WEEK 43

STORIES TO READ FROM FNArena

Friday, 25 October 2024

ARB Corp Investing For US Growth

Rudi's View: Australia's Most Highly Recommended Stocks

Are SmartPay & Tyro Private Equity Targets?

CONTENTS

AUSTRALIA

BOOK REVIEWS

RUDI'S VIEWS

SMALL CAPS

WEEKLY REPORTS

FNArena
Financial News, Data & Analysis

GPO Box 3145 - Sydney NSW 2001
info@fnarena.com

Your editor:
Rudi Filapek-Vandyck

Your dedicated team of journos:
Danielle Ecuyer, Greg Peel & Mark Woodruff

AUSTRALIA

The Market In Numbers - 19 Oct 2024

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

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

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

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

Australia & NZ

Index	19 Oct 2024	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
NZ50	12823.890	-0.17%	3.22%	3.22%	8.95%	9.44%
All Ordinaries	8551.20	0.70%	0.15%	0.15%	9.22%	6.71%
S&P ASX 200	8283.20	0.84%	0.16%	0.16%	9.12%	6.64%
S&P ASX 300	8223.00	0.80%	0.17%	0.17%	9.12%	6.68%
Communication Services	1618.00	0.54%	1.58%	1.58%	1.88%	7.78%
Consumer Discretionary	3752.20	-1.36%	-2.26%	-2.26%	15.80%	6.85%
Consumer Staples	12201.90	-1.72%	-2.11%	-2.11%	-0.88%	-1.42%
Energy	8952.40	-3.92%	-1.93%	-1.93%	-15.72%	-10.76%
Financials	8556.90	4.07%	4.08%	4.08%	27.37%	11.75%
Health Care	45776.80	1.01%	3.87%	3.87%	8.11%	3.44%
Industrials	7472.30	0.45%	0.34%	0.34%	8.83%	9.70%
Info Technology	2628.00	-3.54%	-3.29%	-3.29%	43.38%	12.24%
Materials	17401.00	-0.61%	-5.00%	-5.00%	-10.72%	3.10%
Real Estate	4031.20	0.25%	-0.50%	-0.50%	20.42%	13.13%
Utilities	8635.00	-4.42%	-3.88%	-3.88%	5.57%	-7.00%
A-REITs	1839.80	0.31%	-0.45%	-0.45%	22.46%	13.27%
All Technology Index	3517.70	-1.25%	1.26%	1.26%	30.58%	12.10%
Banks	3596.10	5.08%	4.51%	4.51%	29.38%	12.55%
Gold Index	9481.00	8.41%	8.71%	8.71%	28.68%	28.87%
Metals & Mining	5683.10	-0.66%	-5.15%	-5.15%	-12.12%	2.39%

The World

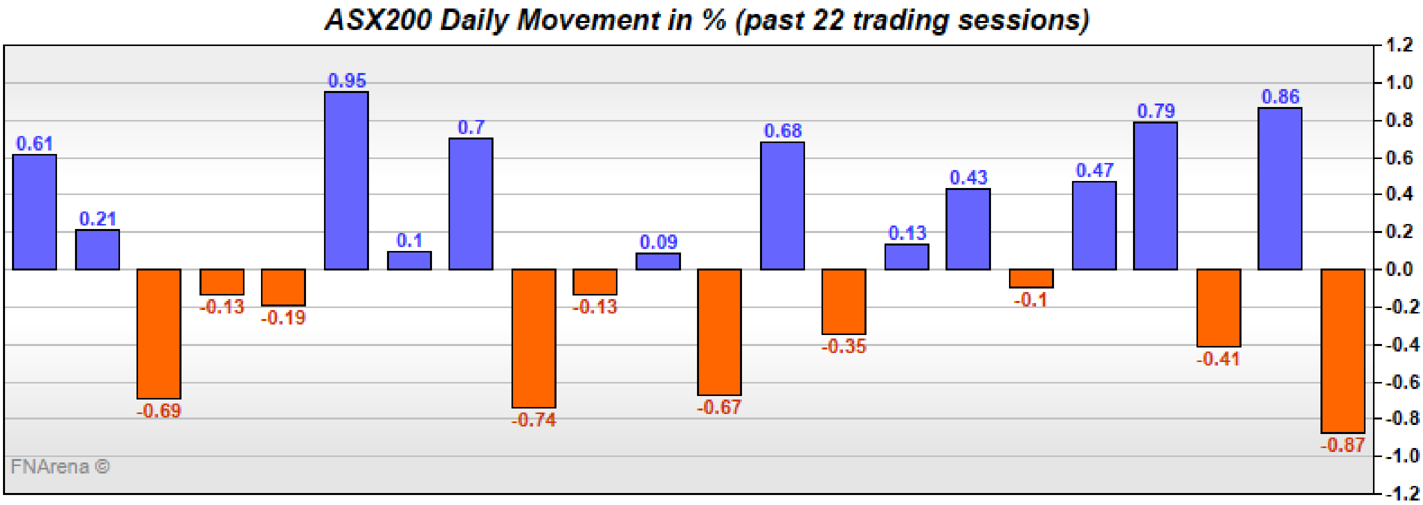
Index	19 Oct 2024	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
FTSE100	8358.25	1.27%	1.47%	1.47%	8.08%	2.38%
DAX30	19657.37	1.46%	1.72%	1.72%	17.35%	7.80%
Hang Seng	20804.11	-2.11%	-1.56%	-1.56%	22.04%	17.41%
Nikkei 225	38981.75	-1.58%	2.80%	2.80%	16.49%	-1.52%
DJIA	43275.91	0.96%	2.23%	2.23%	14.82%	10.63%
S&P500	5864.67	0.85%	1.77%	1.77%	22.95%	7.40%
Nasdaq Comp	18489.55	0.80%	1.65%	1.65%	23.17%	4.27%

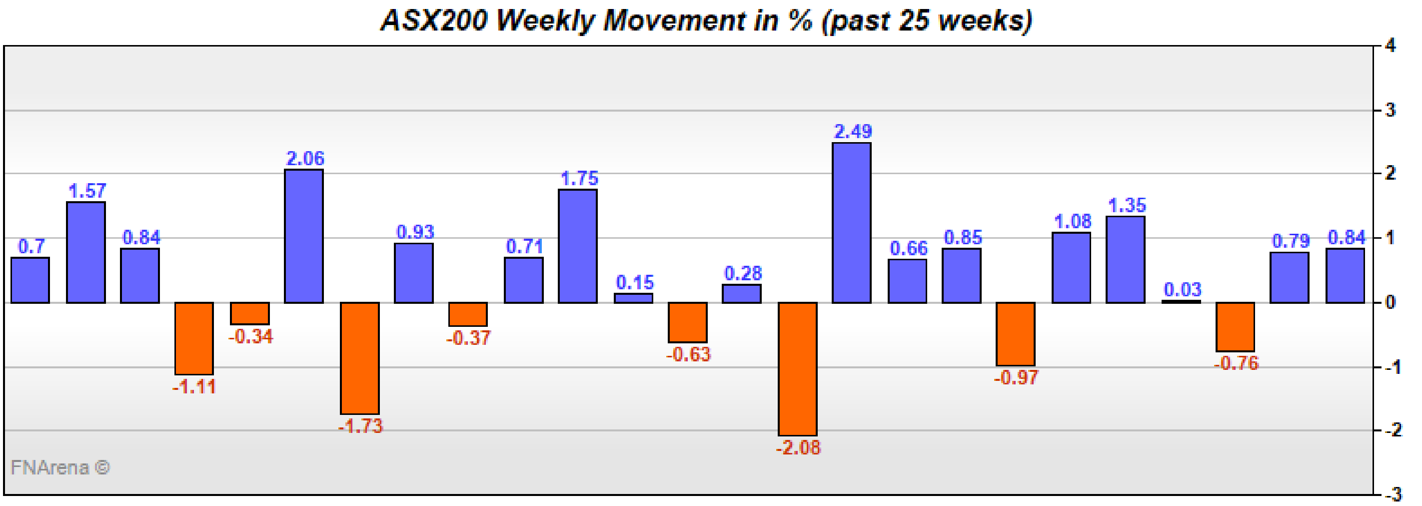
Metals & Minerals

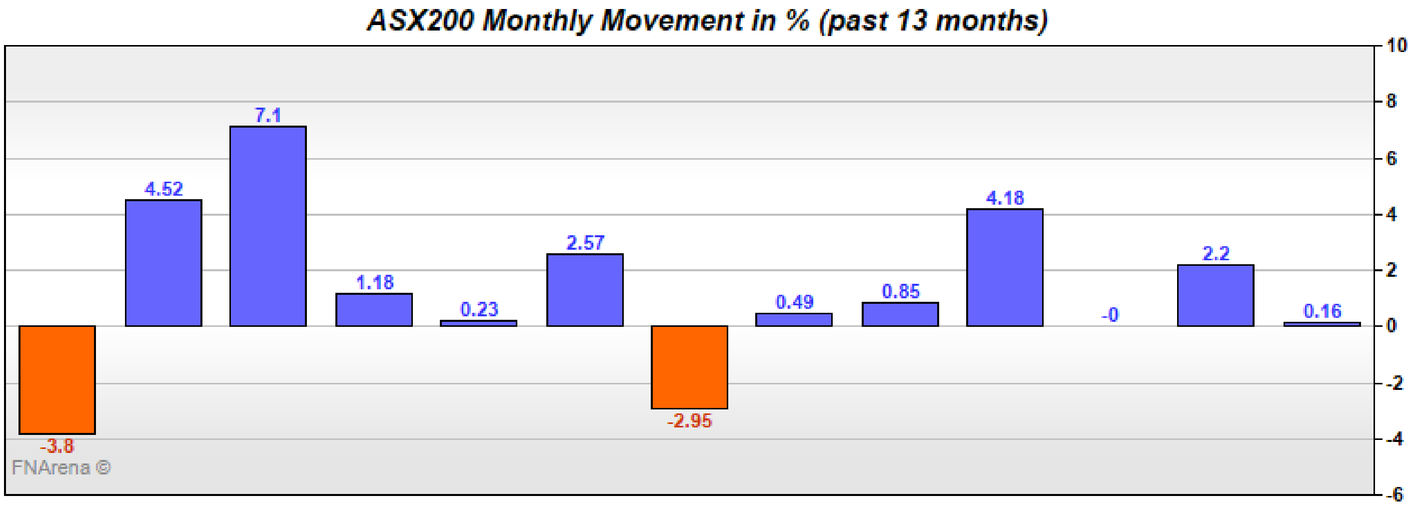
Index	19 Oct 2024	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
Gold (oz)	2708.35	2.31%	1.00%	1.00%	32.47%	15.84%
Silver (oz)	31.87	1.59%	-0.13%	-0.13%	30.72%	8.96%
Copper (lb)	4.3312	-2.63%	-5.81%	-5.81%	13.74%	-0.05%
Aluminium (lb)	1.1526	-1.15%	-2.87%	-2.87%	18.54%	2.50%
Nickel (lb)	7.6667	-3.68%	-0.02%	-0.02%	3.09%	-1.43%
Zinc (lb)	1.3722	-1.60%	-1.00%	-1.00%	22.02%	3.48%
Uranium (lb) weekly	83.00	0.00%	1.22%	1.22%	-3.49%	-0.30%
Iron Ore (t)	105.36	-0.43%	13.31%	13.31%	-23.78%	-1.08%

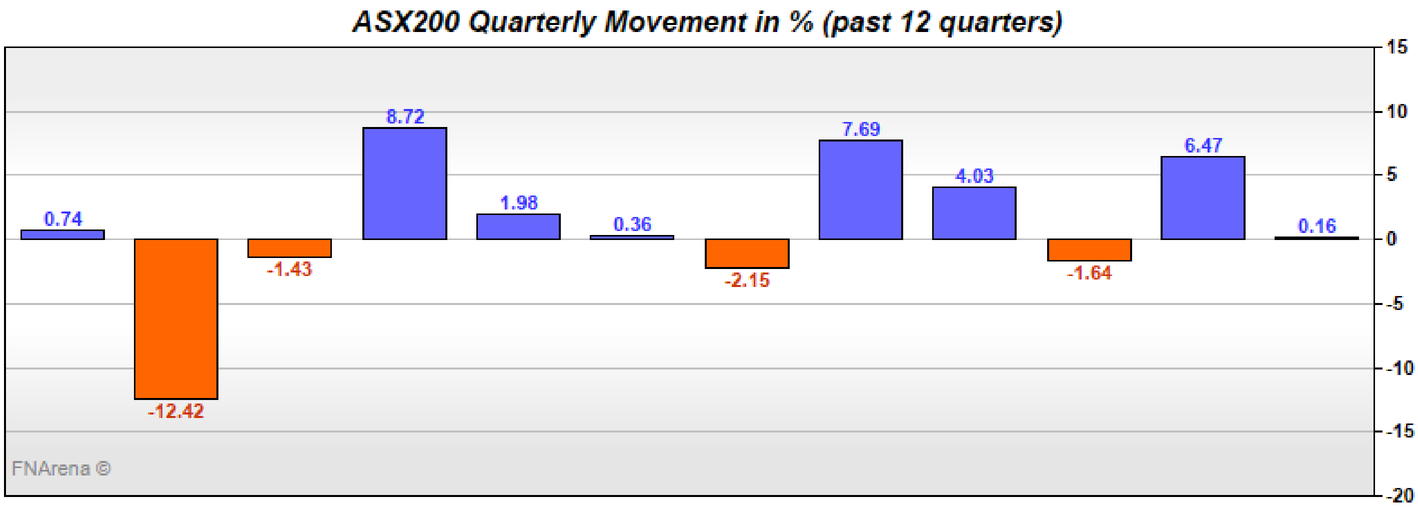
Energy

Index	19 Oct 2024	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
West Texas Crude	70.75	-6.44%	3.07%	3.07%	-4.15%	-13.57%
Brent Crude	74.52	-5.74%	4.17%	4.17%	-5.98%	-12.78%









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

ARB Corp Investing For US Growth

ARB Corp provided a disappointing first quarter update, but brokers are more focused on the growth opportunity offered by a recent transaction in the US.

-ARB Corp's profit slightly down year on year
-ARB boosted by a new deal in the US
-Further bolt-ons also announced
-Analysts look to future benefits of investment

By Greg Peel

ARB Corp ((ARB)), which designs, manufactures and distributes 4WD parts and accessories to trick up your vehicle for rural, off-roading, camping and so forth, has seen a volatile couple of months.

Following an FY24 earnings report that met consensus expectations, analysts were generally positive on the company's performance but less so about its valuation, which suggested further upside might be a struggle. An announced US acquisition in early September then had the stock surging once more.

That positive momentum reversed last week when management provided a first quarter FY25 trading update at the company's AGM.

The company reported sales up 6.5% year on year, suggesting a first half run-rate shy of forecasts, such as Ord Minnett's 8.5% assumption. It was a mixed bag by division. Australian aftermarket sales increased 5.5% compared to 2.1% in the first quarter last year. Export sales increased 10.4% compared to falling -7.8%, and original equipment manufacturer (OEM) sales declined -2.0%, having risen 35.4% last year.

Gross profit margins were largely in line with the prior period, however, profit was down slightly compared to last year. This was due to a higher cost of doing business, in particular labour and transaction costs.

The market responded negatively, but analysts were not so fussed, focusing more on the opportunity ahead for the company.

Despite a modest decline in first quarter profit, the company's fundamentals remain unchanged, suggested Ord Minnett. A strong order book, accelerating export sales and bolt-on acquisitions should drive medium term earnings growth.

Citi understood some in the market were disappointed after the trading update revealed slower-than-expected revenue growth and a surprise decline in profits. However, taking a step back, the broker sees ARB building the platform for long-term sustainable growth in the US.

4 Wheel Parts

In early September, US-based ORW (Offroad Warehouse), partially owned by ARB, agreed to buy US-based 4 Wheel Parts (4WP) from private equity for US$30m. As part of ORW's purchase of 4WP, ARB will lift its ownership in ORW from 30% to 50%.

4WP currently operates 42 retail stores and associated e-commerce sites, selling 4WD accessories across the US.

That increase in ownership is a function of ARB effectively providing greater contribution to the funding of the transaction than its current shareholding requires. It is not clear to Canaccord Genuity at this stage how much of the US$30m ARB will contribute as part of the transaction.

Greg Adler, who is the primary owner of ORW, previously had a long history with 4WP and Canaccord believes he understands that business very well. The broker notes ORW currently has 11 stores with plans for two additional stores (outside this transaction). This transaction will materially lift the footprint of ORW.

In Canaccord's view, 4WP is not the business it was several years ago, but Adler is the CEO that last had it running well, and the broker expects he is well-placed to turn it around.

In Wilsons' view, the transaction is positive, given the scale it adds to the ORW store network and familiarity existing ORW and ARB executives have with the business. Wilsons is enthused by ARB's progress on broadening its US distribution platform, adding confidence to the broker's standing assumption that US sales will grow some 20% pa over the next 5-plus years.

Retail is an important channel to market for ARB in the US market, Wilsons suggests, in terms of sales generation and building brand awareness. ARB's investment in ORW provides access to a well-credentialed specialist retailer, and on favourable terms in relation to ARB brand representation in store. Wilsons understands ORW stores are currently generating strong like-for-like sales growth.

And There's More

As part of the related transaction, ARB will buy Poison Spyder brand from the same private equity firm for US$1m. In a similar vein to 4WP, Canaccord believes this has limited financial impact in the near term, but is strategically very sound. Poison Spyder offers Jeep armour products.

Canaccord believes ARB is underweight Jeep product in its portfolio. This has not been an issue in Australia where Jeep is more of a niche brand, but more of an issue in the US where it is a key brand for offroad enthusiasts.

Citi sees ARB building the platform for long-term sustainable growth in the US by significantly improving its US distribution through the 4WP acquisition, and deepening its relationship with Toyota US with additional contracts expected. The Texas distribution centre will more than double in size from December 2024, and ARB has additional distribution centre space leased in California.

ARB is also increasing its manufacturing capacity through investment in automation and coating line in Thailand) and increasing R&D (a US facility to increase localisation and speed to market should be ready in December 2024).

Additionally, back at home, ARB announced the acquisition of MITS Alloy, a producer of ute trays and canopies in NSW.

Near-Term Earnings Downgrades

ARB will benefit, Ord Minnett suggests, from an uplift in export sales from an increased representation within the ORW/4WP stores. Offsetting this, the broker expects ARB to initially report a small loss from the combined ORW/4WP retail operations.

Following the acquisition of MITS Alloy, Ord Minnett expects an uplift in Australian aftermarket sales. Overall, given the slightly slower start to the year, this broker has lowered its FY25 earnings forecast by -2%, but upgraded FY26-FY27 by 2% and 4% respectively.

Ord Minnett has a Buy rating and $46 target price, down from $47 pre-update.

Morgan Stanley retains a $46 target and an Overweight rating, having provided a brief update.

Citi has cut its FY25 profit forecast by -11%, reflecting investments for future growth and non-recurring transaction costs. FY26 and FY27 forecasts fall by a lower amount (-5% and -4% respectively) as the broker expects strategic initiatives implemented by the company will be less one-off in nature.

Citi has nevertheless increased its target to $50 from $48, and retained Buy, with earnings changes offset by higher multiples.

While Wilsons' changes to earnings forecasts are modest, this broker sees further upside risk and considers the 4WP transaction as adding confidence to an assumption that US segment sales grow around 20% pa over the next 5-plus years. Wilsons also lifts its target, to $47.85 from $47.52, which is based on an FY25 PE of 35x, despite ARB's historical range of 20-30x.

Wilsons is also Overweight.

More circumspect is Canaccord Genuity. This broker has been cautious on ARB around its current multiple and believes there is some risk to FY25 consensus forecasts. Although that risk is small, ARB's one-year forward PE multiple of 30x means even small misses can be punished, notes Canaccord.

Although 4WP is a very strong strategic transaction, it is unlikely to change FY25 numbers positively in this broker's view as it is likely 4WP is not profitable in FY25. Canaccord's summary view is that this is a strong strategic transaction but with likely no material financial benefits until FY27.

Canaccord has a Hold rating and $38.30 target.

Harking back to the aforementioned FY24 result release in August, Macquarie held a Neutral rating and $43.80 target and Morgans was on Hold with $38.50.

UBS liked positive incremental US growth (pre 4WP transaction), a solid to positive outlook for aftermarket/export orders, another FY25 Toyota contract and four-plus new store openings in FY25. However, much of this and the FY25 earnings outlook was believed by UBS to be discounted in the share price, with little potential seen for consensus earnings upgrades.

UBS kept its Sell rating and $34.50 target price.

None of Macquarie, Morgans or UBS have to date updated on the 4WP deal or first quarter trading update.

AUSTRALIA

Beach Energy: For True Believers Only?

Beach Energy posted strong first quarter numbers and is headed to a production and cash flow inflection in FY26. But broker recommendations are polarised.

-Beach Energy's quarterly results ahead of consensus
-Improved Otway production key
-Delays at Waitsia disappoint
-Analyst views are split down the middle

By Greg Peel

Beach Energy ((BPT)) shares initially shot up 4% on the release of its first quarter FY25 update. Production, sales and revenues were all ahead of consensus forecasts. The better-than-expected revenue number was driven by a 16% quarter-on-quarter increase in production, which, in turn, was driven by very strong gas output from the Otway Basin operations offshore South Australia and Victoria.

The company's mature (and declining) assets Western Flank (Cooper Basin, on shore Queensland) and BassGas (Bass Basin, offshore Victoria) also provided a boost following successful well intervention works, while Beach secured additional swap cargoes for its Waitsia project (onshore Western Australia).

On the other hand, the key disappointment consisted of more delays at the Waitsia project. Waitsia's schedule and budget were nevertheless reiterated, despite poor productivity delaying first gas into the plant. Fifteen Beach staff are being seconded into the Waitsia joint venture with Mitsui, despite Mitsui being the operator, to control aspects of the commissioning phase.

One Waitsia development was drilled successfully in the quarter, bringing the number to twelve, with two more development wells and one appraisal well planned for FY25, and three more development wells on the horizon.

Wait and See

With fuel gas still yet to be introduced into the Waitsia Gas Plant, UBS (Buy) now anticipates first gas is achieved in March and recognises the key outstanding risk remains commissioning the compressor trains. If further productivity issues arise at Waitsia, it could see the contingency in the timeline to hit nameplate in the March quarter FY25 begin to thin.

That said, UBS is encouraged by Beach's ability to insert key people with commissioning expertise into supervisory roles for the remainder of the commissioning process.

Group FY25 production guidance is unchanged, on a wide production range. This wide production range allows for Waitsia Stage 2 ramp-up variability, notes Bell Potter (Buy), with first gas targeted for early 2025 preceding a three to four month ramp-up.

Production in the Otways will also rebase higher following Thylacine West well connection with first gas expected end of October 2024. This growth will offset a relatively stable Cooper Basin outlook and ongoing decline at the Western Flank oil assets.

It was a solid quarterly update in Macquarie's (Neutral) view, featuring "sensible" LNG swaps and progress on new Otway wells. The Waitsia start-up in the March quarter is seen as the primary catalyst. The Mitsui/Beach Energy JV could buy Mineral Resources' ((MIN)) Perth basin assets to reinforce its Waitsia position, Macquarie suggests, although this would likely be a negative catalyst for Beach's share price.

Citi (Sell) points to operating cash flow in the quarter being more than 10% higher than forecast following Beach securing additional swap cargoes for Waitsia. However, the broker warns, an unwind on this sees earnings and operating cash flow fall commensurately in 2026, with only a modest net present value benefit.

The stock trades around a 1x price/net asset value ratio using a consensus oil curve forecast, Citi notes, despite Waitsia and transformation execution risks remaining elevated. If the oil price falls in 2025 in the way Citi expects, then Beach, which is unhedged, will have a smaller balance sheet to transact on acquisitions.

Citi thinks the size of an acquisition will be large in the sense that management will presumably want to dilute away the low quality nature of some assets that have high sustaining capex and/or short reserves life.

Investors can therefore wait for execution first, Citi suggests, while getting a free look on the commodity price.

Citi is simply not a fan, stating "Beach Energy currently remains too difficult for us". The stock's inclusion in an equity portfolio is too hard to justify for now, the broker believes.

Split Views

Earlier this month, ahead of Beach Energy's quarterly update, Morgan Stanley downgraded the stock to Underweight from Equal-weight due to development challenges and ongoing reserve headwinds. This broker was worried by potential for further downgrades after a further -5% of total reserve downgrade following management's June 18 strategic review, which also downgraded reserves.

Management stated growth options won't be prioritised until delivery of the Otway and Waitsia developments, and delivery of production cost targets.

Following the quarterly update, Morgan Stanley has retained its Underweight rating.

At the same time, Goldman Sachs reassessed its energy sector recommendations ahead of the round of first quarter reports. Escalating tensions in the Middle East have driven significant oil price volatility, this broker notes, as the market considers the risk of disruptions to supply out of the region. Amid the uncertainty Goldman remained selective, noting Santos ((STO)) and Karoon Energy ((KAR)) trading at steep -14/18% discounts to the broker's net asset valuation, while Beach Energy was trading at 1x net asset valuation, as Citi highlighted above.

Goldman thus has Buy ratings on Santos and Karoon and a Sell on Beach Energy.

Ord Minnett (Buy) nevertheless views Beach as undervalued, especially considering its strong (and getting stronger) cash flow prospects. The broker forecasts a free cash flow yield of more than 25% over the FY26-30 horizon, which should spur greater shareholder returns. Much of Beach's project execution risk, Waitsia delays notwithstanding, appears to have been overcome, suggests Ord Minnett, and this, along with potential cost savings, adds to the investment attraction.

Over FY25, Waitsia Stage 2 will ramp-up and new Otway wells are expected to offset Western Flank decline, notes Bell Potter (Buy). Capex is now trending lower and production growth will see free cash flow lift from FY26.

Beach's near-term production growth is a key differentiator in this broker's view when compared with domestic peers. A positive view on Australian east coast gas and LNG markets, and a strong production and earnings growth outlook, underscore Bell Potter's Buy recommendation.

UBS has Beach Energy trading at the lowest implied oil price across its sector coverage US$52/bbl compared to Santos at US$59/bbl and Woodside Energy ((WDS)) at US$62/bbl. UBS thus retains Buy.

Jarden maintains its US$80/bbl near-term Brent oil price forecast despite material upside and downside risks from rising tensions in the Middle East. Upside should a supply disruption occur and downside if no disruption eventuates. This broker noted, earlier this month, rising market concerns about the global economic growth outlook (particularly the impact of China) and media reports noting Saudi Arabia's threat to increase output weakening sentiment.

That said, Jarden retains an Overweight rating on Beach Energy.

Morgans (Add) has not updated since Beach Energy's FY24 earnings result in August.

As it stands, there are four Buy or equivalent ratings on Beach Energy among brokers monitored daily by FNArena, one Hold and two Sell. Not surprisingly, broker target prices cover a wide range dependent on positive or negative views.

Citi (Sell) has the lowest among them at $1.10, Macquarie (Neutral) is in the middle with $1.35 and Ord Minnet (Buy) has $1.65. (Morgans has $1.75 but as noted has not recently updated). The consensus target is $1.45.

Goldman Sachs (Sell) has a target of $1.26 and Jarden (Overweight) has $1.34. At the time of writing, Beach Energy is trading at $1.28.

BOOK REVIEWS

Book Excerpt: Virgin Millionaire

Managing your risk when borrowing to invest

Edited extract from *Virgin Millionaire: The step-by-step guide to your first million and beyond* by Ben Nash (Wiley, $34.95), available at all leading retailers.

Borrowing to invest is one of my favourite strategies, and I believe it is an important aspect of the journey to real money success. But you should be aware that borrowing to invest involves risk that needs to be carefully managed.

There are two big reasons why using smart debt as part of your investment strategy should be on your radar:

-Smart debt accelerates your wealth building: when you borrow money to invest, your end up with more investments than you could build with your savings alone. This means more investments growing for you, and therefore more investment profits.

-Smart debt gives you tax breaks: because interest costs are tax deductible, the after-tax cost of your borrowing is reduced.

Essentially there are four key areas that drive most risk. I will discuss them in some detail so you can cover your bases.

Choosing quality investments

First, choose an investment that will increase in value.

When investing in property with borrowed money, you're effectively relying on future growth. It's this growth that will facilitate your next investment, whether it's buying another investment property, investing in shares, or being able to turn off your employment income tap and retire.

If you choose an investment that doesn't grow over the long term, not only will you not make money on it, but your equity won't grow. This will reduce your ability to borrow more to invest in the future. And because each property consumes some of your borrowing capacity, a slow-growing property can be a serious spanner in the works of your Virgin Millionaire plan.

Avoiding forced sales

Make sure you're never forced to sell your good investment at a bad time.

The aim of any growth investment such as property or shares is to increase in value over time, and if you choose a good investment, this is exactly what will happen. But value increases don't happen in a straight line. Ups and downs are to be expected.

Even if you have the best property or share investment, there will be periods when it's value will decrease. It may be an effect of what's going on in the economy in Australia and around the world, of market sentiment, of geopolitical factors, or of a huge number of other variables.

It's important when you borrow to invest that you have money to fall back on. Your emergency fund needs to be full and you need a buffer for changes to your situation, including your finances, into the future.

If you're forced to sell a good investment at a bad time, you can lose money.

Cashflow risk

The biggest and most complicated area of risk to manage when you borrow to invest is around the cashflow of your debt-funded investment. Any time you borrow, you will need to make regular repayments to cover your debt. These repayments impact your cashflow and savings capacity, and if you can't cover your repayments and all your other expenses, you'll be in serious trouble.

You may be forced to make lifestyle sacrifices. In the short term this may be manageable, but in the long term it's unsustainable. Either way, it's not the pathway I'd recommend for any Virgin Millionaire, and it's unlikely to be the pathway you want for yourself.

Any time you borrow to invest, you need to ensure the investment and associated debt repayments comfortably fit within your means, not only today and next month but into the years ahead. Long-term cashflow is an area most people don't think about as much as they should, yet it carries the most risk.

Starting a family and the costs related to children and schooling, changing jobs or careers, starting a business and relocating to a different suburb or state will have a financial impact on how much money you have to cover debt repayments and investments.

You may buy an ideal property today, but one major change can mean it's no longer a comfortable fit. This will force you to make difficult decisions, such as selling your investment or making other sacrifices.

When setting up your strategy for buying a property, take time to consider how possible changed circumstances could impact your income and expenses. Bake this into your planning to ensure you will be able to hold your investment and reap the rewards over the long term.

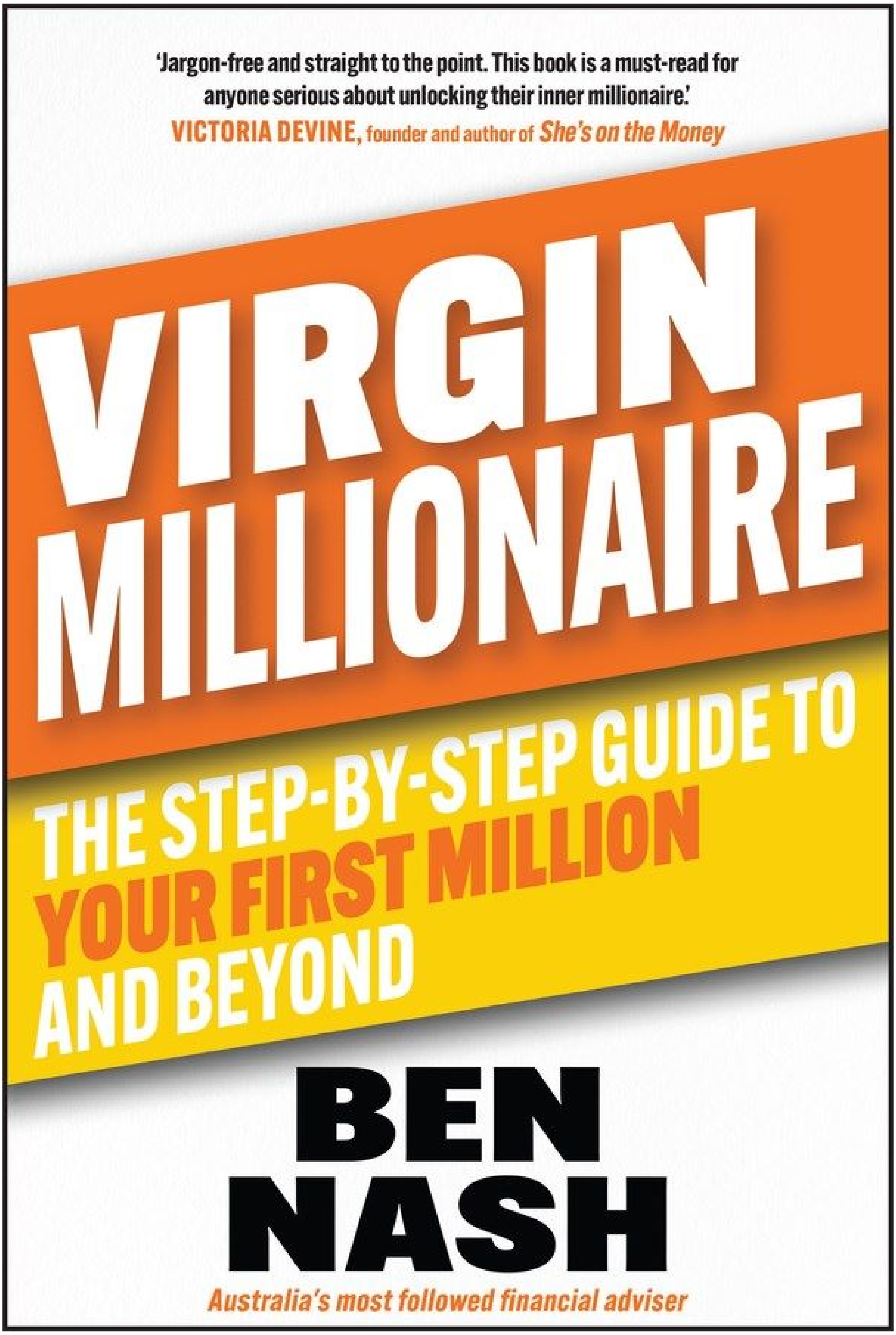
Interest rate risk

In the first months of 2024, we were looking back on the fastest interest-rate tightening cycle in a generation. Interest rate increases caught most people by surprise.

Many investors in the property market were under so much pressure they needed to sell properties because they simply couldn't keep up their debt repayments. Though they will be able to get back on track, their investing plans have been set back for years.

No one was expecting rates to increase as far or as fast as they did, but it's also fair to say that many didn't plan their borrowing as well as they should have.

Whenever you borrow, you need to be aware that interest rates may increase and plan your investment with this in mind. This is particularly important when rates are below their long-term average, but it's relevant at any time.



Virgin Millionaire: The step-by-step guide to your first million and beyond by Ben Nash (Wiley, $34.95).

Disclaimer: The information contained in this article is general in nature and does not take into account your personal objectives, financial situation or needs. Therefore, you should consider whether the information is appropriate to your circumstances before acting on it, and where appropriate, seek professional advice from a finance professional.

Technical limitations

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

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

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

RUDI'S VIEWS

Rudi's View: Australia's Most Highly Recommended Stocks

In Weekly Insights this week:

-Australia's Most Highly Recommended Stocks
-FNArena Talks

By Rudi Filapek-Vandyck, Editor

Australia's Most Highly Recommended Stocks

Risk comes in multiple shapes and forms.

A lot is being written about top notch valuations for global share markets, but the risk that is showing itself yet again this month in Australia is the risk for disappointing operational performance. On Monday, Nick Scali ((NCK)) shares are trading down -4.7% following a subdued AGM trading update.

Nick Scali's disappointment follows in the footsteps of ARB Corp ((ARB)) and EVT Ltd ((EVT)), as well as the travel sector representatives Flight Centre ((FLT)) and Web Travel Group ((WEB)) last week. For good measure, not all market updates are of a negative nature as can also be seen through the share price responses post market updates by the likes of Amotiv ((AOV)) and Bellevue Gold ((BGL)).

Maybe the safest conclusion to draw is that operational challenges remain a tangible headwind for many an ASX-listed company, smaller cap companies in particular.

For local investors, the art of successful investing hasn't changed since the August results season: it's about identifying which companies remain a great investment despite short-term weakness, plus separating out those unlikely to disappoint when communicating their latest insights.

Maybe FNArena can help with this mission?

After all, we do have access to research, opinions and views from analysts and strategists whose job it is to analyse, project and predict when it comes to share markets and individual ASX-listed stocks.

The Super Stock Report Top Twelve

The most straightforward methodology is through simply adding up all Buy/Hold/Sell ratings inside the FNArena universe, with our monthly **Australian Super Stock Report** providing exactly such an overview.

The October update, freshly published on the website last week, revealed a rather unique phenomenon. I say unique because in the more than two decades of compiling this Report, I cannot remember one single precedent.

The Top 40 of highest recommended stocks all have the maximum score on the FNArena Sentiment Indicator which ranks between positive 1 and negative -1. A positive 1 indicates all ratings are Buy or equivalent. A negative -1 implies all ratings are negative.

To compile our monthly Top 40 we require at least three (out of eight) brokers covering. Yet, all in the current Top 40 currently have no other ratings than Buy.

The local index is near an all-time record high, but this observation is as much a reminder to all of us the share market remains widely dispersed and polarised, with smaller cap companies representing both opportunity and risk.

Setting the minimum of analysts to five (5) generates the following **twelve most highly recommended stocks on the ASX** (as per last week's update of the Australian Super Stock Report):

-Universal Store ((UNI))
-Whitehaven Coal ((WHC))
-Patriot Battery Materials ((PMT))
-Accent Group ((AX1))
-GQG Partners ((GQG))
-Paladin Energy (PDN))
-Nickel Industries ((NIC))
-Worley ((WOR))
-SiteMinder ((SDR))
-Seek ((SEK))
-Flight Centre Travel ((FLT))

The first observation to make is both Seek and Flight Centre have had their share of negative news announcements this year, but sector analysts clearly do not think this removes the fact both share price are undervalued and much better times should announce themselves on the horizon.

Also, the aforementioned Amotiv and Nick Scali are equally on the long list of maximum Buy ratings, as are Superloop ((SLC)), Lindsay Australia ((LAU)), SRG Global ((SRG)), Kelsian Group ((KLS)), Beacon Lighting ((BLX)) and Zip Co ((ZIP)), among many others.

For more details, FNArena subscribers can download the monthly Report via the website, or simply use the link near the bottom of today's story.

FNArena's R-Factor

Another way of looking at individual stocks is through analysts' forecasts and establish where share price multiples are at in relative comparison. We have now entered the territory of **FNArena's R-Factor**.

Starting with EPS forecasts for the current and next financial year, and also taking into account dividend yields for both years, provides us with the following Top 12:

-Beach Energy ((BPT))
-Atlas Arteria ((ALX))
-IPH Ltd ((IPH))
-Challenger ((CGF))
-Perpetual ((PPT))
-Nickel Industries ((NIC))
-Charter Hall Retail REIT ((CQR))
-Downer EDI ((DOW))
-Spark New Zealand ((SPK))
-Kelsian Group ((KLS))
-HomeCo Daily Needs REIT ((HDN))
-Nine Entertainment ((NEC))

Here, the obvious comment to make is that in all cases there is a reason for why the shares look 'cheap' and 'undervalued' when measured against analysts' forecasts. In most cases the reason is a series of bad news announcements which have made investors rather reticent to jump on board.

Bear in mind, for example, Citi analysts on Monday repeated their view that Beach Energy is simply 'too hard' to assess at the moment, due to too many unpredictable negatives.

Toll road operator Atlas Arteria is facing multiple risks and headwinds in both France and the USA. IPH Ltd shares are being weighed down by negative filing volumes in Australia. Challenger has just released its Q1 trading update, described by Ord Minnett as its worst performance in more than a decade.

And so forth, and so forth.

While FNArena's R-Factor can be a great starting point to find companies that seem grossly undervalued, the real challenge is to decipher why this is the case, and whether it's temporary or longer-lasting.

The presence of HomeCo Daily Needs REIT might be directly related to the high yields on offer, alongside the prospect of a robust recovery in earnings per share. This REIT, like so many others, would benefit from RBA rate cuts and lower bond yields, although investors shouldn't bet on it for the months ahead, according to market consensus.

Best Buys, Conviction Calls & Model Portfolios

A third method is a lot more labour intensive, but we've done the *hard yakka* over the weekend by combining all the various Conviction Lists, Model Portfolios and sector favourites from the brokers FNArena monitors regularly.

This effort has generated a **list of 15 companies** that might well be described as **Australia's most favoured equities** as markets prepare for a different twelve months ahead. Given the input, this selection is much more focused on larger cap companies, which in light of the disappointments that are coming out of the smaller cap segment, might well be the better risk-adjusted option, still.

The following might surprise a few, including myself, but **ResMed ((RMD))** is the most favoured among professional strategists and portfolio stock-pickers. We counted ten nominations, plus a 0.6 reading on the FNArena Sentiment Indicator, plus two Buy ratings from brokers not monitored daily.

The shares have recovered more than 70% since the depths of the GLP-1s scare this time last year and, clearly, the expert opinion is this growth story has a lot more to offer, still. ResMed is scheduled to report Q1 financials on Friday morning, Sydney time. A lot of attention will be paid to the gross margin, alongside the underlying composition of what should prove yet another robust performance.

Equally (if not more) important: irrespective of what happens in response to Friday's result release, analysts generally remain confident to see ResMed grow earnings at double-digit percentages for many more years ahead.

The second most highly rated company is **James Hardie ((JHX))** whose short-term outlook is currently in question because of devastating hurricanes raging through the south of America. James Hardie is oft referred to as possibly the highest quality cyclical on the ASX and experts' confidence in continuation of this longer-term growth story seldom wavers.

James Hardie does occasionally update the market with unexpected misfortunes and its key markets are highly cyclical, but all tends to end well, as also shown by the fact the share price hit an all-time record high earlier this year. James Hardie too will release quarterly financials shortly, on November 13.

James Hardie has been nominated nine times, rates 0.7 on the FNArena Sentiment Indicator, with two extra Buy ratings from brokers not monitored daily.

The four following nominations are **Xero ((XRO))**, **Aristocrat Leisure ((ALL))**, **CSL ((CSL))** and **Santos ((STO))**. All have eight nominations with otherwise minimal added differences.

Xero has successfully convinced analysts and investors it can adhere to the *Rule of 40*, which has pretty much become the golden standard for fast-growing technology companies, and make successful inroads into the US market. Don't just take my word for it, look at the share price over the past twelve months.

Most share price targets set by analysts are still above today's share price. Xero will report FY24 financials on November 7.

Gaming multinational Aristocrat Leisure remains off limits for selectors with a strict ESG focus, but fact remains Aristocrat has been one of the prime outperformers among larger caps on the ASX, also beating most smaller caps along the way, and it'll be a brave forecaster to predict this feat shall not be repeated in the years ahead.

The company is looking to divest of its non-core Social Casino operation, while continuing to invest heavily elsewhere and put the squeeze on competitors who cannot replicate. One of the new competitors, Light & Wonder ((LNW)) recently lost a court case with as yet unknown full ramifications.

As more US states are opening up for online 'gaming', the years ahead could offer additional avenues for growth. Aristocrat is yet another company that reports financials out of the normal cycle in Australia. Its release of FY24 financials is scheduled for November 13.

CSL reports in August and February and the case for owning Australia's number three index weight was yet again neatly summarised by Bell Potter on Monday, with the broker initiating coverage with a Buy rating and $345 price target.

The core business, which is Behring (plasma), represents circa 72% of CSL's annual revenues and, assisted by ongoing margin increase, this part of the business should continue to grow at double-digit percentages for many more years ahead. Says not only Bell Potter.

The two other main parts, Vifor (relatively new acquisition) and Seqirus (vaccines), have been struggling of late and Bell Potter's forecasts assume nil growth from both. Regardless, the broker remains confident management will deliver on its promise to grow the total business at double-digit earnings per annum over the mid-term.

CSL will update analysts at its R&D investor day on October 22, though no major new revelations are expected.

The inclusion of Santos very much reflects the falling out of favour by Woodside Energy ((WDS)) whose capital allocation decisions in recent times do not receive widespread approval. Loyal shareholders with appetite for tasty dividends should prepare for much reduced payouts in the years ahead, says virtually everyone.

Santos is now the most preferred energy sector exposure locally. As for the outlook for energy prices generally, let's just say expert opinion and projections remain divided.

Next in the ranking is **Brambles ((BXB))**, the world's number one pallet logistics company whose fortune has made a turn for the better, after a long period of disappointing shareholder experiences. The release of FY24 financials in August is a case in point with the share price quickly rallying from below $16 to above $19.

Brambles is now seen as on a more sustainable growth path, with plenty of management's in-house initiatives (including technology) seen as further cementing the company's new growth profile.

The following three companies' high ranking stands in contrast with sector analysts' ratings, as shown by rather subdued readings on the FNArena Sentiment Indicator. Those companies are **Rio Tinto ((RIO))**, **Westpac Bank ((WBC))** and **ARB Corp ((ARB))**.

This might be explained, particularly in the case of Rio Tinto and Westpac, through relative preferences. For institutional investors, the question is never shall we own Large Cap diversified resources or banks, but how much must we own. Call it the tyranny of large index weights.

Hence, given just about everyone views Australian banks as grossly overvalued, but definitely not 'cheap', the best way of interpreting Westpac's high ranking is probably: if you must own at least one bank, Westpac is most preferred.

Rio Tinto has been criticised for paying a high price to acquire Arcadium Lithium, but most sector analysts have targets above today's share price. More stimulus forthcoming from China feeds into sector optimism as well, as does the general view the global economy is poised for a recovery next year, not economic recession.

ARB Corp recently issued a disappointing market update, but most expert voices are clearly not too worried. The large US market, and the company's investments and alliances, should bode well for many years to follow.

ARB Corp has five nominations, as do **BHP Group ((BHP))**, **Car Group ((CAR))**, **South32 ((S32))**, **Suncorp Group ((SUN))**, and **Telstra ((TLS))**. The latter five all enjoy a positive reading on the FNArena Sentiment Indicator (equally backed-up by brokers not monitored daily).

The big surprise here, I assume, is the inclusion of Telstra. This long vilified large cap has long provided shareholders with an elongated erosion in the share price as dividends went backwards, then stagnated. That trend is now reversing and expectations are for ongoing increases in dividend payouts in the years following.

I think Telstra is now Australia's most favoured dividend stock, also helped by the fact banks are seen as pricey and Suncorp will pay out a big dividend this year (sale of bank), but it'll fall quite heavily in the year thereafter. On current consensus forecasts, Westpac's dividend is set for small declines in both FY24 and FY25.

Those forecasts will be put to the test when three of the local Big Four report financials in November, including Westpac.

****

To stay on top of corporate results locally (including calendar):
https://fnarena.com/index.php/reporting_season/

FNArena's Australian Super Stock Report: https://fnarena.com/index.php/analysis-data/super-stock-report/

FNArena's R-Factor: https://fnarena.com/index.php/analysis-data/consensus-forecasts/the-rfactor/

For recent updates on Best Buys, Conviction Calls and Model Portfolios:

https://fnarena.com/index.php/2024/10/17/rudis-view-ai-lithium-uranium-steadfast/

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

FNArena Talks

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

https://youtu.be/0mVrFMA2CUY

All-Weather Model Portfolio

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

Prior years:

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

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

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

Video: Why FNArena & All-Weather Stocks

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

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

Model Portfolios, Best Buys & Conviction Calls

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

FNArena Subscription

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

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

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

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

RUDI'S VIEWS

Rudi's View: Earnings, Best Ideas & Favourite Stock Picks

By Rudi Filapek-Vandyck, Editor

Quote of the week comes from **Wilsons' strategy update** for the Australian equities market:

"The Australian equity market currently has an unattractive earnings growth outlook, with both the ASX 200 and ASX All Industrials indices offering EPS growth of only ~3% over the next 12 months while the resources sector is expected to deliver negative -8% EPS growth over this period."

Understanding the implications and broader context behind that conclusion makes it a lot easier to understand why Wilsons remains a big fan of fast-growing, quality technology stocks on the ASX. These companies might trade on much higher valuation multiples than most ASX-listed stocks, they also offer much higher growth and longer lasting than just the next six or twelve months.

Wilsons spells out the contrast: 'Growth' (IT, Media & Healthcare) is projected to deliver 15%-plus EPS growth on average.

Conclusion: *"Due to the scarcity of growth elsewhere in the market, the areas of the ASX that are offering attractive earnings growth are justifiably being afforded a valuation premium in the current environment."*

Wilsons' Focus Portfolio has three such exposures, expected to outperform yet again over the year ahead:

-Xero ((XRO))
-TechnologyOne ((TNE))
-Hub24 ((HUB))

While shorter-term PE ratios might look pricey and act as a deterrent to own these stocks, Wilsons' advice to investors is to take a 3-5 years view and focus on where respective PE ratios will be on continued double-digit percentage growth per annum, and where that should take respective share prices.

The added confidence booster is these companies' growth trajectories are not dependent on what happens with economies and interest rates, though no company is fully immune from what happens in the world, of course.

****

Irrespective of the rather dim-looking earnings outlook for corporate Australia, local key share market indices remain near all-time record highs, predominantly as a result of some weakness from macro-related factors including the US presidential election (close), rising bond yields and continued geopolitical uncertainty as Israel and Iran weigh up further actions and potential ramifications.

Some market commentators have been pointing in the direction of Australian superannuation funds when asked why bank shares are where they are given the context above that also includes a low growth outlook for the sector locally. A recent update on this matter by **strategists at UBS** has dismissed the suggestion that super funds are buying regardless of valuations and thus responsible for what could be described as Australia's 2024 banking shares bubble (?).

As an aside, I personally believe the term 'bubble' is way too often used, and way too liberally too, often simply indicating those who use it, and use it time and again, do not understand the forward-looking nature of financial markets, as well as current expectations for lower rates and a 'no landing' outcome for major economies.

Back to UBS's assessment, the observation stands the recent June quarter in Australia saw a record $57bn in fresh liquidity flowing into Australian superannuation funds. Having increased at a pace of 13% over the past twelve months, the current pace of growth is almost double the average over the past twenty years.

But UBS makes the point these inflows need to be assessed against the totality in funds that sit in today's system, as well as against the fact the share market too has grown significantly over that period. Hence, yes, those fresh inflows are significant, but in a relative sense they are not exceptional; far from it.

UBS points out the average allocation to local equities sits at 23.2% and hasn't changed much, but the allocation to foreign equities has and now averages 29%.

Just to make sure, UBS has been tracking quarterly moves over the past decade and observes no relationship between funds flows and share market valuation. There's an impact, for sure, but maybe not so much on valuation.

Instead, concludes UBS, if you want to figure out why the valuation for the local share market is where it is, it's probably best to look offshore, towards US markets. The local bourse tends to take guidance, and direction, on valuation from US equities.

In this context, concludes the report, one "must accept the leadership the influential US market has on the sentiment and momentum behind equities down under".

****

The above, of course, easily explains why the current quarterly reporting season for US companies should also be closely followed by investors in Australia, even if they are 100% invested in the local market.

S&P Global Market Intelligence believes how this Q3 season unfolds is pivotal, with US corporate reports providing fresh insights into the key market dynamics that play a crucial role for determining the outlook for the US economy (and thus for share markets). These key dynamics have been identified as earnings (growth, margins), AI adoption and price stability.

Overall sentiment among S&P500 firms remains "exceptionally positive", reports Daniel Sandberg, Head of Quantamental Research & Solutions for S&P Global Market Intelligence. According to Sandberg, this optimism is primarily driven by the US economy trending towards a 'Goldilocks' scenario of ongoing steady growth and price stability.

In particular optimistic are firms in the Financials, Information Technology, and Energy sectors.

****

Equally optimistic are **US portfolio strategists at Goldman Sachs**. Their view is based on the cycle which is entering a more benign period of ongoing economic growth and lower central bank policy rates. History shows such a combination is usually very positive for equities.

Here the negative news is that higher government deficits and a rebuild of term premia will prevent longer-term bond yields to fall from current levels, which is poised to keep a lid on already high US equity valuations. This means further gains need to come from growth in earnings.

Goldman Sachs thinks returns will be less one-sided from here onwards, i.e. investment return can come both from 'growth' and from 'value'.

Here the good news is EPS growth forecasts have recently been upgraded to 11% for the S&P500 in the year ahead. This has generated a new twelve month target for the S&P500 of 6300, suggesting another leg of 10% upside remains possible.

Goldman Sachs also believes much higher valuations for US equities do not by default imply the rest of the world needs to catch up. Firstly, the relative outperformance over the decade past can easily be explained by superior growth for corporate America. More importantly: current valuations in combination with the likely growth outlook suggests US markets can continue to justify their valuation premium, say the strategists.

****

For those who haven't as yet read Part One of Weekly Insights this week, below are the **15 Most Highly Recommended Stocks in Australia** on the basis of strategists and portfolio stock pickers locally.

company	ASX code	selections	FNArena sentiment	Extra brokers B/H/S
ResMed	RMD	10	0.6	2+0+0
James Hardie	JHX	9	0.7	2+0+0
Xero	XRO	8	0.8	2+1+0
Aristocrat	ALL	8	0.9	1+1+0
CSL	CSL	8	0.9	1+1+0
Santos	STO	8	0.7	2+0+0
Brambles	BXB	7	0.7	1+0+0
Rio Tinto	RIO	6	0.5	1+0+0
Westpac	WBC	6	-0.3	0+1+0
ARB Corp	ARB	5	0.3	1+1+0
BHP Group	BHP	5	0.8	1+0+0
Car Group	CAR	5	0.8	1+0+1
South32	S32	5	0.8	1+0+1
Suncorp Group	SUN	5	0.6	2+0+0
Telstra	TLS	5	0.7	2+0+0

For more details, see Part One:
https://fnarena.com/index.php/2024/10/23/rudis-view-australias-most-highly-recommended-stocks/

Best Buys & Conviction Calls

Ord Minnett's most preferred choices on the ASX:

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

-Vicinity Centres ((VCX))
-Westpac Bank ((WBC))
-Waypoint REIT ((WPR))
-Xero ((XRO))

****

Wilsons Highest Conviction investment ideas:

-Santos ((STO))
-Car Group ((CAR))
-James Hardie
-Hub24 ((HUB))
-Aristocrat Leisure ((ALL))

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

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

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

****

Wilsons' Australian Equity Focus Portfolio consists of the following:

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

****

Goldman Sachs's APAC Conviction List includes Life360 ((360)) and Xero ((XRO)).

****

The full list of UBS's Most Preferred Best Stock Ideas:

In Resources:

-BlueScope Steel ((BSL))
-Newmont Corp ((NEM))
-Orica ((ORI))
-Origin Energy ((ORG))
-Rio Tinto ((RIO))
-Santos ((STO))

In Financials:

-AUB Group ((AUB))
-Dexus ((DXS))
-Medibank Private ((MPL))
-QBE Insurance ((QBE))
-Suncorp Group ((SUN))

Industrials:

-Brambles ((BXB))
-Car Group ((CAR))
-Coles Group ((COL))
-NextDC ((NXT))
-REA Group ((REA))
-Telstra ((TLS))
-Telix Pharmaceuticals ((TLX))
-Treasury Wine Estates ((TWE))
-Worley ((WOR))
-Xero ((XRO))

The list of **Least Preferred exposures**:

-APA Group ((APA))
-Aurizon Holdings ((AZJ))
-ASX ((ASX))
-Bank of Queensland ((BOQ))
-CommBank ((CBA))
-Cochlear ((COH))
-Domain Holdings Australia ((DHG))
-JB Hi-Fi ((JBH))
-Reece ((REH))
-Scentre Group ((SCG))

****

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

-AGL Energy ((AGL))
-GPT Group ((GPT))
-James Hardie ((JHX))
-Santos ((STO))
-WiseTech Global ((WTC))

Plus:

-Aristocrat Leisure ((ALL))
-Car Group ((CAR))

-Macquarie Group ((MQG))
-Paladin Energy ((PDN))
-Suncorp Group ((SUN))

****

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))

****

Crestone's selected list of **Best Ideas in Australia**:

-Ampol ((ALD))
-APA Group ((APA))
-Aristocrat Leisure ((ALL))
-Beach Energy ((BPT))
-Brambles ((BXB))
-CSL ((CSL))
-Goodman Group ((GMG))
-IGO Ltd ((IGO))
-James Hardie ((JHX))
-Macquarie Group ((MQG))
-Metcash ((MTS))
-Monadelphous Group ((MND))

-REA Group ((REA))
-ResMed ((RMD))
-Suncorp Group ((SUN))
-The Lottery Corp ((TLC))
-Xero ((XRO))

****

Stockbroker **Morgans'** list of **Best Ideas**:

-Acrow ((ACF))
-ALS Ltd ((ALQ))
-Amotiv ((AOV))
-Beacon Lighting ((BLX))
-BHP Group ((BHP))
-Camplify Holdings ((CHL))
-Cedar Woods Properties ((CWP))
-ClearView Wealth ((CVW))
-CSL ((CSL))
-Dalrymple Bay Infrastructure ((DBI))
-Dexus Industria REIT ((DXI))
-Elders ((ELD))
-Flight Centre Travel ((FLT))
-GQG Partners ((GQG))
-HomeCo Daily Needs REIT ((HDN))
-Karoon Energy ((KAR))
-MA Financial ((MAF))
-Maas Group ((MGH))
-Mach7 Technologies ((M7T))
-NextDC ((NXT))
-PolyNovo ((PNV))
-QBE Insurance ((QBE))
-Qualitas ((QAL))
-Reliance Worldwide ((RWC))
-ResMed ((RMD))
-Rio Tinto ((RIO))
-South32 ((S32))
-Superloop ((SLC))
-The Lottery Corp ((TLC))
-Treasury Wine Estates ((TWE))
-Universal Store Holdings ((UNI))
-WH Soul Pattinson ((SOL))
-Woodside Energe ((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))
-Mineral Resources ((MIN))
-Cleanaway Waste Management ((CWY))
-Steadfast Group ((SDF))
-James Hardie ((JHX))
-ResMed ((RMD))
-Pexa Group ((PXA))

-Treasury Wine Estates ((TWE))
-Viva Energy ((VEA))
-Xero ((XRO))

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))

****

In December, **Shaw and Partners** released its **10 Best Ideas** to benefit from the anticipated small caps' revival in 2024:

-AIC Mines ((A1M))
-Austin Engineering ((ANG))
-FireFly Metals ((FFM)), previously AuTeco (AUT)
-Chrysos ((C79))
-Gentrack Group ((GTK))
-Metro Mining ((MMI))
-MMA Offshore ((MRM))
-Peninsula Energy ((PEN))
-ReadyTech Holdings ((RDY))
-Silex Energy ((SLX))

****

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))

****

Key Stock Picks for the year-ahead nominated by analysts at **Bell Potter**:

-Among listed investment companies (LICs); Australian Foundation Investment Company ((AFI)), Metrics Master Income Trust ((MXT)), and MFF Capital Investments ((MFF))

-Agriculture & fast moving consumer goods; Bega Cheese ((BGA)), Rural Funds Group ((RFF)), and Elders ((ELD))

-Technology; TechnologyOne ((TNE)), Gentrack ((GTK)), and REA Group ((REA))

-Diversified Financials; Perpetual ((PPT)), Regal Partners ((RPL)), and McMillan Shakespeare ((MMS))

-Real Estate; Dexus Convenience Retail REIT ((DXS)), HealthCo Healthcare & Wellness REIT ((HCW)), and GDI Property Group ((GDI))

-Retailers; Premier Investments ((PMV)), Universal Store Holdings ((UNI)), and Propel Funeral Partners ((PFP))

-Aerospace & Defence; Electro Optic Systems ((EOS)) and Austal ((ASB))

-Industrials; Brickworks ((BKW)), IPD Group ((IPG)), and Cleanaway Waste Management ((CWY))

-Healthcare; Telix Pharmaceuticals ((TLX)), Cyclopharm ((CYC)), Aroa Bioscience ((ARX)), MedAdvisor ((MDR)), and Neuren Pharmaceuticals ((NEU))

-Gold sector; Capricorn Metals ((CMM)) and Santana Minerals ((SMI))

-Base metals; Aeris Resources ((AIS)), Nickel Industries ((NIC)), and Mineral Resources ((MIN))

-Strategic Minerals; Alpha HPA ((A4N)), IperionX ((IPX)), and Liontown Resources ((LTR))

-Energy sector; Boss Energy ((BOE)) and Paladin Energy ((PDN))

-Mining services; Seven Group Holdings ((SVW)), Mader Group ((MAD)), and SRG Global ((SRG))

****

Morningstar's selection of **Best Buys** on the ASX:

-IGO Ltd ((IGO))
-TPG Telecom ((TPG))
-Domino's Pizza ((DMP))
-Bapcor ((BAP))
-Endeavour Group ((EDV))
-Santos ((STO))

-ASX Ltd ((ASX))
-Aurizon Holdings ((AZJ))
-Brambles ((BXB))
-Dexus ((DXS))
-SiteMinder ((SDR))
-APA Group ((APA))
-Fineos Corp ((FCL))
-ResMed ((RMD))

****

Ord Minnett's Conviction Calls:

-Alliance Aviation Services ((AQZ))
-ARB Corp ((ARB))
-Cosol ((COS))
-EQT Holdings ((EQT))
-Electro Optic Systems Holdings ((EOS))
-Lindsay Australia ((LAU))
-Pinnacle Investment Management ((PNI))
-Qoria ((QOR))
-Red 5 (RED)
-Regis Healthcare ((REG))
-SiteMinder ((SDR))
-SRG Global ((SRG))
-Stanmore Resources ((SMR))
-Waypoint REIT ((WPR))

In addition, research analyst Athena Kospetas, recently communicated the following Key Preferred Ideas per sector:

Financials
-Westpac ((WBC))
-Judo Bank ((JDO))
-Insurance Australia Group ((IAG))
-Medibank Private ((MPL))
-nib Holdings ((NHF))
-Pinnacle Investment Management ((PNI))
-EQT Trustees ((EQT))

Resources
-Rio Tinto ((RIO))
-Newmont Corp ((NEM))
-Red 5 ((RED))

Energy & Utilities
-Santos ((STO))
-Strike Energy ((STX))
-AGL Energy ((AGL))

Healthcare
-ResMed ((RMD))
-CSL ((CSL))
-Regis Healthcare ((REH))

Consumer stocks
-Qantas Airways ((QAN))
-ARB Corp ((ARB))

Communication Services & Technology
-Xero ((XRO))
-Seek ((SEK))

-Telstra ((TLS))

Industrials
-James Hardie ((JHX))
-Brambles ((BXB))
-Alliance Aviation ((AQZ))
-SRG Global ((SRG))
-Qube Holdings ((QUB))

Real Estate
-Vicinity Centres ((VCX))
-Waypoint REIT ((WPR))

****

Jarden's Best Ideas among **emerging companies** (small and mid-cap):

-IPH Ltd ((IPH))
-Temple & Webster ((TPW))
-EVT Ltd ((EVT))
-Dicker Data ((DDR))
-Universal Store ((UNI))
-Nick Scali ((NCK))
-AUB Group ((AUB))
-Webjet ((WEB))
-Integral Diagnostics ((IDX))
-Capricorn Metals ((CMM))
-Michael Hill ((MHJ))
-NRW Holdings ((NWH))
-Light & Wonder ((LNW))
-Pointsbet ((PBH))
-National Storage ((NSR))
-Ingenia Communities ((INA))
-Karoon Gas ((KAR))
-Domain Holdings Australia ((DHG))
-Pepper Money ((PPM))
-Telix Pharmaceuticals ((TLX))

****

Barrenjoey's Top Picks:

-Insurance Australia Group ((IAG)) among financials, as well as GQG partners ((GQG)) and Westpac ((WBC))
-Xero ((XRO)), Pexa Group ((PXA)) and Dicker Data ((DDR)) in the technology sector
-Vicinity Centres ((VCX)) and Abacus Storage King ((ASK)) among REITs
-South32 ((S32)), Lynas Rare Earths ((LYC)) and Perseus Mining ((PRU)) among miners and Strike Energy ((STX)) in the oil&gas sector
-ResMed ((RMD))
-Metcash ((MTS))
-Aristocrat Leisure
-Reliance Worldwide ((RWC))
-Brambles ((BXB))
-Seven Group ((SVW))

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

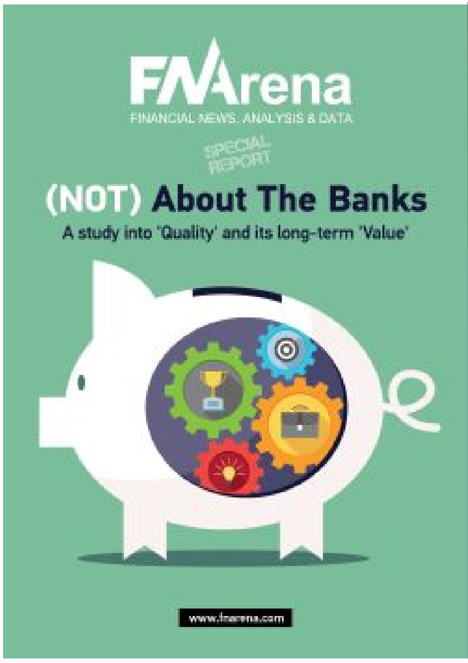
(Do note that, in line with all my analyses, appearances and presentations, all of the above names and calculations are provided for educational purposes only. Investors should always consult with their licensed investment advisor first, before making any decisions.)

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

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

FNArena Subscription

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



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

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

SMALL CAPS

Are SmartPay & Tyro Private Equity Targets?

What are the impacts of potential reforms to the payments system in Australia and what about merchant acquirers?

-Regulatory concerns weigh on Tyro Payments and SmartPay
-Potential reforms by the Reserve Bank and Federal government
-Wilsons expects an overall neutral impact for both companies
-Shares prices are weak; opportunity for private equity?

By Mark Woodruff

Investors last week were reminded of the increasing risk from regulation being faced by ASX-listed merchant acquirers such as SmartPay ((SMP)) and Tyro Payments ((TYR)) following the release of an RBA consultation paper as part of an ongoing review into card payment costs.

This consultation builds on the Albanese government's announcement last October flagging a prospective ban on debit card surcharging (set to take effect from January 1, 2026), part of a broader set of reforms aimed at improving consumer protections and addressing rising costs for consumers.

The government considers cash or cash accessed by a debit card should be treated equally, a point of logic which is hard to counter.

The government announced last week $2.1m of new funding for the Australian Competition and Consumer Commission (ACCC) to help combat retailers from passing on fees to customers for debit card payments in the form of a surcharge.

Card payments and surcharging are linked, noted the RBA, "since merchants would be less likely to surcharge consumers if card payment costs were lower".

Even though merchant acquirers play a crucial role in enabling businesses to accept card payments by ensuring transactions are processed securely and efficiently, the RBA is focused on ensuring merchants are not being overcharged for accepting credit and debit card payments and is taking steps to promote transparency and competition in the payments system.

At present, the focus is on payment surcharging and seeking feedback from stakeholders on how to address increasing public concern.

As part of the industry-wide consultation process, the central bank last week stated it is considering restricting fees that payments providers such as banks receive for processing debit card transactions, warning the cost on businesses may be too high.

This course of action would be a potential threat to bundled suppliers of payments and point of sale (POS) systems, suggests Wilsons.

Just days before the RBA paper, Canaccord Genuity initiated research coverage on both SmartPay and Tyro Payments with Buy ratings. The analysts felt a prior share de-rating for both companies was largely complete given prices were trading near 12-month lows.

Unfortunately, on the day of the consultation paper release, shares of SmartPay and Tyro Payments fell by -14% and -10%, respectively.

The immediate market fear, explains Canaccord, is based around merchant acquirers having to potentially absorb a large proportion of the margin impact of lower payment costs.

Some market commentators suggest SmartPay in particular could be forced to rejig its economic model which currently involves surcharging the customers of merchants directly.

Also, any outright (or partial) surcharge ban reduces the competitive differentiation of challenger payment companies like SmartPay and Tyro Payments relative to major incumbents, explains Wilsons, and could slow net merchant additions going forward.

Up until now, Canaccord points out these challenger payment companies have been taking substantial share from the major five banks who do not surcharge.

Tyro Payments and SmartPay explained

A greater understanding of the operations of Tyro Payments and SmartPay will assist before later investigating the impact of potential new regulation.

Tyro Payments is the fifth-largest merchant acquiring bank and provides payment solutions to 71,000 merchants in Australia via more than 115,000 terminals.

Deriving around 95% of total revenue from its Payment Services division, Tyro generates over 90% of this total from a merchant services fee and the balance from terminal rental revenue, observes Canaccord.

This merchant services fee is the primary fee a merchant acquirer charges a merchant and is calculated as a percentage of the transaction value plus a fixed amount per transaction.

Tyro utilises least-cost routing, choosing between Visa, Mastercard and EFTPOS networks, which provides natural price and margin competitiveness, explains the broker.

Fellow merchant acquirer SmartPay is a full-service EFTPOS provider in Australia offering payment terminals, software, maintenance and transactional processing products.

Already holding a relatively mature position in the New Zealand terminal rental market with a fleet of around 35,000 terminals (generating rental revenue), Canaccord notes SmartPay expanded into the Australian processing market in partnership with Cuscal in FY21 and reports 18,000 terminals in the market.

In Australia, SmartPay operates a terminal rental plus transactional revenue model.

The company's SmartConnect cloud-based platform provides a competitive advantage that provides connectivity of terminals to third-party applications and software, such as point-of-sale providers.

By tailoring its offerings to the needs of SME's, the company is gradually disrupting the monopolistic stronghold the major banks have historically held over payments, explains Canaccord.

Impact of potential regulation

After considering additional areas of investigation by the RBA beyond surcharges, Wilsons believes there may be **an overall neutral impact on both SmartPay and Tyro Payments**.

The RBA is looking at whether interchange fees (paid by retailers to card-issuing banks) on both domestic and foreign-issued cards, particularly credit, is too high.

Scheme fees (charged to retailers for processing payments) will also be looked at given Visa and Mastercard are running a duopoly without being required to furnish facts and figures on fees charged to merchants.

Merchant acquirers would benefit from lower interchange/scheme pay-aways and/or negative impacts to bundled competitors, explains the analyst at Wilsons, potentially increasing net merchant additions.

Regarding interchange fees, as debit cards do not extend credit, Bell Potter believes there is no cost rationale for *ad valorem* fees (based on the value of the item or transaction, rather than being a fixed amount).

On the subject of scheme fees, which are paid by acquirers and issuers to the card networks, the broker points to the RBA comment noting a material variance in fees, which is pronounced in certain channels.

Importantly for SmartPay, notes Bell Potter, the Australian government is not looking to place a blanket ban on surcharging as has occurred in the UK, where credit cards are also captured.

While the broker leaves earnings forecasts for the company broadly unchanged, the analysts now adopt a new valuation method and risk average revenue per user (ARPU) with a lower asset duration, noting potential for heightened enterprise churn and the need for a hybrid payments solution.

The result is a target of 75 cents, down from $1.30 prior, while the broker's Hold rating is maintained.

Following the RBA consultation paper, Canaccord hasn't adjusted its forecasts, ratings or targets for Tyro Payments and SmartPay given uncertainty around the outcome and how both companies will adjust their revenue/fee structure.

This broker suggests **both companies will be potential targets for private equity** as listed investors potentially overreact due to the uncertainty around future cash flows.

Ratings and targets

None of the six daily covered brokers in the FNArena database that cover Tyro Payments have yet updated research coverage post last week's announcements by the RBA and the Australian government.

Of these brokers, five have a Buy or equivalent rating with Morgan Stanley on Equal-weight. The average target price is $1.52 which suggests 88% upside to the latest share price at the time of writing.

Outside of daily coverage, Canaccord Genuity and Wilsons have Buy or equivalent ratings with respective targets of $1.65 and $1.18.

Canaccord and Wilsons are also Buy-rated or equivalent for SmartPay with targets of $1.40 and $1.60, respectively.

Returning to the FNArena database, Bell Potter (Hold) and Shaw and Partners (Buy) have targets of 75 cents and $2.20, respectively. Shaw has not refreshed its research since September 5.

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

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

SMALL CAPS

Nick Scali's Transitory Freight Headwind

Nick Scali's gross margins have been impacted by materially higher than expected freight rates, but such headwinds should not feature permanently.

-Red Sea issue hits Nick Scali's margins through higher freight costs
-Sales orders accelerating through the first quarter
-Freight pressures will ease, but not immediately
-UK ramp-up offers significant opportunity

By Greg Peel

Furniture retailer Nick Scali's ((NCK)) share price took a thumping this week following a trading update at its AGM. The company, which has 128 stores across Australia, New Zealand and the UK, now expects its gross margin for the first half of FY25 to be down at least -2.4 percentage points to 63.6% from the 66.0% recorded in FY24.

FY24 margins beat consensus forecasts at the time.

CEO Anthony Scali explained shipping costs were about five times higher than last financial year, but he hoped these would subside after Chinese New Year in January. The company imports furniture from China, as well as Vietnam, Malaysia and India.

Shipping costs have been rising around the world, returning to levels last seen during the covid pandemic, amid attacks in the Red Sea by Houthi militants. The diversions caused by the attacks have meant ships backing up at important ports in China, Singapore, Malaysia and South Korea.

Chinese data showed transport prices were almost 94% higher than last year in the September quarter. The expectation is nevertheless that upward pressure on freight is likely to decrease, in line with UK and European freight.

But not immediately. AGM commentary implied there have not yet been signs of freight rates slowing or evening out post the material increases in August and September. Given a typical three-month lag between orders and deliveries, margin pressure will continue into the second half of FY25.

Sales the Bright Spot

Nick Scali's sales across June to September increased by 3.0% year on year, which is positive, but more positive is the retailer turned a -1.2% reduction in sales over June and July into 7.2% growth over August and September to reach that average.

Seeing the acceleration in written sales as a positive indicator into the second half, Macquarie has increased its second half growth forecast to 4% from 1% prior.

Citi believes sales acceleration is more a case of the company improving its marketing and product execution rather than the overall retail market improving. Any reduction in interest rates would be a positive for Nick Scali, and furniture retail in general, given cuts would be a tailwind for housing churn.

Citi has pencilled in February as bringing the first RBA rate cut, but sees a risk of this being delayed to May given the strength of the Australian September jobs data.

May would be appropriate for the first cut, we might consider, given the first rate hike in 2022 also came in May just ahead of the election.

Nick Scali implemented price increases in FY24 but given lags they will take time to impact on earnings, Citi notes. The broker expects management to tread carefully on further price increases in the current consumer environment.

UK on Track

The company is increasing scale from shifting UK volumes to its existing factories. The first refurbishment in the UK should be complete in a month and the company is using its Australian scale to leverage better refurbishment pricing.

The UK benefited from an increased order bank in FY24 delivered in the first quarter of FY25. Nick Scali product is expected to have landed in the UK in September. Macquarie expects sales to accelerate from the second half as more stores carry Nick Scali product.

Management noted recent written sales order margin has improved to be 300bps higher versus margin on delivered revenue. Macquarie expects further margin benefits as Nick Scali product is introduced to stores. This broker's revised forecasts assume a UK gross margin of 43% in first half and 46% in the second.

Gross margins on A&NZ sales were 63.3%. Something to aspire to in the UK.

Earnings Cuts

In response to margin pressure guidance, Ord Minnett has cut its earnings forecasts by -9%, -8% and -5% across FY25-27 and its target price to $15.00 from $15.50. The broker retains an Accumulate rating but acknowledges there are risks to expectations while freight rates remain unstable.

Macquarie cuts its forecasts by -12%, -6% and -3% over the period and its target to $15.60 from $16.25. This broker sees sales order acceleration as positive and foresees potential improvement in freight rates in the second half FY25, as well as a significant opportunity for the UK region in the medium term.

Macquarie retains Outperform.

Citi's target is cut to $15.93 from $16.53 following cuts in forecast profit of -19% to -4% across FY25-27. Earnings changes impacted the broker's target price but there was some offset from higher market and peer multiples.

Citi retains Buy.

Wilsons (Overweight; target $17.30) has equally reduced margin forecasts and thus EPS estimates for the years ahead. The changes come with the following statement: "[...] the gross margin decline is not structural and does not change the long-term Global opportunity for NCK, with meaningful growth drivers in Plush and Nick Scali UK".

Jarden (Buy; $15.88) is of the same view: "We continue to encourage investors to look through transitory factors and focus on WSO growth plus the longer term UK opportunity, with significant upside risk to NCK's multiple if it can execute in the UK."

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 18-10-24

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday October 14 to Friday October 18, 2024
Total Upgrades: 5
Total Downgrades: 20
Net Ratings Breakdown: Buy 59.76%; Hold 32.04%; Sell 8.20%

For the week ending Friday October 18, 2024, FNArena recorded five upgrades and twenty downgrades for ASX-listed companies by brokers monitored daily.

While percentage increases in average target prices were slightly greater than declines, falls in average earnings estimates outweighed improvements to a larger extent, primarily due to weaker Resources sector forecasts as can be seen in the tables below.

Eight of the ten companies featuring in the table for negative change to earnings forecasts are mining stocks after both Ord Minnett and Macquarie updated commodity sector outlooks last week.

Half of the eight earnings downgrades for Resource companies resulted from Ord Minnett's weaker outlook for coal (impacting Coronado Global Resources, Whitehaven Coal and Stanmore Resources) and Macquarie's update on lithium.

Since the beginning of September, lithium prices in China have remained largely stable, noted Macquarie, while recent global M&A activity has provided validation for the long-term value of lithium projects.

This broker largely kept target prices unchanged for ASX lithium stocks under coverage but downgraded several ratings following a rebound in share prices following Rio Tinto's acquisition of Arcadium Lithium.

The rating for Global Lithium Resources was lowered to Underperform from Neutral and the 21c target maintained.

Regarding coal, Ord Minnett reduced its 2025 price forecast for metallurgical coal by -11% in line with recent market softness resulting from weakness in China, while the medium-term price forecast was increased to align with market consensus more closely.

The broker's thermal coal price forecast was raised by 4% in 2025 to reflect recent price rises thanks to strong Asian demand and Russian sanctions.

The analysts' largest earnings forecast downgrade was reserved for Accumulate-rated Coronado Global Resources after management's recent guidance downgrade for production and costs, and refinancing of a senior secured note in early-October. The target was reduced to $1.25 from $1.55.

The broker's target for Whitehaven Coal (Buy) was also reduced to $8.80 from $9.30 after the analysts moderated the production forecast for the Maules Creek operation in NSW to align with guidance for the Queensland assets in the Bowen Basin.

Stanmore Coal, which primarily digs up metallurgical coal, also operates in the Bowen Basin. Ord Minnett decided to lower this company's target to $4.20 from $5.00 due to lower price forecasts.

Two other commodity-related stocks in Ampol and Lynas Rare Earths also received earnings downgrades from brokers last week.

Third quarter results for Ampol revealed an -83% fall for the Lytton refiner margin on the previous quarter, which Morgan Stanley highlighted was well adrift of the consensus estimate, and resulted in a corresponding -$100m impact to forecast earnings.

While this earnings setback will likely remove the opportunity for a special dividend announcement at FY24 results in February, Ord Minnett raised its target by 3% to $36.50 in the expectation of -$50m in cost-out savings in FY25.

In-line New Zealand results and a good performance by convenience stores also help support the broker's valuation for Ampol.

For Lynas Rare Earths, Bell Potter lowered its target to $8.00 from $8.30 and downgraded to Hold from Buy after reviewing upcoming first quarter results. It's felt NdPr production will come in -13% lower than consensus expectations, down by -5% on the previous quarter.

At results, the broker expects investors will focus on progress at the Mt Weld expansion, an update on the status at Kalgoorlie, including possible solutions on alternative sulphuric acid supplies, as well as the US separation facilities and downstream demand.

In among all these downgrades to earnings forecast for miners, Web Travel featured third on the list (and atop the negative change to target price table) after management downgraded revenue margin guidance for the second time in four months.

Analysts question whether there are structural issues for the company in the once buoyant European region: https://fnarena.com/index.php/2024/10/17/what-happened-to-web-travels-growth-outlook/

Following Web Travel on the negative change to average target price list is COG Financial Services, but only because of new (and very positive) research coverage by Morgans, with a lower target price than currently set by existing Buy-rated brokers in the FNArena database.

Morgans sees significant growth opportunity for the company across its segments of Broking and Aggregation, Novated Leasing and Asset Management and Lending.

For a more comprehensive summary of brokers' views:
https://fnarena.com/index.php/2024/10/18/cog-financial-services-screens-too-cheap/

Conversely, the average target prices for Arcadium Lithium, Duratec and Baby Bunting rose by more than 8% last week.

Both Bell Potter and Macquarie raised their respective targets for Arcadium Lithium to align with the US$5.85 takeover offer price by Rio Tinto.

Engaging in protection and remediation of steel and concrete, Duratec has secured a $44m project at Rio Tinto's Tom Price mine in WA under an existing Master Services Agreement.

In raising its target to $1.90 from $1.50, Shaw and Partners noted total contract wins so far in FY25 stand at $102m including contracts with the Department of Defence and Woodside Energy.

Potential near-term contract wins relating to the Parkes Special Activation Precinct and Diamantina Power Station would be catalysts for further earnings upgrades, highlighted the broker.

Regarding Baby Bunting, management offered a trading update at its AGM with sales rising by 2.4% for the period ending October 13. Ord Minnett noted this outcome implies a slight weakening in momentum from the first seven weeks that generated 3.5% sales expansion.

More positively, the first quarter gross profit margin of 40.3% marked an increase from 36.8% in FY24. The broker raised its target to $2.15 from $1.60 and upgraded to Accumulate from Hold due to early signs of recovery.

On the other hand, Macquarie cautioned the first quarter was cycling a weaker previous corresponding period and the analyst felt there was significant risk to FY25 gross margin guidance of 40%.

In terms of earnings upgrades, here Core Lithium, Sandfire Resources (copper and zinc) and Aeris Resources (some gold exposure) benefited from updated commodity forecasts by either Ord Minnett, Macquarie or a both.

From among the twenty ratings downgrades in the FNArena database, last week Evolution Mining, AMP and Web Travel (covered above) received two downgrades from separate brokers.

Ord Minnett lowered its rating for Evolution to Hold from Accumulate given the recent share price outperformance post FY24 results.

For the same reason, Macquarie lowered its rating to Neutral from Outperform after reviewing first quarter results showing a 3% production beat against forecasts by the broker and consensus while costs (AISC) came out in line with consensus.

For AMP, the third quarter provided Citi with more evidence of a business turnaround, resulting in a $1.70 target, up from $1.45 and a downgrade to Neutral from Buy after recent share price strength.

Positives for the broker included significantly improved platform flows, an almost halving of Superannuation & Investments (S&I) outflows, and the return of some slight volume growth to the bank.

Similarly, Ord Minnett raised its target to $1.55 from $1.45, with a downgrade to Hold from Accumulate.

In the third quarter, market movements rather than fund inflows propelled quarter-on-quarter rises for assets under management (AUM) and the superannuation and investment businesses.

For 2025, the analyst noted earnings for AMP are also beholden to market movements, and what the market giveth it may also take away.

Total Buy ratings in the database comprise 59.76% of the total, versus 32.04% on Neutral/Hold, while Sell ratings account for the remaining 8.20%.

Upgrade

APPEN LIMITED ((APX)) Upgrade to Accumulate from Lighten by Ord Minnett .B/H/S: 1/0/0

Appen completed a $50m institutional share placement at $1.92 per share with plans to raise another $5m from retail investors.

The funds will be used to strengthen the balance sheet, Ord Minnett highlights. The company's trading update revealed a rise in revenue of 35% from a year earlier to US$54.1m, which excludes the Google contract with an improvement in gross margin to 41.2% from 33.6%.

Ord Minnett raises EPS forecasts by 17% in FY25 and 45% in FY25 post the raisings, and believes there is evidence of a turnaround in the company's fortunes.

The stock is upgraded to Accumulate from Lighten with a $2.50 target price, up from $1.

BABY BUNTING GROUP LIMITED ((BBN)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 2/3/0

Baby Bunting offered a trading update at its AGM with sales rising 2.4% for the period ending Oct 13, Ord Minnett observes. This is a slight weakening in momentum from the first seven weeks of 3.5% sales expansion.

Management highlighted gross profit margin at 40.3% for 1Q25 which is up from 36.8% in FY24. FY25 profit guidance has been retained.

With the first signs of a recovery, Ord Minnett upgrades the stock to Accumulate from Hold.

Target price is also raised to $2.15 from $1.60.

CATAPULT GROUP INTERNATIONAL LIMITED ((CAT)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 1/0/0

Bell Potter observes the upcoming 1H25 earnings report for Catapult International due on November 14. highlighting scope for tactics & coaching, (video business) to show stronger growth from new product releases, sideline video solutions for American football.

The broker notes this may give the division scope for improved growth compared to wearables business, performance & health.

The new video solutions are currently being employed by teams in Southeastern conference of the National Collegiate Athletes Association . The National Football League does not currently allow teams to use sideline video but the broker suggests this could change with success at the college level.

The stock is upgraded to Buy from Hold on the back of a rise in target price to $2.75 from $2.35 from a change in valuation. No changes to earnings forecasts.

GENESIS MINERALS LIMITED ((GMD)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 4/1/0

Ord Minnett updates expectations for miners in the run up to the quarterly earnings season alongside revised commodity price targets.

The broker increases gold forecast by 18% in FY25 and 15% in FY26 with an unchanged copper price forecast.

Ord Minnett observes mid-small cap gold companies remain attractively valued and have under-performed the gold price by -16% in 2024. This is expected to "unwind" with inflation easing and improving labour market conditions.

The broker lifts EPS estimates by 34% in FY25 and 54% in FY26.

Target price is raised to $2.35 from $2. Genesis Minerals is upgraded to Accumulate from Hold.

PERPETUAL LIMITED ((PPT)) Upgrade to Buy from Neutral by Citi .B/H/S: 3/2/0

Citi raises its target for Perpetual to $22.50 from $21.40 and upgrades to Buy from Neutral following a return to positive net flows in Q1.

Highlights for the broker in the quarter included $3.9bn of net inflows for the Pendal boutique, while Thompson, Segel &Walmsley (TSW) stemmed recent outflows and Trillium also experienced much reduced outflows.

In May, management
revealed plans to separate the Wealth Management and Corporate Trust businesses from the rest of the group and is currently engaging with the ATO on the matter. Citi notes this is creating uncertainty, which should be resolved soon.

Downgrade

ATLANTIC LITHIUM LIMITED. ((A11)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 0/1/0

Since the beginning of September lithium prices in China have remained largely stable, highlights Macquarie, while recent global M&A activity has provided validation for the long-term value of lithium projects.

The broker largely keeps target prices unchanged for ASX lithium stocks under coverage but downgrades several ratings following a rebound in lithium equity market sentiment and rising share prices.

For Atlantic Lithium, Macquarie's rating is downgraded to Neutral from Outperform. The 30c target price is unchanged.

A2 MILK COMPANY LIMITED ((A2M)) Downgrade to Sell from Hold by Bell Potter .B/H/S: 3/3/1

Due to the recent strength in the a2 Milk Co share price, Bell Potter downgrades the stock to Sell from Hold as much of the rally has been generated from better sentiment around China stimulus.

The analyst observes trade flows to China are up year-to-date on the previous year but continue to be below the run rates of the 2H24, and there is ongoing scope for soft volumes between Australia and China.

Cost of goods sold has also risen 5% since FY24 results, the broker highlights, and major supermarkets have announced a decline in generic milk prices of -5c/l. a2 Milk Co reported NZ$190m in revenue from liquid dairy in FY24 with the majority in Australia.

Bell Potter lowers EPS forecasts by -2% in FY25 and -2% in FY26.

Sell rated with a fall in target price to $6.10 from $6.20.

AMP LIMITED ((AMP)) Downgrade to Hold from Accumulate by Ord Minnett and Downgrade to Neutral from Buy by Citi.B/H/S: 1/3/1

Following AMP's "positive" 3Q report, Ord Minnett raises its target to $1.55 from $1.45 and downgrades to Hold from Accumulate after a share price rally post-result. The broker cautions earnings are beholden to market movements in 2025.

Market movements rather than fund inflows propelled quarter-on-quarter rises for assets under management

(AUM) and the superannuation and investment businesses, notes the analyst.

The net interest margin (NIM) for AMP Bank was in line with guidance of 1.24-1.29% in 2024.

After the 3Q provided more evidence of a business turnaround, Citi raises its target for AMP to $1.70 from $1.45 and downgrades to Neutral from Buy after the recent share price appreciation.

Positives for the broker include significantly improved platform flows, an almost halving of Superannuation & Investments (S&I) outflows, and the return of some slight volume growth to the bank.

BANK OF QUEENSLAND LIMITED ((BOQ)) Downgrade to Sell from Lighten by Ord Minnett .B/H/S: 0/1/5

Following share price strength in the wake of FY24 results for Bank of Queensland, Ord Minnett downgrades its rating to Sell from Lighten and retains a $5.00 target.

FY24 earnings beat the consensus forecast after the 2H net interest margin (NIM) improved more-than-anticipated to 1.57%, explains the broker.

Due to execution risks, the analyst is not convinced changes to the business model, (e.g. attempts to transform into a digital bank), will remedy current problems which include heightened competition.

CORE LITHIUM LIMITED ((CXO)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 0/0/3

Since the beginning of September lithium prices in China have remained largely stable, highlights Macquarie, while recent global M&A activity has provided validation for the long-term value of lithium projects.

The broker largely keeps target prices unchanged for ASX lithium stocks under coverage but downgrades several ratings following a rebound in lithium equity market sentiment and rising share prices.

For Core Lithium, Macquarie's rating is downgraded to Underperform from Neutral. The 9c target price is unchanged.

EVOLUTION MINING LIMITED ((EVN)) Downgrade to Neutral from Outperform by Macquarie and Downgrade to Hold from Accumulate by Ord Minnett.B/H/S: 1/4/0

Evolution Mining's 1Q production of 193.6koz beat by 3% forecasts by Macquarie and consensus while costs (AISC) were in line with consensus.

This 1Q production accounted for 26% of the mid-point of FY25 guidance which has been maintained.

The broker's target rises to $4.60 from $4.50 and the rating is downgraded to Neutral from Outperform following recent share price strength.

The analyst highlights the company's net debt position is around $1.4bn (includes leases), down from $1.5bn at end of the prior quarter.

Ord Minnett updates expectations for miners in the run up to the quarterly earnings season alongside revised commodity price targets.

The broker increases gold forecast by 18% in FY25 and 15% in FY26 with an unchanged copper price forecast.

Ord Minnett observes mid-small cap gold companies remain attractively valued and have under-performed the gold price by -16% in 2024. This is expected to "unwind" with inflation easing and improving labour market conditions.

The broker raises EPS forecasts by 27% and 53% for FY25/FY26, respectively.

Evolution Mining is downgraded to Hold from Accumulate. Target price is lifted to $4.70 from $4.15.

GLOBAL LITHIUM RESOURCES LIMITED ((GL1)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 2/0/1

Since the beginning of September lithium prices in China have remained largely stable, highlights Macquarie, while recent global M&A activity has provided validation for the long-term value of lithium projects.

The broker largely keeps target prices unchanged for ASX lithium stocks under coverage but downgrades several ratings following a rebound in lithium equity market sentiment and rising share prices.

For Global Lithium Resources, Macquarie's rating is downgraded to Underperform from Neutral. The 21c target price is unchanged.

HUB24 LIMITED ((HUB)) Downgrade to Accumulate from Buy by Ord Minnett .B/H/S: 3/4/0

Hub24 reported better than expected net inflows for 1Q25 at $4bn above Ord Minnett's estimate of $3bn and up from $2.8bn a year ago.

Funds under administration grew 8.5% over the previous quarter and came in better than expected.

Ord Minnett raises EPS forecasts by 5% to 8% over the next three years.

Due to the share price performance, the stock is downgraded to Accumulate from Buy with a lift in the target price to $68 from $55.

The broker stresses the valuation is becoming more of a "challenge" but the EPS outlook of a compound average growth rate of 28% from FY25 to FY27 is positive.

ARCADIUM LITHIUM PLC ((LTM)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/5/0

In preparation for upcoming quarterly reporting, Macquarie reviews its coverage of Australian lithium producers.

The September quarter results are somewhat academic for Arcadium Lithium given the recent takeover offer from Rio Tinto ((RIO)).

The analyst forecasts earnings (EBITDA) of US$167m, -2% below the consensus estimate.

The broker raises its target for Arcadium to $8.70 to align with Rio's bid and downgrades to Neutral from Outperform.

LIONTOWN RESOURCES LIMITED ((LTR)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 2/2/2

Since the beginning of September lithium prices in China have remained largely stable, highlights Macquarie, while recent global M&A activity has provided validation for the long-term value of lithium projects.

The broker largely keeps target prices unchanged for ASX lithium stocks under coverage but downgrades several ratings following a rebound in lithium equity market sentiment and rising share prices.

For Liontown Resources, Macquarie's rating is downgraded to Underperform from Neutral. The 70c target price is unchanged.

LYNAS RARE EARTHS LIMITED ((LYC)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 2/2/2

Lynas Rare Earths is downgraded to Hold from Buy with a lower target price of $8 versus $8.30.

Bell Potter reviews the upcoming 1Q25 report with expectations NdPr production will come in lower than expectations by -13%, and down -5% on the previous quarter.

The broker expects investors to focus on the progress of Mt Weld expansion, an update on Kalgoorlie's status including possible solutions on alternative sulphuric acid supplies as well as the US separation facilities and downstream demand.

Bell Potter has lowered the NdPr forecast price to US$70kg from US$75kg. Earnings forecasts decline by -29% in FY25 and by -15% in FY26.

MINERAL RESOURCES LIMITED ((MIN)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 4/2/1

In preparation for upcoming quarterly reporting, Macquarie reviews its coverage of Australian lithium producers.

The broker forecasts Mineral Resources will slightly miss the consensus production estimate for spodumene in the September quarter, while iron ore should be in line with expectation.

The analyst forecasts earnings will beat the consensus estimate by around 9%. The broker's underlying loss forecast of -$38m for H1 is materially less than the -$148m expected due to Macquarie's higher assumed opex savings in the period.

Macquarie raises its target for Mineral Resources by 18% to $47.00 due to improved forecasts for near-term earnings, and downgrades to Neutral from Outperform after the recent share price rise.

PIEDMONT LITHIUM INC ((PLL)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 0/0/1

Since the beginning of September lithium prices in China have remained largely stable, highlights Macquarie, while recent global M&A activity has provided validation for the long-term value of lithium projects.

The broker largely keeps target prices unchanged for ASX lithium stocks under coverage but downgrades several ratings following a rebound in lithium equity market sentiment and rising share prices.

For Piedmont Lithium, Macquarie's rating is downgraded to Underperform from Neutral. The 11c target price is unchanged.

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

Pantoro reported 1Q25 results with lower than forecast production due to major mechanical issues at the processing plant, Bell Potter highlights. All-in-sustaining costs were also higher than expected.

The company ended the quarter with cash and bullion of $112.m up from $103m in the previous quarter.

Bell Potter lifts EPS forecasts by 27% in FY25 and 40% in FY26 due to higher gold price forecasts.

The stock is downgraded to Hold from Buy on a higher target price of 12.5c from 10c, as much of the earnings improvement is believed to be already discounted in the share price.

RIO TINTO LIMITED ((RIO)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 3/3/0

Following Rio Tinto's 3Q operational result, management maintained FY24 guidance across Pilbara iron ore, mined copper and aluminium.

Production for copper and aluminium missed the broker's expectations while Pilbara iron ore was in line.

Group copper production missed the consensus estimate on weaker Kennecott production driven by geotechnical faults at Bingham Canyon Mine in Utah, explains the analyst, where production interruptions are expected to persist until 2027

The broker prefers BHP Group ((BHP)) over Rio Tinto. The Rio Tinto rating is downgraded to Neutral from Underperform. The target falls to $119 from $120.

TPG TELECOM LIMITED ((TPG)) Downgrade to Accumulate from Buy by Ord Minnett .B/H/S: 1/2/1

TPG Telecom has sold its fibre network infrastructure assets and its fixed-line enterprise, government and wholesale business to Vocus Group for $5.25bn.

While details haven't been provided, notes Ord Minnett, management will distribute net proceeds of between $4.65-4.75bn via a return of capital to shareholders and for investment in the mobile business.

The target price falls to $5.25 from $5.50 and the rating is downgraded to Accumulate from Buy.

While potential for share price upside exists, especially if the broker's capital management forecast is too low, the analyst is concerned by overhang risks given TPG's messy shareholder structure and history.

WEB TRAVEL GROUP LIMITED ((WEB)) Downgrade to Neutral from Buy by Citi and Downgrade to Hold from Add by Morgans.B/H/S: 3/4/0

Citi believes the B2B for WEB Travel is changing "rapidly" given two negative updates in the last month. The analyst is querying the visibility around earnings forecasts at a time when the broader hotel industry is showing some resilience and "strength".

The downward revision in gross margins to 6.5% suggests to the broker there are structural changes in the industry including increased competition from two larger players, and a new start up from former WEB Travel employees.

Citi lowers EPS forecasts by -33.7% in FY25 and -19.8% in FY26.

Accordingly, target price falls to $5.55 from $8.25. The stock is downgraded to Neutral, High Risk from Buy.

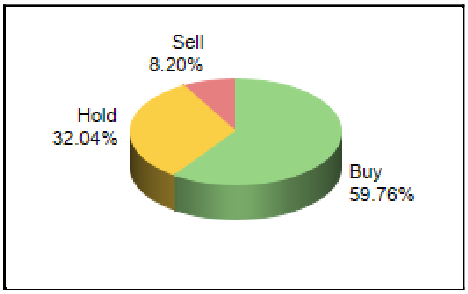
Morgans highlights the robust growth in total travel volumes for WEB Travel is being achieved via price discounting which has impacted on margins, resulting in a "disappointing" trading update.

As a preview to 1H25 earnings report on Nov 20, management's preliminary results showed a fall in revenue margin to around 6.4% versus the previous guidance of 7%.

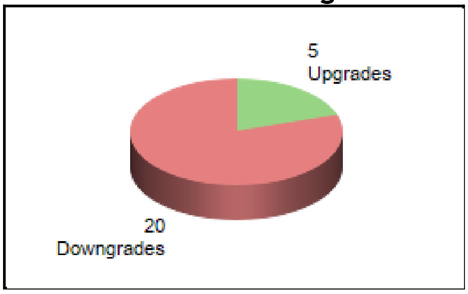
European margin decline is isolated as the culprit due to aggressive competitive pricing. The broker lowers net profit after tax estimates by -33.9% in FY25 and -15.9% in FY26.

Rating downgraded to Hold from Add. Target price falls to $5.25 from $8.60.

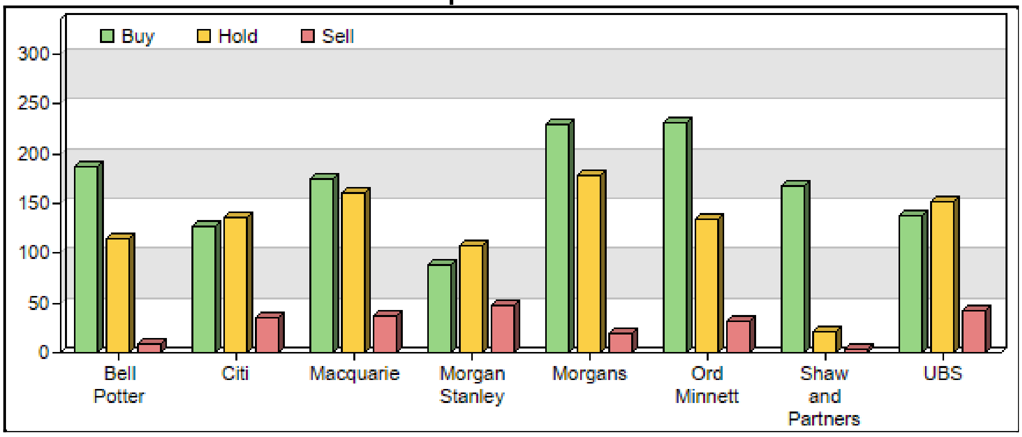
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	APPEN LIMITED	Buy	Sell	Ord Minnett
2	BABY BUNTING GROUP LIMITED	Buy	Neutral	Ord Minnett
3	CATAPULT GROUP INTERNATIONAL LIMITED	Buy	Neutral	Bell Potter
4	GENESIS MINERALS LIMITED	Buy	Neutral	Ord Minnett
5	PERPETUAL LIMITED	Buy	Neutral	Citi
Downgrade				
6	A2 MILK COMPANY LIMITED	Sell	Neutral	Bell Potter
7	AMP LIMITED	Neutral	Buy	Citi
8	AMP LIMITED	Neutral	Buy	Ord Minnett
9	ARCADIUM LITHIUM PLC	Neutral	Buy	Macquarie
10	ATLANTIC LITHIUM LIMITED.	Neutral	Buy	Macquarie
11	BANK OF QUEENSLAND LIMITED	Sell	Sell	Ord Minnett
12	CORE LITHIUM LIMITED	Sell	Neutral	Macquarie
13	EVOLUTION MINING LIMITED	Neutral	Buy	Macquarie
14	EVOLUTION MINING LIMITED	Neutral	Buy	Ord Minnett
15	GLOBAL LITHIUM RESOURCES LIMITED	Sell	Neutral	Macquarie
16	HUB24 LIMITED	Buy	Buy	Ord Minnett
17	LIONTOWN RESOURCES LIMITED	Sell	Neutral	Macquarie
18	LYNAS RARE EARTHS LIMITED	Neutral	Buy	Bell Potter
19	MINERAL RESOURCES LIMITED	Neutral	Buy	Macquarie
20	PANTORO LIMITED	Neutral	Buy	Bell Potter
21	PIEDMONT LITHIUM INC	Sell	Neutral	Macquarie
22	RIO TINTO LIMITED	Neutral	Buy	Macquarie
23	TPG TELECOM LIMITED	Buy	N/A	Ord Minnett
24	WEB TRAVEL GROUP LIMITED	Neutral	Buy	Morgans
25	WEB TRAVEL GROUP LIMITED	Neutral	Buy	Citi

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs

1	LTM	ARCADIUM LITHIUM PLC	7.942	7.017	13.18%	6
2	DUR	DURATEC LIMITED	1.637	1.503	8.92%	3
3	BBN	BABY BUNTING GROUP LIMITED	1.886	1.740	8.39%	5
4	RRL	REGIS RESOURCES LIMITED	2.279	2.106	8.21%	7
5	HUB	HUB24 LIMITED	59.671	55.300	7.90%	7
6	AMP	AMP LIMITED	1.420	1.350	5.19%	5
7	RMS	RAMELIUS RESOURCES LIMITED	2.560	2.443	4.79%	3
8	AIS	AERIS RESOURCES LIMITED	0.253	0.243	4.12%	3
9	GMD	GENESIS MINERALS LIMITED	2.570	2.470	4.05%	5
10	BGA	BEGA CHEESE LIMITED	5.140	4.965	3.52%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	WEB	WEB TRAVEL GROUP LIMITED	5.731	8.823	-35.04%	7
2	COG	COG FINANCIAL SERVICES LIMITED	1.543	1.690	-8.70%	3
3	SMR	STANMORE RESOURCES LIMITED	3.950	4.217	-6.33%	3
4	CRN	CORONADO GLOBAL RESOURCES INC	1.660	1.730	-4.05%	5
5	ALD	AMPOL LIMITED	32.963	33.963	-2.94%	4
6	COE	COOPER ENERGY LIMITED	0.265	0.273	-2.93%	4
7	SGM	SIMS LIMITED	12.513	12.850	-2.62%	4
8	TRS	REJECT SHOP LIMITED	3.767	3.867	-2.59%	3
9	BPT	BEACH ENERGY LIMITED	1.440	1.469	-1.97%	7
10	TPG	TPG TELECOM LIMITED	4.875	4.963	-1.77%	4

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	CXO	CORE LITHIUM LIMITED	-0.400	-3.650	89.04%	3
2	SFR	SANDFIRE RESOURCES LIMITED	52.509	39.492	32.96%	6
3	AIS	AERIS RESOURCES LIMITED	6.833	6.200	10.21%	3
4	GMD	GENESIS MINERALS LIMITED	16.940	15.800	7.22%	5
5	DUR	DURATEC LIMITED	10.700	10.100	5.94%	3
6	BBN	BABY BUNTING GROUP LIMITED	8.240	7.880	4.57%	5
7	NST	NORTHERN STAR RESOURCES LIMITED	95.900	91.814	4.45%	7
8	MEI	METEORIC RESOURCES NL	-0.450	-0.467	3.64%	3
9	MIN	MINERAL RESOURCES LIMITED	-48.917	-50.417	2.98%	7
10	BOQ	BANK OF QUEENSLAND LIMITED	46.340	45.060	2.84%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	GL1	GLOBAL LITHIUM RESOURCES LIMITED	-4.400	-3.050	-44.26%	3
2	CRN	CORONADO GLOBAL RESOURCES INC	4.451	7.187	-38.07%	5
3	WEB	WEB TRAVEL GROUP LIMITED	21.529	31.114	-30.81%	7
4	ALD	AMPOL LIMITED	143.267	190.000	-24.60%	4
5	WHC	WHITEHAVEN COAL LIMITED	40.483	51.450	-21.32%	6
6	LYC	LYNAS RARE EARTHS LIMITED	14.483	17.660	-17.99%	6
7	MGR	MIRVAC GROUP	10.225	12.075	-15.32%	5
8	SMR	STANMORE RESOURCES LIMITED	26.696	30.542	-12.59%	3
9	DEG	DE GREY MINING LIMITED	-1.250	-1.200	-4.17%	4
10	COE	COOPER ENERGY LIMITED	0.800	0.833	-3.96%	4

Technical limitations

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

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

WEEKLY REPORTS

Uranium Week: Battle Royale - Shorts Versus Sprott

An unchanged U308 spot price continues to bely macro drivers, geopolitics and major buyer strategic purchasing.

-Sprott Physical Uranium trust continues to buy
-US administration serves up fiscal support for nuclear
-Bulls and bears grapple over Aussie uranium stocks
-What the brokers had to say

By Danielle Ecuyer

U308 spot price drifts sideways

Interest in uranium stocks continued to gather momentum in the week that was. Canada's Cameco share price reached a 52-week high, rallying 57% off the recent low on September 9.

According to industry consultants TradeTech, the **Sprott Physical Uranium Trust** has successfully raised more funds allowing the trust to move back into the spot U308 market, buying another 200,000lbs last week. The purchase comes on the back of 400,000lbs acquired in the last month.

Despite renewed investor interest, the TradeTech spot price traded in a narrow range between US$83lb and US$83.25lb, ultimately finishing the week unchanged on the previous week at US$83lb.

TradeTech's Mid-Term U308 price indicator stands at US$86lb with its Long-Term price indicator at US$82lb.

Nuclear energy backdrop positive AGAIN

While not much happened in the spot market, the news in the nuclear energy market is anything but ho-hum.

Multiple levers are driving potential systemic shifts in the outlook for the industry, including geopolitics, climate challenged zero emission energy production and substantial demand for power through mega data centre developments and electrification.

On the supply side, the Biden Administration continues to provide incentives to develop domestic enrichment services and more advanced nuclear energy production in small nuclear reactors.

The US Department of Energy announced four companies had been selected as part of the process for a possible US$2.7bn contract over 10-years to help establish a domestic supply of HALEU (high-assay, low-enriched uranium) which is required for more advanced nuclear reactors.

The Department of Energy also announced up to US$900m as fiscal support for small modular reactor technologies.

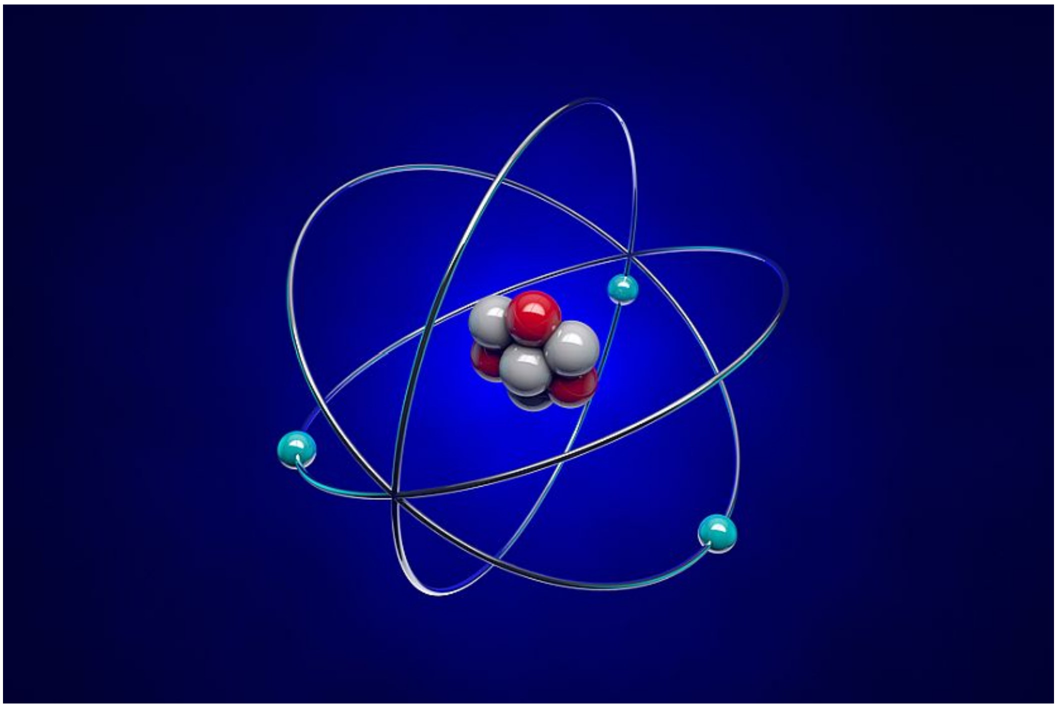
Hyperscalers are also leaning into the nuclear energy sector with **Amazon** the latest Big Tech company to sign three agreements for the development of nuclear energy projects, including four small modular reactors with X-Energy to be constructed, owned and operated by Energy Northwest.

Google also signed an agreement with Kairos Power to develop a fleet of nuclear power projects by 2025.

TradeTech also highlights Italy is in talks with Westinghouse and EDF from France for developing advanced nuclear reactors.

Kazatomprom announced supply contracts to China National Overseas and China National Uranium Corp. The value of these contracts exceeds more than 50% of the company's total book value of assets, meaning they must be submitted for approval at the AGM on November 15.

TradeTech astutely points out the contracts signal a shift to the East away from the West by Kazatomprom, on the back of previous comments from CEO Mukanov regarding shipments to western markets becoming too costly and challenging.



Sprott fires up Aussie uranium stocks

Not to be left behind, Australian uranium stocks have been rallying over the last month.

A back of the envelope calculation has shares in **Paladin Energy** ((PDN)) up over 50%. Last week famed investor Eric Sprott provided an extra impetus for the uranium bulls as **Boss Energy** ((BOE)), **Deep Yellow** ((DYL)) and **Lotus Resources** revealed to the ASX his positions had been increased by around one percentage point in September.

Short interests, however, are refusing to budge. Most recent short interest data have Boss, Paladin, Deep Yellow and Lotus, in that order, sitting in the top ten of highest short positions in the Australian market as at October 14.

Boss is the highest at 14.21%, tailing down to Lotus at 8.55%.

To quote one of my favourite movies "Something's Gotta Give".

Latest broker updates

While observers might be yawning at the lack of movement in the U308 spot price, the same can't be applied to corporate news flow.

Lotus Resources ((LOT)) caught the attention of three brokers with the pull forward on the restart of the Kayelekera project to 8-10 months from 15 months to 3Q2025.

In a positive surprise to Canaccord Genuity, the upfront capital investment announced at around -US$50m was well below the previous -US$88m estimate.

Bell Potter expects the capital cost to be -US$49.7m versus -US$89.2m before, with changes to the ore sorting, a delay in the electricity grid connection and changes to the plant's terrace as the major factors accounting for the difference.

All have Buy equivalent ratings with target prices ranging from a low of 42c at Macquarie to 54c from Canaccord Genuity.

Bannerman Energy ((BMN)) also made news, with the first phase of early works completed in July. Management has decided to extend the final investment decision window for the Etango Uranium Project into 2025, on the basis that current contract conditions have not yet fully "aligned" with positive market developments.

Shaw and Partners stresses management wants to retain maximum flexibility in the off-take and financing options for Etango.

All brokers have equivalent Buy ratings. Daily monitored broker Shaw and Partners' target of $7.40 stands out, compared to Canaccord and Petra at $4.33 and $4.68, respectively.

For those who love a new uranium name, Canaccord initiated coverage of **Laramide Resources** ((LAM)) with a speculative Buy rating and $1.30 target. The broker highlighted the investment appeal for Laramide's 100%-owned flagship projects, Crownpoint-Churchrock in New Mexico and Westmoreland in Queensland with a 117mlb resource base.

One more permit is required for Churchrock, a project with an estimated mine life of 32-years, production of 1mt per annum up to possibly 3mt, annually. Westmoreland has estimated production of over 4mlbs a year.

Another company with uranium exposure **Brazilian Rare Earths** ((BRE)) popped up as a feature last week for In Brief. Check it out here:

https://fnarena.com/index.php/2024/10/18/in-brief-lithium-brazilian-rare-earths-fineos/

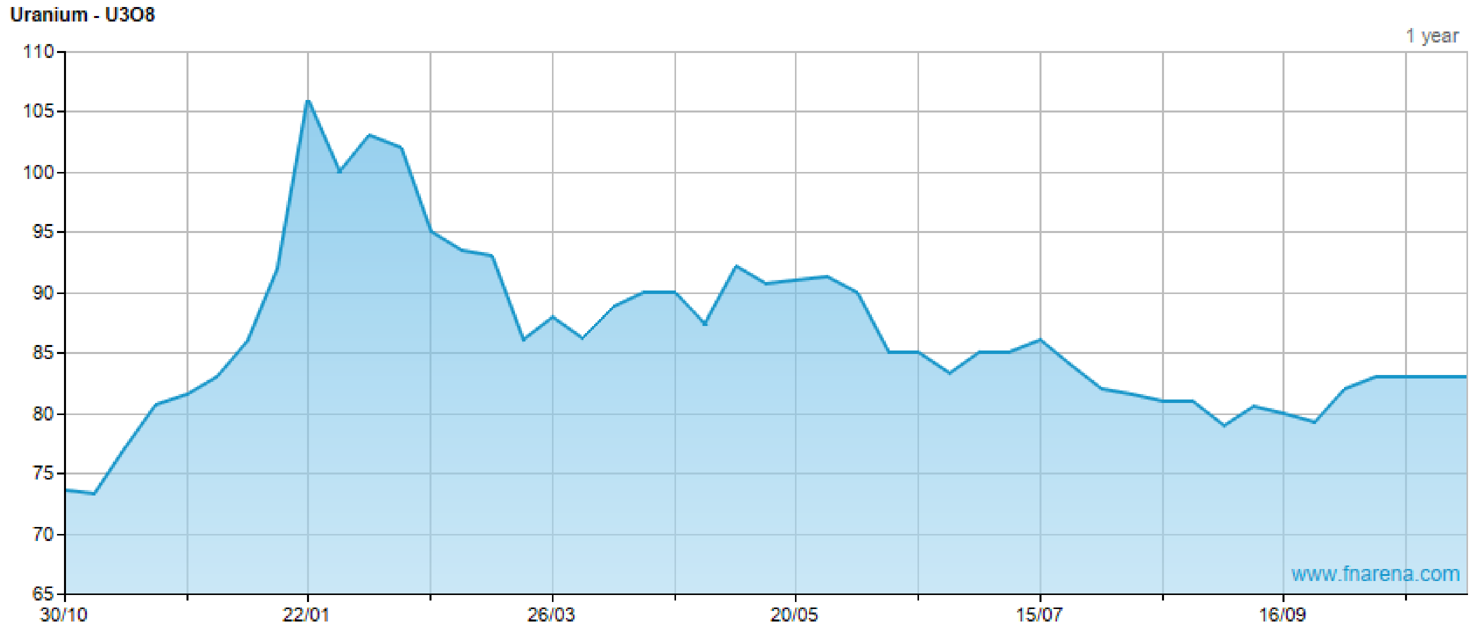
For more reading, last week's Uranium Weekly, see link below:

https://fnarena.com/index.php/2024/10/15/uranium-week-nuclear-support-broadening/

The author owns Paladin Energy shares.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	18/10/2024	0.0500	0.00%	$0.19	$0.03			
AEE	18/10/2024	0.1800	▲ 2.94%	$0.33	$0.11			
AGE	18/10/2024	0.0500	▲ 6.52%	$0.08	$0.03		$0.100	▲100.0%
AKN	18/10/2024	0.0100	0.00%	$0.07	$0.01			
ASN	18/10/2024	0.0800	▲ 2.63%	$0.20	$0.07			
BKY	18/10/2024	0.3900	▲ 2.99%	$0.45	$0.26			
BMN	18/10/2024	3.3700	▲ 0.30%	$4.87	$1.90		$7.400	▲119.6%
BOE	18/10/2024	3.7600	▲ 3.21%	$6.12	$2.38	25.9	$4.280	▲13.8%
BSN	18/10/2024	0.0300	▲ 3.23%	$0.21	$0.02			
C29	18/10/2024	0.0800	▲14.29%	$0.12	$0.06			
CXO	18/10/2024	0.1200	▼- 8.70%	$0.40	$0.08		$0.090	▼-25.0%
CXU	18/10/2024	0.0200	0.00%	$0.06	$0.01			
DEV	18/10/2024	0.1400	▲11.11%	$0.45	$0.11			
DYL	18/10/2024	1.5300	▲ 4.95%	$1.83	$0.91	-83.9	$1.900	▲24.2%
EL8	18/10/2024	0.3800	0.00%	$0.68	$0.26			
ERA	18/10/2024	0.0100	▼-50.00%	$0.08	$0.00			
GLA	18/10/2024	0.0100	0.00%	$0.04	$0.01			
GTR	18/10/2024	0.0040	▼-20.00%	$0.02	$0.00			
GUE	18/10/2024	0.0900	▲12.50%	$0.18	$0.05			
HAR	18/10/2024	0.0500	▲50.00%	$0.28	$0.03			
I88	18/10/2024	0.5100	0.00%	$1.03	$0.14			
KOB	18/10/2024	0.1100	▼-16.67%	$0.18	$0.07			
LAM	18/10/2024	0.7900	▲ 2.60%	$1.04	$0.48			
LOT	18/10/2024	0.3100	▲ 7.41%	$0.49	$0.20		$0.547	▲76.3%
MEU	18/10/2024	0.0400	0.00%	$0.06	$0.03			
NXG	18/10/2024	12.2400	▲ 5.38%	$13.66	$7.89		$16.200	▲32.4%
ORP	18/10/2024	0.0400	0.00%	$0.12	$0.04			
PDN	18/10/2024	12.9700	▲ 5.67%	$17.98	$8.15	25.3	$14.160	▲9.2%
PEN	18/10/2024	0.1100	▲ 1.01%	$0.15	$0.07		$0.260	▲136.4%
SLX	18/10/2024	5.2500	▲10.72%	$6.74	$3.01		$7.200	▲37.1%
TOE	18/10/2024	0.2900	▲ 7.69%	$0.70	$0.01			
WCN	18/10/2024	0.0200	▼-16.67%	$0.03	$0.01			



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

The Short Report - 24 Oct 2024

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

Summary:

Week Ending October 17th, 2024 (most recent data available through ASIC).

10%+

PLS 19.32
BOE 14.70
IEL 14.15
PDN 13.77
SYR 12.91
MIN 11.92
LTR 10.53

Out: DTEC

9.0-9.9%

LYC
DYL
LOT

In: LOT

8.0-8.9%

KAR
SYA
BGL

In: BGL Out: CTT, LOT

7.0-7.9%

DMP
LIC
SEK
ADT

In: DMP

6.0-6.9%

SGR
GMD
STX
CTT
CTD
CHN
WBT
RIO
FLT
WEB
IMU

In: CTT, RIO Out: BGL, DMP, SFR

5.0-5.9%

CUV
SFR
NUF
SLX
DXS
JLG
A2M
NVX
IDX

In: JLG, SFR Out: BOQ, CTD, RIO

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.4	0.4	NAB	0.8	0.7
ANZ	0.6	0.5	QBE	0.5	0.5
BHP	0.5	0.5	RIO	6.4	5.8
CBA	1.4	1.5	STO	1.0	0.8
COL	0.6	0.7	TCL	0.7	0.7
CSL	0.4	0.4	TLS	0.2	0.2
FMG	1.0	0.8	WBC	0.9	0.9
GMG	0.7	0.9	WDS	2.1	2.3
JHX	0.8	0.7	WES	0.8	0.8
MQG	0.6	0.6	WOW	0.4	0.5

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.

WEEKLY REPORTS

In Brief: Aurum, Hillgrove & Little Green Pharma

Under-appreciated and unknown gold/copper plays with a touch of cannabis cash flow.

-African gold explorer in focus
-Leveraged copper price play
-Cannabis minnow grows up

By Danielle Ecuyer

Back to Africa

Casting our focus to the Cote d'Ivoire, US resource research house Hallgarten + Company has initiated coverage of ASX-listed**Aurum Resources** ((AUE)) post the announcement of the merger with **Mako Gold** ((MKG)).

The aim of the corporate combination is to expand exposure to gold exploration projects in northern Cote d'Ivoire in the Napie and Boundiali zones.

At a proposed one Aurum share for every 25.1 Makum shares or an offer price of $0.018, the pricing represents a 112% premium to the previous 30-day volume-weighted average price.

Post transaction, Aurum shareholders will own 79.5% of the entity and Mako shareholders 20.5%.

Hallgarten highlights the merged company increases Aurum's existing assets to one of the largest exploration exposures in the African country with $20m in cash on hand.

The broker also points to a very experienced board of directors and management team with the successful precedent of bringing Tietto Minerals's Abujar mine to production before selling it at a large premium.

One of the key differences with Aurum's management, formerly of Tietto, is the ownership of its own rig fleet.

In contrast to "conventional wisdom" ownership of the fleet enables a lower drilling cost per metre with better controls on both timing and crews, the analyst explains, thereby alleviating any waiting times for rigs and maximising flexibility.

Aurum management asserts the cost per metre is US$45 against US$100-US$300 being paid by others.

The analyst points to Aurum's three rigs which will allow for drilling around 4,000 metres per month. From August, the company will have six rigs with potential up to 8,000-10,000 metres per month.

The Boundiali greenstone belt where Aurum is exploring is viewed as a "good address" which has previously attracted Barrick Gold, **Predicative Discovery** ((PDI)) and **Resolute Mining** ((RSG)). From a macro perspective, West Africa is seen as a more advantageous region from a cost, climatic and geographical topography perspective.

Hallgarten starts off with Buy equivalent rating alongside a maiden target price of $1.05, emphasising if management can achieve even a fraction of what it previously achieved, then Aurum should become a "top performer".

A day after the initiation, Hallgarten followed up with an initiation of coverage of Nasdaq- and ASX-listed 5E Advanced Materials ((5EA)) with a Neutral rating and 6.5c target (US40c), suggesting the shares are presently not attractively priced.

What's old is new again

Hillgrove Resources ((HGO)) caught my attention this week with three non-daily FNArena monitored brokers espousing the company's potential as Australia's newest copper producer.

Hillgrove restarted the existing Kanmantoo mine in South Australia in early 2024 and announced a substantial increase in its mineral resource base this week, almost doubling contained copper to around 150kt from under 80kt plus an increase in contained gold by 138%.

Canaccord Genuity believes the updated resource confirms the miner's operating strategy to increase the Kanmantoo mine life beyond current assumptions of five years. Wilsons reinforces that view and believes there is scope for an extension in mine life to a base case of six years based on conservative assumptions with the latest update supporting a potential eight-year mine life.

Wilsons notes every one-year extension in Kanmantoo's mine life equals a 1c rise in the company's valuation, compared to the broker's target price of 8c.

Hillgrove also has substantial franking credits, sufficient for an estimated $50m in fully franked dividends sometime in the future.

MST Access explains, unlike other junior copper plays, the positives of a brownfield restart include the de-risking of technical and geological issues, and make Kanmantoo a "relatively simple, single mine operation".

Canaccord forecasts 7mt of copper at 1.08% and 0.16/t of gold with a five-year mine life and arrives at a Speculative Buy rating and 10c target.

Wilsons stresses the company is not well known to investors and although the share price has advanced around 25% since initiation of coverage, the analyst suggests the company should not be dismissed for its former four-year mine life.

The broker beats the drum there remains "very high potential for resource upgrades" and resulting mine life extensions. Buy rating equivalent and an 8c target.

MST expects all-in-sustaining costs of $4.20lb which is higher by 12% than the Kanmantoo Economic Assessment, as well as a two-year mine life extension to an annual rate of production of 14kt. The analyst stresses the shorter mine life on a relative basis and "moderate" position on the cost curve, makes Hillgrove very leveraged to the copper price. Target price 12c.

Unfulfilled demand drives revenue growth

Canaccord Genuity can barely suppress enthusiasm for **Little Green Pharma**'s ((LGP)) September quarter, describing the results as a "watershed".

Delivering growth in revenues of 65% in the quarter on the previous corresponding period with expansion in cash receipts of 44%, the results proved "materially" above the broker's forecasts.

A spread across geographies (Australia and Europe) as well as products (flowers and oils) and brands displays a depth of growth for the company.

The combination of lower costs and higher revenue growth allowed the cannabis company to achieve positive cash flows without the support of R&D rebates. As the analyst emphasises: the underlying business is performing strongly.

With debt on the balance sheet of $3.7m, positive cash flow makes it easier to manage debt servicing costs, although the company also has $4.8m cash in the bank.

Regarding the outlook, Canaccord injects a dose of reality, highlighting revenue streams have been historically "lumpy". The analyst cautions at being overly optimistic with expected revenue forecasts to remain flat over the last two quarters of FY25 which would still generate 48% growth annually or around $38m.

With strong demand, two more product launches in the 2H25, and a limited supply response in the market, the outlook proposed is not viewed by the analyst as excessively upbeat.

Canaccord has upgraded the stock to Speculative Buy from a Hold rating with a rise in the target price to 21c from 17c.

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 25-10-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

BEACH ENERGY LIMITED ((BPT)) Upgrade to Hold from Sell by Canaccord Genuity.B/H/S: 0/0/0

Canaccord Genuity highlights Beach Energy reported a "solid" 1Q25 result, compared to a lacklustre previous nine months.

Production rose 10% and sales revenue grew 4% on the previous quarter to $427m. Net debt declined by -$28m and Waitsia guidance was retained. First gas is anticipated in early 2025.

Beach Energy is upgraded to Hold from Sell on valuation grounds with an unchanged target price of $1.25.

LITTLE GREEN PHARMA LIMITED ((LGP)) Upgrade to Speculative Buy from Hold by Canaccord Genuity.B/H/S: 0/0/0

Canaccord Genuity notes 1Q25 results for Little Green Pharma could be considered a "watershed" moment, whereby the company reported revenue growth, falling operating expenses and its first positive free cash flow.

These results support the de-risking of the stock, resulting in the analyst lifting revenue and margin forecasts with the elimination of a net debt position.

Target price is raised to 21c from 17c. The stock is upgraded to Speculative Buy from Hold.

METALS ACQUISITION LIMITED ((MAC)) Upgrade to Buy from Hold by Moelis.B/H/S: 0/0/0

Moelis believes Metals Acquisition's Q3 production report was "solid" with lots of progress being made to increase production and lower costs.

The broker believes the company is on track to meet its guidance for 2025, with potential upside for 2026.

The commencement of a separate mining area at QTS South Upper will in due course add both tonnes and grade to the feed blend, the broker adds.

The recent drop in the share price has triggered an upgrade to Buy from Hold. Target price has improved to $25 which, the broker highlights, makes the shares look cheap.

MICHAEL HILL INTERNATIONAL LIMITED ((MHJ)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

Jarden upgrades its rating for Michael Hill to Buy from Overweight after an update for the first 14 weeks of FY25 revealed improving trading momentum across all markets.

Sales growth accelerated to 4.3% year-on-year from the 3.2% run-rate reported in the first eight weeks of FY25.

The analysts believe the company has passed an inflection point by returning to positive sales and margin growth and see upside risk to the broker's near-term earnings forecasts.

Jarden's target price rises to NZ80c from NZ78c.

Downgrade

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

Jarden raises target prices for the four online classified stocks under the broker's research coverage after updating forecasts for recent listing volumes data and to reflect the analysts' lower risk-free rate assumptions.

The broker's target for Domain Holdings Australia rises by 10c to $3.45 and the rating is downgraded to Overweight from Buy after a strong recent share price performance.

METCASH LIMITED ((MTS)) Downgrade to Sell from Neutral by Goldman Sachs.B/H/S: 0/0/0

While still under-penetrated relative to the US, China, and the UK, highlights Goldman Sachs, Australia's online retail penetration reached 11% in FY24, including 7% for supermarkets.

Supported by an expanded range and improved supply chain/last mile infrastructure, the broker anticipates online sales will outstrip offline growth, and reach around 12% for supermarkets by FY30.

For Metcash, Goldman downgrades to Sell from Neutral on market share erosion both in supermarkets and hardware. An acquisition-led strategy is also expected to lower the company's return on invested capital (ROIC) measure.

The target falls to $3.10 from $3.70.

SHEFFIELD RESOURCES LIMITED ((SFX)) Downgrade to Hold from Buy by Petra Capital.B/H/S: 0/0/0

Sheffield Resources reported production at its Thunderbird mineral sands project was -11-14% below expectations, despite throughput being 3% ahead of forecast.

Petra Capital observes no zircon sales were made during the quarter due to weak market conditions, leading to revenue of $24m, significantly below the broker's forecast of $63m.

A $14m prepayment from the JV partner is expected to provide short-term liquidity. As a result, the broker has downgraded the price target to $0.28 from $0.57 and reduced its NPV estimate.

Sheffield Resources has been downgraded to Hold from Buy.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	BEACH ENERGY LIMITED	Neutral	Sell	Canaccord Genuity
2	LITTLE GREEN PHARMA LIMITED	Buy	Neutral	Canaccord Genuity
3	METALS ACQUISITION LIMITED	Buy	Neutral	Moelis
4	MICHAEL HILL INTERNATIONAL LIMITED	Buy	Buy	Jarden
Downgrade				
5	DOMAIN HOLDINGS AUSTRALIA LIMITED	Buy	Buy	Jarden
6	METCASH LIMITED	Sell	Neutral	Goldman Sachs
7	SHEFFIELD RESOURCES LIMITED	Neutral	Buy	Petra Capital

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
AD8	Audinate Group	$8.67	Canaccord Genuity	10.50	12.00	-12.50%
			Moelis	9.45	10.50	-10.00%
AOV	Amotiv	$10.92	Wilsons	12.71	12.69	0.16%
ARB	ARB Corp	$41.76	Wilsons	50.27	47.85	5.06%
BGL	Bellevue Gold	$1.65	Goldman Sachs	1.80	1.70	5.88%
BMN	Bannerman Energy	$3.20	Petra Capital	4.68	4.51	3.77%
BOQ	Bank of Queensland	$6.66	Jarden	6.20	6.00	3.33%
BPT	Beach Energy	$1.31	Canaccord Genuity	1.25	1.50	-16.67%
			Jarden	1.35	1.34	0.75%
CAR	CAR Group	$37.61	Jarden	32.75	31.25	4.80%
CGF	Challenger	$6.05	Goldman Sachs	7.82	8.00	-2.25%
			Jarden	8.10	7.90	2.53%

COE	Cooper Energy	$0.19	Canaccord Genuity	0.31	0.30	3.33%
COL	Coles Group	$18.31	Goldman Sachs	19.10	18.00	6.11%
DHG	Domain Holdings Australia	$3.07	Jarden	3.45	3.35	2.99%
DSE	Dropsuite	$4.04	Petra Capital	3.98	3.65	9.04%
DUG	Dug Technology	$1.93	Canaccord Genuity	3.20	3.50	-8.57%
			Wilsons	3.23	4.11	-21.41%
EBR	EBR Systems	$1.06	Wilsons	1.62	1.50	8.00%
EVN	Evolution Mining	$5.25	Goldman Sachs	4.50	4.05	11.11%
EVT	EVT Ltd	$11.13	Jarden	12.29	12.46	-1.36%
FLT	Flight Centre Travel	$16.11	Jarden	23.70	24.60	-3.66%
			Wilsons	22.29	28.56	-21.95%
GDF	Garda Property	$1.21	Moelis	1.66	1.63	1.84%
GDG	Generation Development	$3.45	Moelis	3.91	3.33	17.42%
GMD	Genesis Minerals	$2.49	Canaccord Genuity	3.80	3.75	1.33%
			Moelis	2.70	2.65	1.89%
IDX	Integral Diagnostics	$3.16	Jarden	3.67	2.83	29.68%
IMD	Imdex	$2.64	Canaccord Genuity	2.67	2.25	18.67%
IPH	IPH	$5.47	Goldman Sachs	7.50	8.25	-9.09%
LGP	Little Green Pharma	$0.16	Canaccord Genuity	0.21	0.17	23.53%
MAC	Metals Acquisition	$18.35	Moelis	25.00	23.00	8.70%
MGH	Maas Group	$4.79	Wilsons	5.59	4.91	13.85%
MTS	Metcash	$3.23	Goldman Sachs	3.10	3.70	-16.22%
NCK	Nick Scali	$14.53	Jarden	15.88	16.52	-3.87%
			Wilsons	17.30	17.40	-0.57%
OBM	Ora Banda Mining	$0.92	Canaccord Genuity	0.85	0.74	14.86%
			Moelis	0.81	0.67	20.90%
OCC	Orthocell	$0.68	Petra Capital	1.32	1.28	3.13%
OFX	OFX Group	$1.38	Canaccord Genuity	2.20	2.60	-15.38%
			Wilsons	2.11	2.60	-18.85%
ORA	Orora	$2.52	Goldman Sachs	N/A	2.75	-100.00%
PPS	Praemium	$0.66	Moelis	0.80	0.75	6.67%
PPT	Perpetual	$20.48	Jarden	22.70	22.35	1.57%
QOR	Qoria	$0.41	Canaccord Genuity	0.55	0.50	10.00%
			Wilsons	0.55	0.45	22.22%
REA	REA Group	$230.98	Jarden	177.00	170.00	4.12%
RIO	Rio Tinto	$118.78	Goldman Sachs	136.20	137.90	-1.23%
S32	South32	$3.74	Goldman Sachs	3.90	3.60	8.33%
SEK	Seek	$25.86	Jarden	28.00	26.60	5.26%
SFX	Sheffield Resources	$0.24	Petra Capital	0.28	0.57	-50.88%
SMR	Stanmore Resources	$3.12	Petra Capital	5.33	5.32	0.19%
STO	Santos	$6.95	Goldman Sachs	7.90	8.00	-1.25%
			Jarden	7.90	8.00	-1.25%
TWE	Treasury Wine Estates	$11.82	Jarden	14.10	14.60	-3.42%
WDS	Woodside Energy	$24.30	Jarden	26.80	26.60	0.75%
WOW	Woolworths Group	$33.24	Goldman Sachs	38.90	40.10	-2.99%
XRF	XRF Scientific	$1.64	Canaccord Genuity	1.75	1.30	34.62%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

AOV AMOTIV LIMITED

Automobiles & Components Overnight Price: $10.89

Wilsons rates ((AOV)) as Overweight (1)

Wilsons assesses a broadly neutral AGM trading update by Amotiv. The target edges up to $12.71 from $12.69.

The broker highlights Wear & repair' segments remain resilient, partly offset by softness in New Zealand, and the Caravan/RV and 4WD/SUV segments.

Management announced a share buyback of up to 5% of shares on issue, which is expected to commence from November 6.

Wilsons suggests investors are yet to reward management's efforts to rapidly deleverage the balance sheet with a higher share price. The Overweight rating is retained.

This report was published on October 22, 2024.

Target price is **$12.71** Current Price is **$10.89** Difference: **$1.82**
If **AOV** meets the Wilsons target it will return approximately **17%** (excluding dividends, fees and charges).
Current consensus price target is **$13.02**, suggesting upside of **19.6%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **43.00** cents and EPS of **89.60** cents.
At the last closing share price the estimated dividend yield is **3.95%.**
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **12.15**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **85.8**, implying annual growth of **21.4%**.
Current consensus DPS estimate is **44.4**, implying a prospective dividend yield of **4.1%**.
Current consensus EPS estimate suggests the PER is **12.7**.

Forecast for FY26:

Wilsons forecasts a full year **FY26** dividend of **47.00** cents and EPS of **98.40** cents.
At the last closing share price the estimated dividend yield is **4.32%.**
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.07**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **94.9**, implying annual growth of **10.6%**.
Current consensus DPS estimate is **46.5**, implying a prospective dividend yield of **4.3%**.
Current consensus EPS estimate suggests the PER is **11.5**.

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

BMN BANNERMAN ENERGY LIMITED

Uranium Overnight Price: $3.34

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

Canaccord Genuity notes Bannerman Energy continues to progress at its Etango-8 development in Namibia with the aim of a positive final investment decision in 2025.

After completing the construction of water supply and site access road, the company is now moving to the next phase of the path towards contract awards. Management continues to assess various debt funding and potential offtake and JV opportunities.

Speculative Buy rating and $4.33 target retained.

This report was published on October 17, 2024.

Target price is **$4.33** Current Price is **$3.34** Difference: **$0.99**
If **BMN** meets the Canaccord Genuity target it will return approximately **30%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 6.04** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 55.29**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **minus 5.44** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 61.43**.

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

COE COOPER ENERGY LIMITED

Crude Oil Overnight Price: $0.19

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

Canaccord Genuity highlights a boost in Orbost production of 22% in 1Q25 with the "unthinkable" happening: Cooper Energy is looking at de-bottlenecking opportunities.

The broker notes higher production permitted the company to generate increased spot sales at slightly higher prices.

Forecast production increases which places Canaccord Genuity at the upper end of the guidance range, the analyst highlights.

Target price lifts to 31c from 30c. Buy rating retained.

This report was published on October 17, 2024.

Target price is **$0.31** Current Price is **$0.19** Difference: **$0.12**
If **COE** meets the Canaccord Genuity target it will return approximately **63%** (excluding dividends, fees and charges).
Current consensus price target is **$0.27**, suggesting upside of **39.5%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **0.20** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **95.00**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **0.8**, implying annual growth of **N/A**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **23.8**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **1.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **19.00**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **2.6**, implying annual growth of **225.0%**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **7.3**.

Market Sentiment: **0.5**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

EVT EVT LIMITED

Travel, Leisure & Tourism Overnight Price: $11.00

Jarden rates ((EVT)) as Buy (1)

EVT Ltd's 1Q Hotel earnings were robust while Thredbo's were weak, observes Jarden, as management flagged at FY24 results. Overall, 1Q earnings (EBITDA) fell by -30.2% year-on-year, but only by -4% compared to Q1 FY19.

When the broker assumes admissions recover to 90% of FY19 levels by FY27, Jarden's estimate for total shareholder returns increases to 35%. This scenario conservatively ignores management's success in increasing yield per admit, note the analysts.

The broker is upbeat on the outlook citing two of the company's three segments are at cyclical lows for earnings and these are expected to improve, while cinemas' box office profile is looking increasingly positive.

Buy rated. The target falls to $12.29 from $12.46.

This report was published on October 21, 2024.

Target price is **$12.29** Current Price is **$11.00** Difference: **$1.29**
If **EVT** meets the Jarden target it will return approximately **12%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** EPS of **21.60** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **50.93**.

Forecast for FY26:

Jarden forecasts a full year **FY26** EPS of **33.90** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **32.45**.

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

FLT FLIGHT CENTRE TRAVEL GROUP LIMITED

Travel, Leisure & Tourism Overnight Price: $16.37

Jarden rates ((FLT)) as Buy (1)

When Flight Centre Travel's Q1 update is viewed in combination with Web Travel's ((WEB)) recent update, Jarden believes it would be incorrect to conclude the competitive backdrop is getting tougher.

Management stated Q1 underlying pre-tax profit was up marginally' on the $63m in the previous corresponding period.

The broker believes margins for the group will improve but not to the extent of achieving the 2% stretch profit (PBT) margin target.

One quarter does not establish a trend, the analysts remind investors, highlighting the business remains a leaner, higher return on invested capital (ROIC) business post covid, with potential upside from market share gains

Target falls to $23.70 from $24.60. Buy retained.

This report was published on October 21, 2024.

Target price is **$23.70** Current Price is **$16.37** Difference: **$7.33**
If **FLT** meets the Jarden target it will return approximately **45%** (excluding dividends, fees and charges).

Current consensus price target is **$23.81**, suggesting upside of **45.4%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **75.00** cents and EPS of **130.90** cents.
At the last closing share price the estimated dividend yield is **4.58%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **12.51**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **129.1**, implying annual growth of **102.6%**.
Current consensus DPS estimate is **44.2**, implying a prospective dividend yield of **2.7%**.
Current consensus EPS estimate suggests the PER is **12.7**.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **94.00** cents and EPS of **150.30** cents.
At the last closing share price the estimated dividend yield is **5.74%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **10.89**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **148.1**, implying annual growth of **14.7%**.
Current consensus DPS estimate is **56.3**, implying a prospective dividend yield of **3.4%**.
Current consensus EPS estimate suggests the PER is **11.1**.

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

GDF GARDA PROPERTY GROUP

REITs Overnight Price: $1.14

Moelis rates ((GDF)) as Buy (1)

Garda Property has announced the sale of its industrial development site at North Lakes for $114.0m. The deal has several conditions attached, but these are anticipated to be satisfied by Q4 of FY25.

Moelis comments this deal allows Garda Property to reduce gearing to 22% (assuming all goes well). It is noted the deal has been concluded at a -2.4% discount to the independent on-completion value of $116.8m.

The broker notes it is the intention to make a one-off special distribution to assist security holders with the tax associated with the capital gain from the sale of North Lakes.

The broker also makes the point asset sales are materially accretive to earnings given proceeds will be used to retire most, if not all of the REIT's variable debt facilities.

Buy. Target lifts to $1.66. EPS and DPS forecasts made a small jump.

This report was published on October 23, 2024.

Target price is **$1.66** Current Price is **$1.14** Difference: **$0.525**
If **GDF** meets the Moelis target it will return approximately **46%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Moelis forecasts a full year **FY24** dividend of **7.20** cents and EPS of **6.80** cents.
At the last closing share price the estimated dividend yield is **6.34%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **16.69**.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **7.50** cents and EPS of **9.70** cents.

At the last closing share price the estimated dividend yield is **6.61%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.70**.

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

GDG GENERATION DEVELOPMENT GROUP LIMITED

Wealth Management & Investments Overnight Price: $3.44

Moelis rates ((GDG)) as Buy (1)

Generation Development's market update showed yet again solid growth from Lonsec with new product growth underpinned by the continuing expansion of the private market offerings from fund managers, Moelis comments.

The broker highlights Funds under Management (FUM) is now at $42m, with sales increasing 28% quarter-on-quarter.

The better-than-projected performance has triggered upgrades to forecasts. The suggesting is made that M&A should be expected to add extra momentum.

Buy rating retained. The target price has improved to $3.91.

This report was published on October 22, 2024.

Target price is **$3.91** Current Price is **$3.44** Difference: **$0.47**
If **GDG** meets the Moelis target it will return approximately **14%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **3.10** cents and EPS of **7.90** cents.
At the last closing share price the estimated dividend yield is **0.90%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **43.54**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **4.00** cents and EPS of **10.10** cents.
At the last closing share price the estimated dividend yield is **1.16%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **34.06**.

Market Sentiment: **0.5**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

IPH IPH LIMITED

Legal Overnight Price: $5.48

Goldman Sachs rates ((IPH)) as Buy (1)

After the analysts at Goldman Sachs allow for the Bereskin & Parr acquisition and associated equity raise, the target for IPH falls by -9% to $7.50.

While the equity raising helps reduce debt it also opens the opportunity to pursue M&A in adjacencies, notes Goldman. Management has previously flagged this potential including the chance to enter a new secondary market.

After recent share price underperformance, the broker suggests the current valuation is compelling for a stable, cash-generative business with solid mid-single-digit organic EPS growth and an attractive dividend yield. Buy.

This report was published on October 17, 2024.

Target price is **$7.50** Current Price is **$5.48** Difference: **$2.02**
If **IPH** meets the Goldman Sachs target it will return approximately **37%** (excluding dividends, fees and charges).
Current consensus price target is **$7.97**, suggesting upside of **45.3%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Goldman Sachs forecasts a full year **FY25** dividend of **36.00** cents and EPS of **47.00** cents.
At the last closing share price the estimated dividend yield is **6.57%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.66**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **46.8**, implying annual growth of **86.6%**.
Current consensus DPS estimate is **36.4**, implying a prospective dividend yield of **6.6%**.
Current consensus EPS estimate suggests the PER is **11.7**.

Forecast for FY26:

Goldman Sachs forecasts a full year **FY26** dividend of **39.00** cents and EPS of **51.00** cents.
At the last closing share price the estimated dividend yield is **7.12%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **10.75**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **50.3**, implying annual growth of **7.5%**.
Current consensus DPS estimate is **37.5**, implying a prospective dividend yield of **6.8%**.
Current consensus EPS estimate suggests the PER is **10.9**.

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

MGH MAAS GROUP HOLDINGS LIMITED

Building Products & Services Overnight Price: $4.75

Wilsons rates ((MGH)) as Overweight (1)

Potential for sustained earnings growth at Maas Group has been confirmed by the analysts at Wilsons after further analysis of metrics for return on capital (ROC), gearing and free cash flow (FCF).

The broker's target rises to $5.59 from $4.91 benefiting from a roll-forward in Wilsons base year forecast to FY26. Overweight.

For the Construction Material segment, by way of example, the broker's forecasts imply a return on capital employed (RoCE) uplift of circa 600bps by FY27, which includes benefit from volume growth, price increases and asset synergies.

This report was published on October 22, 2024.

Target price is **$5.59** Current Price is **$4.75** Difference: **$0.84**
If **MGH** meets the Wilsons target it will return approximately **18%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **9.00** cents and EPS of **29.10** cents.
At the last closing share price the estimated dividend yield is **1.89%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **16.32**.

Forecast for FY26:

> Wilsons forecasts a full year **FY26** dividend of **12.00** cents and EPS of **37.30** cents.
> At the last closing share price the estimated dividend yield is **2.53%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **12.73**.

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

PPS PRAEMIUM LIMITED

Wealth Management & Investments Overnight Price: $0.64

Moelis rates ((PPS)) as Buy (1)

A better-than-expected trading update by Praemium has triggered upgrades to Moelis's forecasts. More Funds under Administration are combining with stronger account growth at Scope.

Moelis highlights Praemium remains on track to meet its forecast of circa 20% CAGR in EPS growth from FY24-FY27. FY25, which is the current financial year, is seen as the year of inflection.

OneVue is expected to add $3m to the growth profile through cost synergies. Buy rating retained with a 80c price target, up from 75c.

This report was published on October 23, 2024.

Target price is **$0.80** Current Price is **$0.64** Difference: **$0.165**
If **PPS** meets the Moelis target it will return approximately **26%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Moelis forecasts a full year **FY25** dividend of **1.00** cents and EPS of **2.80** cents.
> At the last closing share price the estimated dividend yield is **1.57%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **22.68**.

Forecast for FY26:

> Moelis forecasts a full year **FY26** dividend of **1.30** cents and EPS of **3.30** cents.
> At the last closing share price the estimated dividend yield is **2.05%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **19.24**.

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

RWL RUBICON WATER LIMITED

Overnight Price: $0.28

Wilsons rates ((RWL)) as Initiation of coverage with Overweight (1)

Wilsons begins with an Overweight rating in new research coverage on water management solution provider Rubicon Water which aims to improve water efficiency for the agriculture sector.

The broker not only likes the favourable global thematic associated with water security, but also Rubicon's market-leading product solutions, along with evidence of a more balanced business model.

Changes to the business model over the past year include a greater product range (FarmConnect) and a broadened geographic mix (US market is emerging), as well as greater supply chain flexibility.

A 41c target is set.

This report was published on October 17, 2024.

Target price is **$0.41** Current Price is **$0.28** Difference: **$0.13**
If **RWL** meets the Wilsons target it will return approximately **46%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 1.70** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 16.47**.

Forecast for FY26:

> Wilsons forecasts a full year **FY26** dividend of **0.00** cents and EPS of **0.00** cents.

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

SMR STANMORE RESOURCES LIMITED

Coal Overnight Price: $3.10

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

Petra Capital comments Stanmore Resources reported a strong quarterly production result, with all operations exceeding expectations.

Saleable production of 3.8Mt was up 10% quarter-on-quarter, beating the broker's forecast by 9%. The broker believes the company remains on track to exceed its 2024 guidance, supported by higher-than-expected ROM stocks and no further capex projects in 2025.

The price target has slightly increased to $5.33 from $5.32. Financial forecasts have been updated, reflecting a modest increase in 2024 output but a -2% reduction in the 2025 coal price forecast. Buy.

This report was published on October 23, 2024.

Target price is **$5.33** Current Price is **$3.10** Difference: **$2.23**
If **SMR** meets the Petra Capital target it will return approximately **72%** (excluding dividends, fees and charges).
The company's fiscal year ends in December.

Forecast for FY24:

> Petra Capital forecasts a full year **FY24** dividend of **14.19** cents and EPS of **45.00** cents.
> At the last closing share price the estimated dividend yield is **4.58%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **6.89**.

Forecast for FY25:

> Petra Capital forecasts a full year **FY25** dividend of **10.30** cents and EPS of **35.30** cents.
> At the last closing share price the estimated dividend yield is **3.32%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.78**.

This company reports in **USD**. All estimates have been converted into AUD by FNArena at present FX values.
Market Sentiment: **1.0**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

TERMS AND CONDITIONS OF USE, AND DISCLAIMERS

These Terms and Conditions of Use, and Disclaimers constitutes your agreement with FNArena Ltd with respect to your use of its FNArena website, its weekday news periodical, Australian Broker Call, as well as any other publications (including articles) FNArena may publish on its website, or anywhere else, from time to time.

Please read the contents of this page carefully as it contains important legal information and disclaimers. By entering and perusing the website, reading the Australian Broker Call, or, if you are subscriber, by entering the password protected part of the website, you acknowledge that you have read, understood and accept this agreement.

By accepting this agreement you acknowledge, understand and accept the following:

1. Reference to “FN Arena” and “FNArena” means reference to FNArena Ltd, its journalists, directors, other employees, affiliates, agents, associates and subsidiaries.

2. FNArena Ltd is the owner of the FN Arena website and brand name.

3. Reference to “we” or “us” is reference to FNArena.

4. Reference to “this website” or the “FNArena website” means reference to www.fnarena.com, and includes reference to FNArena’s weekday news periodical, Australian Broker Call, as well as any other publications (including articles) FNArena may publish on this website, or anywhere else, from time to time.

5. Reference to “news periodicals” means reference to FNArena’s weekday periodical, Australian Broker Call, as well as any other periodicals FNArena may publish from time to time on this website, or anywhere else, from time to time.

6. Reference to “publications” in this agreement means any material, including articles, published or put in print on the FNArena website, or anywhere else, whatsoever, and includes FNArena’s weekday periodical, Australian Broker Call, and any other periodicals FNArena may publish from time to time.

7. Reference to a “visitor” means, you, a visitor to this website, and includes a subscriber to Australian Broker Call as well as any other publications or periodicals FNArena may, from time to time, publish through its website.

8. FNArena is a media company which employs financial journalists to report financial news. FNArena’s journalists perform the required research and collect the information that is, ultimately, each day, published on this website and in FNArena’s news periodicals. As is obvious, the process by which the information is collected and delivered to you is a purely journalistic one and, therefore, the comments, opinions and recommendations FNArena reports on this website are not the opinions of FNArena or any of its journalist or other employees. FNArena is ONLY and specifically a

matter-of-fact reporter of industry signals suggesting price direction probability of some shares. FNArena simply delivers the information – it does not create it.

9. Although FNArena obtains the information published herein from sources deemed to be reliable, and given and received in good faith, it cannot and does not guarantee its accuracy. FNArena does not take any responsibility either for the financial soundness or for the correctness of statement made or opinion expressed in the data or content reported by FNArena, and cannot and does not guarantee the reliability and accuracy of the opinions of the brokers whose opinions, recommendations and forecasts it reports.

10. FNArena publishes this website, all publications and its periodicals strictly for convenient personal, non-commercial, educational and informational purposes of its subscribers only. Our goal is to provide the subscribers with a convenient starting point of potentially useful, but not comprehensive, content that can educate or otherwise enhance a visitor's knowledge base and frame of reference.

11. FNArena is NOT a stock broker or financial or trading advisor, nor is it an advisory service of any kind, and no advice or recommendations on investments or trading are made nor implied on this website. Nothing contained in this website is intended to be, nor shall it be construed as, advice or recommendation. Any investment or other decisions made by you must be based solely on your own evaluation of the targeted subject for investment, and your financial circumstances and investment objectives, and FNArena will not be held liable for any such investments and decisions.

12. It is distinctly understood and accepted that the shares referred to in the FNArena website, FNArena's publications and/or periodicals have not been recommended by FNArena. The content and or any comments found of this website, including the content and/or comments published in any publication and/or periodicals published by FNArena, do not constitute a recommendation or endorsement by FNArena with respect to any company, security, share or investment or any financial or investment product.

13. This website makes no representations, and, to the extent allowed by the law, specifically disclaims all warranties, express, implied or statutory, regarding the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any material contained in the website.

14. Before making an investment decision, you must do your own research and rely on your own examination of the share, and the risk involved, and not on what you read on the FNArena website, or in any publication or periodical. The content of this website is provided strictly for convenient personal, non-commercial educational and informational purposes only and FNArena shall not be held liable for any investment decisions, sales or purchase decisions, which you may have made based on what you have read on this website or in the periodicals published by FNArena from time to time, or in any other publications FNArena may publish on its website, or anywhere else, from time to time. Anyone who makes investment decisions based on what they read on this website does so at their own risk, and agrees that they cannot hold FNArena responsible and/or liable for any loss whatsoever.

15. It is your responsibility to evaluate the completeness, accuracy and usefulness of any content made available on this website. If you are unsure, or in doubt about the meaning of any information, you should consult your financial advisor.

16. FNArena does not guarantee any returns on investments made in any share mentioned on this website by the visitors. As any investor well knows, any investment opportunity, strategy or concept involves a degree of risk and investors should not invest any funds unless they can afford to take the risk of losing their investment. FNArena strongly suggests that you consult your own financial advisors regarding the soundness of any intended investments, strategies or concepts, and discuss with such advisor your individual investment needs and goals. You may also wish to consult the broker who expressed the opinion we have reported on in the news periodicals we publish.

17. FNArena shall not be held liable to any visitor of the FN Arena website, or any reader of its periodicals and/or publications, or anyone else who may have relied on this website, directly or indirectly, for any inaccuracies in the printed material found on the FN Arena website, in the periodicals and/or other publications, any typing errors, omissions, interruptions, timeliness, completeness, deletions, defects, failure of performance, computer virus, communication line failures, alterations of, or use of any content herein, regardless of cause, for any loss or damage resulting therefrom.

18. Under no circumstances, including, but not limited to negligence, shall FNArena be liable for any direct, indirect, incidental, special or consequential damages that result from the use of, or the inability to use, the FNArena website, and any or the FNArena's publications and/or periodicals.

19. As a condition of use of the FNArena Website, FNArena's publications and periodicals, you agree to indemnify FNArena and all those affiliated with it from and against any and all liabilities, expenses (including legal costs) and damages arising out of claims resulting from your use of the FNArena website, FNArena's publications and periodicals. If you are uncertain about this agreement or the contents of the FNArena's website, or are dissatisfied in any shape or from, with the content of the FNArena website, or any of the publications or periodicals, or you do not agree with these terms and conditions, your sole and exclusive remedy is to discontinue using the FNArena website, FNArena's publications and periodicals.

20. FNArena may, from time to time, publish advice, opinions and statements of various third parties, other than the ten stock brokers, and various other information and content providers. FNArena does not represent or endorse the accuracy or reliability of any advice, opinion, statement or other information provided by these third parties. Reliance upon any such opinion, advice, statement, or other information is at your own risk.

21. The FNArena website may contain links and pointers to websites maintained by third parties. FNArena does not operate or control in any respect any information, products or services on such third-party websites. Third party links are included solely for the convenience of visitors, and do not constitute any endorsement by FNArena of any products or services provided by the third party link owners or operators. FNArena has no control over any websites that we might link to and does not

take responsibility for their quality, content or suitability.

22. FNArena is not responsible for claims made by advertisers on the FN Arena website or in any of its periodicals. Such advertisements are included solely for the convenience of visitors, and do not constitute any endorsement by FNArena of any products or services advertised. FNArena does not check the accuracy of the statements made by the advertisers. You assume sole responsibility for the access and use of third party links and pointers from the FN Arena website, as well as any purchases you may make from those third parties (including advertisers).

23. All the content, information and material made available on this website are provided to you "as is" and without warranty of any kind from FNArena whether express or implied, including, but not limited to, implied warranties of merchantability and fitness for a particular purpose, title, non-infringement, security or accuracy, nor does FNArena endorse or take any responsibility for the accuracy or reliability of any opinion, advise or statement made through the FN Arena website, its periodicals, or for making good all or part of any loss and/or damage that may have been caused by the visitor's reliance on any information, advise, product or service obtained from a linked website.

24. FNArena is not liable for any copyright infringements incurred by any outside content or information contributors, or by third parties who have links to this website, or advertise on this website.

25. FNArena reserves the right to make any and all changes to the FN Arena website, including the publications and periodicals, at its sole discretion without notice to you. FNArena reserves the right to deny access to this website or its information to anyone at any time.

26. This agreement shall be deemed to include all other notices, policies, disclaimers, and other terms contained in the FNArena website, provided, however, that in the event of a conflict between such other terms and the terms of this agreement, the terms of this agreement shall prevail.

27. FNArena shall have the right, at its discretion, to change, modify, add or remove terms of this agreement at any time. Changes shall be effective immediately. Notification of any such changes shall be made herein, therefore, you are strongly advised to read these terms each time you wish to access the FN Arena website or any periodical.

28. No permission is granted to copy, distribute, modify, post or frame any text, graphics, video, audio, software code, or viewer interface design or logos. The entire FNArena website, including the publications and periodicals, is subject to copyright with all rights
reserved. The information contained in the website, including the publications and periodicals, shall not be published, rewritten for broadcast or publication or redistributed in any medium, or for any other reason whatsoever, without prior written permission from FNArena.

29. All original content is the copyrighted property of FNArena.