarden	1.28	1.30	-1.54%
ASX	ASX	$68.30	Goldman Sachs	61.00	59.50	2.52%
AZJ	Aurizon Holdings	$3.28	Jarden	3.20	3.25	-1.54%
BEN	Bendigo & Adelaide Bank	$10.98	Jarden	11.50	11.20	2.68%
BHP	BHP Group	$40.15	Goldman Sachs	49.40	46.80	5.56%
BRG	Breville Group	$36.09	Petra Capital	30.00	28.30	6.01%
BRI	Big River Industries	$1.28	Moelis	1.37	1.68	-18.45%
BSL	BlueScope Steel	$24.55	Goldman Sachs	27.70	26.70	3.75%
			Jarden	23.20	21.80	6.42%
BXB	Brambles	$19.93	Jarden	19.45	17.90	8.66%
CBA	CommBank	$155.73	Jarden	110.00	108.00	1.85%
CCP	Credit Corp	$15.77	Canaccord Genuity	20.60	20.70	-0.48%
CGF	Challenger	$5.47	Goldman Sachs	7.30	7.60	-3.95%
			Jarden	7.60	7.70	-1.30%
COH	Cochlear	$271.92	Goldman Sachs	294.90	280.00	5.32%
			Jarden	264.71	263.75	0.36%
			Wilsons	280.00	345.00	-18.84%
CPU	Computershare	$43.12	Goldman Sachs	38.00	35.50	7.04%
CQE	Charter Hall Social Infrastructure REIT	$2.96	Canaccord Genuity	3.03	2.84	6.69%
CQR	Charter Hall Retail REIT	$3.39	Jarden	3.70	3.90	-5.13%
			Moelis	3.94	3.98	-1.01%
CTD	Corporate Travel Management	$17.32	Wilsons	16.16	12.26	31.81%
DHG	Domain Holdings Australia	$3.12	Goldman Sachs	3.00	3.20	-6.25%

			Jarden	3.30	3.35	-1.49%
DTL	Data#3	$8.01	Wilsons	9.75	9.23	5.63%
DVP	Develop Global	$2.94	Canaccord Genuity	4.80	4.70	2.13%
DXI	Dexus Industria REIT	$2.81	Moelis	3.41	3.32	2.71%
DXS	Dexus	$7.46	Jarden	7.50	7.85	-4.46%
EMR	Emerald Resources	$4.09	Canaccord Genuity	5.30	5.00	6.00%
EVN	Evolution Mining	$6.38	Canaccord Genuity	6.15	5.20	18.27%
			Goldman Sachs	5.35	5.15	3.88%
			Jarden	4.68	4.72	-0.85%
FPH	Fisher & Paykel Healthcare	$31.65	Wilsons	35.00	34.93	0.20%
GDG	Generation Development	$4.97	Petra Capital	5.18	2.95	75.59%
GNC	GrainCorp	$6.78	Wilsons	8.91	8.61	3.48%
GQG	GQG Partners	$2.38	Goldman Sachs	3.20	2.80	14.29%
			Jarden	3.25	3.05	6.56%
HDN	HomeCo Daily Needs REIT	$1.20	Jarden	1.38	1.40	-1.43%
			Moelis	1.36	1.35	0.74%
HLI	Helia Group	$4.87	Goldman Sachs	4.52	4.55	-0.66%
HMC	HMC Capital	$10.00	Goldman Sachs	12.30	9.86	24.75%
			Jarden	9.95	7.90	25.95%
HUB	Hub24	$82.99	Canaccord Genuity	85.00	74.65	13.86%
			Moelis	88.58	77.08	14.92%
			Wilsons	82.00	80.00	2.50%
IAG	Insurance Australia Group	$7.89	Goldman Sachs	8.15	8.30	-1.81%
			Jarden	8.00	8.05	-0.62%
IGO	IGO Ltd	$4.62	Jarden	5.52	6.07	-9.06%
ILU	Iluka Resources	$4.74	Canaccord Genuity	5.00	6.30	-20.63%
IMB	Intelligent Monitoring	$0.55	Moelis	0.91	0.88	3.41%
IMD	Imdex	$3.08	Canaccord Genuity	3.04	2.67	13.86%
			Jarden	2.45	2.30	6.52%
IPX	Iperionx	$4.74	Petra Capital	6.75	6.69	0.90%
JHX	James Hardie Industries	$51.43	Jarden	54.00	56.00	-3.57%
JIN	Jumbo Interactive	$13.10	Jarden	15.00	14.60	2.74%
MAH	Macmahon	$0.32	Canaccord Genuity	0.37	0.28	32.14%
			Jarden	0.34	0.32	6.25%
			Petra Capital	0.39	0.43	-9.30%
MGR	Mirvac Group	$2.12	Jarden	2.35	2.20	6.82%
MIN	Mineral Resources	$25.83	Jarden	20.00	22.80	-12.28%
MND	Monadelphous Group	$16.28	Jarden	16.10	13.50	19.26%
NHC	New Hope	$4.15	Goldman Sachs	4.40	4.30	2.33%
NST	Northern Star Resources	$17.89	Goldman Sachs	19.40	19.80	-2.02%
NUZ	Neurizon Therapeutics	$0.15	Petra Capital	0.45	0.47	-4.26%
OBM	Ora Banda Mining	$0.96	Canaccord Genuity	1.05	0.85	23.53%
OPT	Opthea	$0.98	Wilsons	1.00	0.30	233.33%
ORA	Orora	$2.20	Goldman Sachs	2.40	N/A	N/A
			Jarden	2.40	2.70	-11.11%
ORG	Origin Energy	$10.55	Goldman Sachs	10.30	10.20	0.98%
			Jarden	10.25	10.45	-1.91%
PLY	Playside Studios	$0.22	Canaccord Genuity	0.50	1.05	-52.38%
PME	Pro Medicus	$286.09	Goldman Sachs	309.00	310.00	-0.32%
			Moelis	285.50	148.05	92.84%
			Wilsons	297.00	275.00	8.00%
RWC	Reliance Worldwide	$5.00	Goldman Sachs	6.00	6.05	-0.83%
			Jarden	5.70	5.60	1.79%
RXL	Rox Resources	$0.28	Canaccord Genuity	0.56	0.55	1.82%
S32	South32	$3.71	Canaccord Genuity	2.50	2.35	6.38%
SBM	St. Barbara	$0.26	Petra Capital	0.67	0.59	13.56%
SDV	SciDev	$0.49	Canaccord Genuity	0.65	0.74	-12.16%
SEK	Seek	$25.62	Goldman Sachs	24.00	21.50	11.63%
			Jarden	28.00	28.50	-1.75%
SGF	SG Fleet	$3.45	Canaccord Genuity	3.50	3.55	-1.41%
SGH	SGH Ltd	$53.80	Goldman Sachs	59.30	45.90	29.19%
SHL	Sonic Healthcare	$28.05	Jarden	29.38	29.04	1.17%

SHV Select Harvests	$4.94	Wilsons	4.64	4.46	4.04%
SPZ Smart Parking	$0.99	Petra Capital	1.63	1.02	59.80%
SUN Suncorp Group	$19.96	Jarden	20.85	17.50	19.14%
TPW Temple & Webster	$18.00	Canaccord Genuity	17.50	13.00	34.62%
		Jarden	18.65	14.01	33.12%
		Petra Capital	17.70	13.00	36.15%
TWE Treasury Wine Estates	$10.76	Goldman Sachs	12.90	13.00	-0.77%
		Jarden	13.90	14.70	-5.44%
WBC Westpac	$31.22	Jarden	31.20	30.00	4.00%
WDS Woodside Energy	$23.26	Goldman Sachs	24.50	25.00	-2.00%
		Jarden	26.60	26.90	-1.12%
WEB Web Travel	$5.08	Wilsons	5.77	5.17	11.61%
WGX Westgold Resources	$2.49	Canaccord Genuity	4.20	4.25	-1.18%
		Petra Capital	3.25	3.32	-2.11%
WTC WiseTech Global	$121.70	Goldman Sachs	142.00	138.00	2.90%
XRF XRF Scientific	$2.15	Canaccord Genuity	2.22	1.75	26.86%
Company	Last Price	Broker	New Target	Old Target	Change

More Highlights

BOL BOOM LOGISTICS LIMITED

Overnight Price: $1.40

Taylor Collison rates ((BOL)) as Initiation of coverage with Outperform (2)

Taylor Collision initiated coverage on Boom Logistics with an Outperform rating but no target price.

The broker notes Boom has struggled historically with subpar Return on Net Assets (RoNA) and limited profitability on over $200m revenue.

The company's performance materially improved since new leadership took over in 2H23.

With FY25 net profit guidance of $8m, up 21% on FY24, and a medium-term RoNA target of 15%, the stock remains undervalued at a -42% discount to peers, the broker observes.

The analyst highlights Australia's transition to renewable energy and electrification is driving demand for crane services in wind farms and transmission line construction, and both are key growth areas for Boom.

This report was published on February 12, 2025.

Current Price is **$1.40**. Target price not assessed.
The company's fiscal year ends in June.

Forecast for FY25:

> Taylor Collison forecasts a full year **FY25** dividend of **0.00** cents and EPS of **19.40** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.22**.

Forecast for FY26:

> Taylor Collison forecasts a full year **FY26** dividend of **0.00** cents and EPS of **24.10** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **5.81**.

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

IFM INFOMEDIA LIMITED

Automobiles & Components Overnight Price: $1.49

Moelis rates ((IFM)) as Buy (1)

Infomedia provided an update on its strategy to create alignment between its products, integrate its platforms with other key automotive software systems, pursue efficiencies and explore new growth opportunities.

The 1H25 result displayed progress on efficiencies, Moelis notes, which has lead to cost control, disciplined capitalisation of development expenditure and high cash generation.

The company announced it will aim to undertake an on market share buyback of up to 18.8m shares. This is a significant capital management initiative, Moelis suggests.

The broker has not included the proposed acquisition of Tellegam nor buyback at this stage. Buy and $1.83 target retained.

This report was published on February 18, 2025.

Target price is **$1.83** Current Price is **$1.49** Difference: **$0.345**
If **IFM** meets the Moelis target it will return approximately **23%** (excluding dividends, fees and charges).
Current consensus price target is **$1.87**, suggesting upside of **28.7%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

> Moelis forecasts a full year **FY25** dividend of **4.10** cents and EPS of **6.30** cents.
> At the last closing share price the estimated dividend yield is **2.76%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **23.57**.
>
> How do these forecasts compare to market consensus projections?
>
> Current consensus EPS estimate is **5.4**, implying annual growth of **59.8%**.
> Current consensus DPS estimate is **4.7**, implying a prospective dividend yield of **3.2%**.
> Current consensus EPS estimate suggests the PER is **26.9**.

Forecast for FY26:

> Moelis forecasts a full year **FY26** dividend of **4.60** cents and EPS of **7.10** cents.
> At the last closing share price the estimated dividend yield is **3.10%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.92**.
>
> How do these forecasts compare to market consensus projections?
>
> Current consensus EPS estimate is **6.9**, implying annual growth of **27.8%**.
> Current consensus DPS estimate is **5.0**, implying a prospective dividend yield of **3.4%**.
> Current consensus EPS estimate suggests the PER is **21.0**.

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

SPZ SMART PARKING LIMITED

Hardware & Equipment Overnight Price: $0.97

Petra Capital rates ((SPZ)) as Buy (1)

Petra Capital notes Smart Parking's 1H25 result was broadly in line with strong operational performances from New Zealand and better than expected progress from operations in Germany and Denmark.

The company announced the acquisition of Peak Parking domiciled in Austin, Texas which is expected to add US$4.5m EBITDA on a calender 2025 basis.

Petra likes the deal, particularly the approach management has taken to de-risk the entry into a large market.

The broker lifts FY25-26 EPS forecasts by 13% and 21% respectively. Target price rises to $1.63 from $1.03, and Buy maintained.

This report was published on February 18, 2025.

Target price is **$1.63** Current Price is **$0.97** Difference: **$0.66**
If **SPZ** meets the Petra Capital target it will return approximately **68%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** dividend of **0.00** cents and EPS of **2.50** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **38.80**.

Forecast for FY26:

Petra Capital forecasts a full year **FY26** dividend of **0.00** cents and EPS of **4.60** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **21.09**.

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

IMB INTELLIGENT MONITORING GROUP LIMITED

Overnight Price: $0.53

Moelis rates ((IMB)) as Buy (1)

Intelligent Monitoring Group announced it is acquiring Kobe Pty Ltd for an initial -$6.98m cash payment and a deferred -$1.92m.

The company notes the acquisition will strengthen ADT's ability to grow and diversify in Queensland and position it for scalable growth, and contribute $0.8m earnings to FY25 EBITDA and $2.5m annually.

Moelis has updated estimates to include Kobe which increased FY25 EPS estimate by 1c.

The broker expects the company to benefit from the group's existing tax losses, and therefore operating earnings are expected to largely drop through to net profit over the next two years.

Target price rises to 91c from 88c. Buy maintained.

This report was published on February 17, 2025.

Target price is **$0.91** Current Price is **$0.53** Difference: **$0.385**
If **IMB** meets the Moelis target it will return approximately **73%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **0.00** cents and EPS of **1.80** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **29.17**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **0.00** cents and EPS of **7.20** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.29**.

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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