WEEK 6

FINANCIAL NEWS, ANALYSIS & DATA

STORIES TO READ FROM FNArena

Friday, 7 February 2025

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[DeepSeek Fuels AI Technology Advances]

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Financial News, Data & Analysis

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AUSTRALIA

The Market In Numbers - 1 Feb 2025

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

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

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

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

Australia & NZ

Index	01 Feb 2025	Week To Date	Month To Date (Feb)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
NZ50	12995.010	-0.23%	0.00%	-0.88%	-0.88%	10.90%
All Ordinaries	8789.70	1.49%	0.00%	4.38%	4.38%	9.68%
S&P ASX 200	8532.30	1.47%	0.00%	4.57%	4.57%	9.85%
S&P ASX 300	8460.40	1.46%	0.00%	4.46%	4.46%	9.76%
Communication Services	1666.90	1.45%	0.00%	2.43%	2.43%	11.04%
Consumer Discretionary	4190.00	4.32%	0.00%	7.13%	7.13%	19.32%
Consumer Staples	11850.00	1.62%	0.00%	0.69%	0.69%	-4.27%
Energy	8881.10	-0.05%	0.00%	3.00%	3.00%	-11.47%
Financials	9141.50	1.57%	0.00%	6.12%	6.12%	19.39%
Health Care	46321.90	2.56%	0.00%	3.20%	3.20%	4.67%
Industrials	7905.00	0.66%	0.00%	3.38%	3.38%	16.05%
Info Technology	2854.80	2.59%	0.00%	4.16%	4.16%	21.92%
Materials	16773.20	1.11%	0.00%	4.02%	4.02%	-0.62%
Real Estate	3937.10	-0.43%	0.00%	4.67%	4.67%	10.49%
Utilities	8816.20	-4.48%	0.00%	-2.40%	-2.40%	-5.05%
A-REITs	1798.40	-0.55%	0.00%	4.66%	4.66%	10.72%
All Technology Index	3983.90	2.33%	0.00%	4.69%	4.69%	26.96%
Banks	3813.30	1.58%	0.00%	5.74%	5.74%	19.34%
Gold Index	9703.00	2.73%	0.00%	15.19%	15.19%	31.88%
Metals & Mining	5442.60	0.98%	0.00%	3.56%	3.56%	-1.94%

The World

Index	01 Feb 2025	Week To Date	Month To Date (Feb)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
FTSE100	8673.96	2.02%	0.00%	6.13%	6.13%	6.24%
DAX30	21732.05	1.58%	0.00%	9.16%	9.16%	19.17%
Hang Seng	20225.11	0.79%	0.00%	0.82%	0.82%	14.15%
Nikkei 225	39572.49	-0.90%	0.00%	-0.81%	-0.81%	-0.03%
DJIA	44544.66	0.27%	0.00%	4.70%	4.70%	13.87%
S&P500	6040.53	-1.00%	0.00%	2.70%	2.70%	10.62%
Nasdaq Comp	19627.44	-1.64%	0.00%	1.64%	1.64%	10.69%

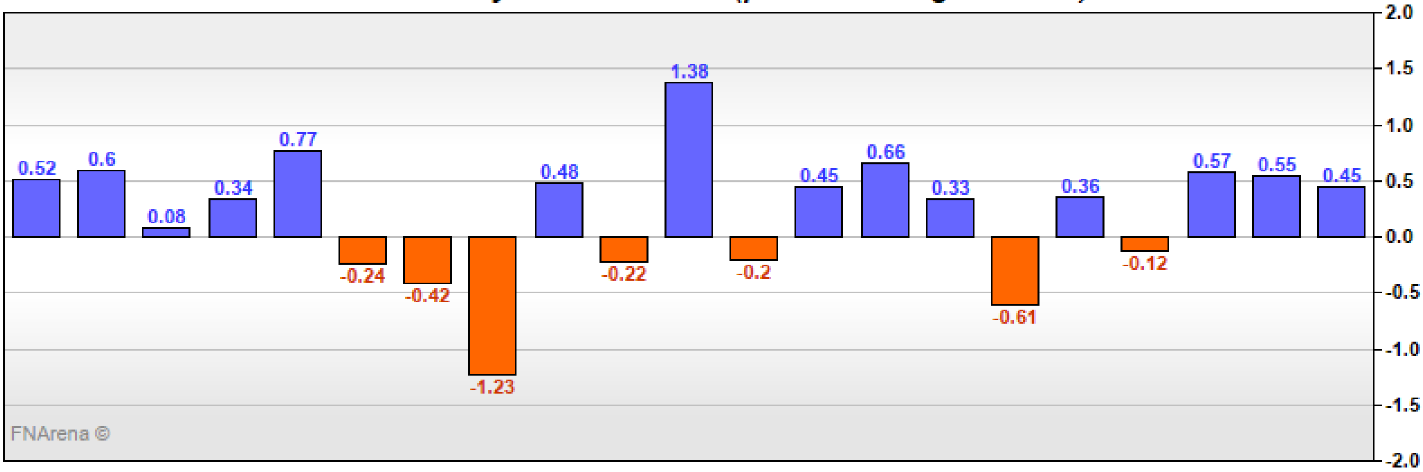
Metals & Minerals

Index	01 Feb 2025	Week To Date	Month To Date (Feb)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
Gold (oz)	2847.29	3.11%	0.00%	8.40%	8.40%	21.79%
Silver (oz)	32.61	5.77%	0.00%	7.90%	7.90%	11.49%
Copper (lb)	4.3085	-0.42%	0.00%	5.18%	5.18%	-0.58%
Aluminium (lb)	1.1780	-0.52%	0.00%	3.05%	3.05%	4.76%
Nickel (lb)	6.8524	-2.25%	0.00%	-4.09%	-4.09%	-11.90%
Zinc (lb)	1.2550	-2.01%	0.00%	-7.13%	-7.13%	-5.36%
Uranium (lb) weekly	71.15	-3.53%	0.00%	-1.18%	-1.18%	-14.53%
Iron Ore (t)	101.33	-0.01%	0.00%	-2.42%	-2.42%	-4.86%

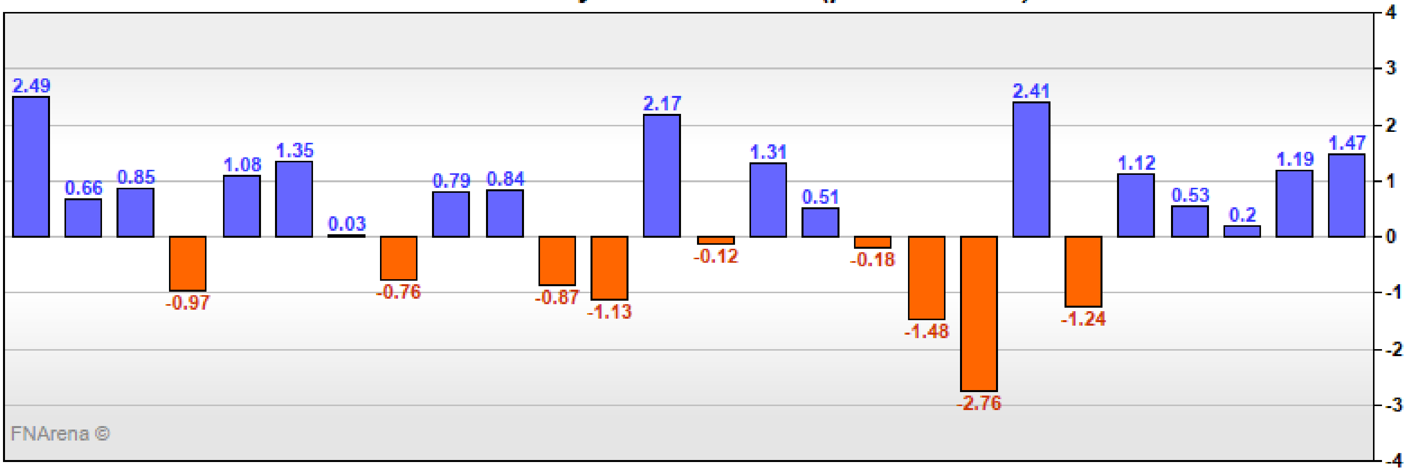
Energy

Index	01 Feb 2025	Week To Date	Month To Date (Feb)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
West Texas Crude	73.05	-1.62%	0.00%	5.14%	5.14%	-10.76%
Brent Crude	76.00	-2.45%	0.00%	4.74%	4.74%	-11.05%

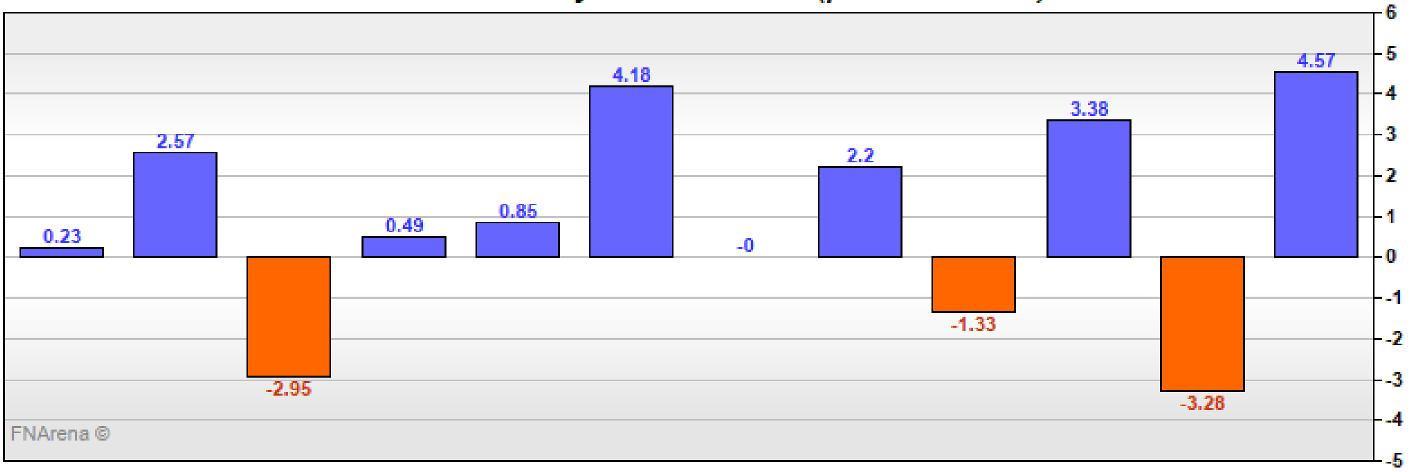
ASX200 Daily Movement in % (past 21 trading sessions)



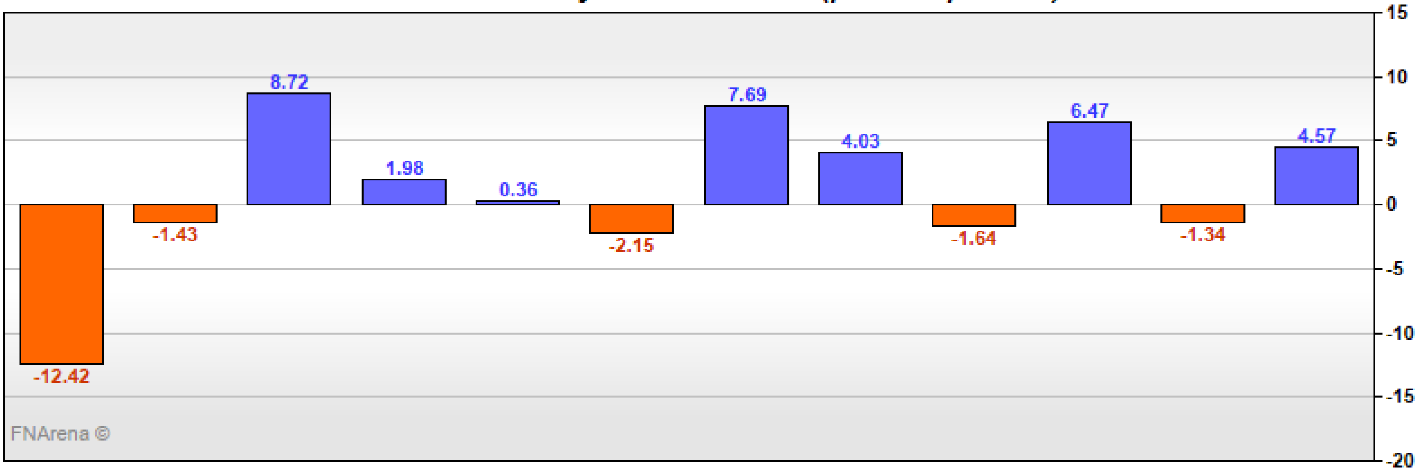
ASX200 Weekly Movement in % (past 26 weeks)



ASX200 Monthly Movement in % (past 12 months)



ASX200 Quarterly Movement in % (past 12 quarters)



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

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

ResMed Shakes Off GLP-1 Scare

The great obesity drug scare of 2023 is now behind ResMed as evidence in the December quarter suggests GLP-1s are actually a positive for the sleep apnoea industry.

-ResMed beats December quarter forecasts
-GLP-1s now seen as beneficial to sleep disorder diagnosis
-Gross margin expected to improve
-Balance sheet solid, buybacks continue

By Greg Peel

Global leader in sleep apnoea devices ResMed ((RMD)) posted a solid December quarter, beating consensus by around 4%, or 2% not counting a lower than expected tax rate. Revenue grew by 10% year on year driven by global flow generator sales up 10%, global mask/accessories sales up 11%, and SaaS up 8%.

Devices continued incremental share gains in the Americas (up 12% year on year) and strength in Rest-of-World (9%) as the global AS11 rollout advances, while demand for AS10 remains. Masks grew by 10% in the Americas and 7% in RoW, suggesting a normalisation in RoW mask growth.

Strong Americas sales appear to be underpinned by market leading cloud-connected devices, Morgans suggests, with the latest AS11 platform continuing its country by country rollout, and masks benefiting from personalised solutions, such as the just-launched N30i AirTouch -- an industry first fabric mask designed for improved comfort, with early feedback "outstanding", helping to drive new patient set-ups and resupply.

While Residential care software sales slowed a bit, Morgans notes, with softness in skilled nursing and senior living, which "really has not picked up since covid", management flagged strong growth in Medifox Dan and Brightree and has guided to overall high single-digit top line growth, with double-digit profit gains.

The Big Scare?

It was around 18 months ago ResMed's share price collapsed due to the advent of new GLP-1 weight-loss drugs which, it was feared, would replace the need for sleep apnoea treatments. But while the market responded on a "sell now, ask questions later" basis, analysts were wary but not convinced GLP-1s would genuinely upset demand for ResMed's products.

Indeed, it was argued GLP-1s might even provide a boost for ResMed, as the sudden frenzy would lead the world's obese (and not so obese) to learn about the availability of and appreciate the benefits of sleep apnoea treatments.

Well, they were right, it would seem.

The top line momentum and recent channel checks have prompted Jarden to rethink the stance it took on outer year forecasts as a result of the advent of GLP-1 drugs.

The combination of obstructive sleep apnoea (OSA) awareness stemming from GLP-1s amongst patients and physicians, the proliferation of home sleep testing options and increased use of wearable devices with inbuilt OSA prompts lead Jarden now to expect to more than offset any impact on ResMed from mild to moderate OSA patients dropping out of continuous positive airway pressure (CPAP) therapy from GLP-1 related weight loss.

Over the medium to longer term, revenue growth is expected to be complemented by demand generation initiatives, with GLP-1 medication and consumer OSA detection technology supportive of new patient diagnosis/flow, notes Macquarie. ResMed expects this to drive high single-digit revenue growth guidance over the next five years.

The strength in US devices sales, in Goldman Sachs' view, is early evidence the growing awareness of OSA from the uptick in consumer wearables and GLP- 1 therapies is translating to additional demand for ResMed's products.

Undeniably, there is a range of potential new drivers coming into contention, suggests Wilsons, having deftly reversed the GLP-1/obesity "CPAP anti-narrative", which this broker now sees as potential tailwind, and noting a plethora of new diagnostic modalities and services seeking to create a step-change for the sleep industry.

ResMed continues to argue GLP-1s and wearables will bring patients into the funnel, notes Citi, albeit it will be gradual -- healthcare systems capacity will likely keep a lid on new patients' growth.

Yet, while the December quarter may have offered some proof that GLP-1s were at worst no threat to ResMed and at best and additional tailwind, the reality is ResMed's share price had regained all it had lost in the initial scare by August last year, and has since surged ahead to reach its earlier peak of mid-2021.

There wasn't much to be disappointed about, Jarden suggests, other than the stock rallying strongly on high expectations leading into the result (up 9.3% over January). Expectations of increasing top-line momentum were delivered, with device revenues beating consensus and masks coming in line.

The share price clearly anticipated more of an upgrade which wasn't forthcoming, Jarden points out, considering the gross margin remained flat on the September quarter. ResMed's share price weakened on Friday post release and then plunged another -3% on Monday, albeit the Australian market in general was slammed due to Trump tariff fears, so not too much can be read into the market's immediate response.

Gross Margin

Gross margin increased by 260 basis points year on year driven by manufacturing and logistics efficiencies, as well as improved component costs, Macquarie notes. However, gross margin was flat quarter on quarter at 59.2%, which was disappointing, except that management noted forex headwinds of -30bps (on a balance of US dollar, euro and Singapore dollar exchange rates).

ResMed expects second half and FY25 margins to be between 59-60% with initiatives in place to leverage manufacturing and procurement as well as scale benefits. Other factors that should assist, Jarden notes, include mix, growth in the high margin SaaS business (with Medifox Dan called out as performing very strongly in the December quarter) and any future Singaporean Government incentives including 250-300% tax deductions on qualifying R&D expenditure.

Further upside for gross margin is possible as more shipping capacity comes online in response to easing tensions in the Red Sea. Jarden notes sea freight charges between Asia-Europe and Asia-US have already started to drop by -20% over the last three weeks but remain significantly above on pre-covid levels.

Jarden sees ResMed as well positioned to take advantage of these changes, but the big freight rate reductions will only take place when there is more certainty in the Middle East and when ResMed can shift further away from its reliance on air freight.

Jarden expects ResMed will achieve some freight savings in the second half, but given the three-month lag effect before this appears in the P&L, it is likely to be only noticeable in the June quarter and beyond. When ResMed can ultimately start shifting, when it does unwind it should provide an opportunity for gross margin to improve beyond 60%.

Balance Sheet

While operating cash flow growth (13%) lagged earnings growth, Wilsons notes, net debt stands at just US$151m. Given ResMed's lower debt levels, management expects to generate positive net interest receipts in the second half. The business will continue its share buyback program of US$75m per quarter.

With ample cash reserves of US$522m, capital allocation preferences continue to be reinvested in growth via R&D, tuck-in acquisitions, and the share buyback program.

Responses

Citi has drawn on management's expectation that while GLP-1s and wearables will bring patients into the funnel, this process will be gradual, in maintaining a Neutral rating. Citi's target rises to $41.00 from $38.00.

Morgans continues to view ResMed as well positioned to leverage growing awareness of sleep disorders via consumer wearables and weight loss drugs, moving upstream in the diagnostic pathway. Morgans retains Add, lifting its target to $43.60 from $41.33.

In Ord Minnett's view, ResMed is set to continue to deliver robust growth in earnings, supported by further increases in gross margins, revenue growth and operating leverage. This broker also sees the company as considering an increase in the size of its share buyback program by the end of FY25 given the expectation the balance sheet to be net cash by then.

Ord Minnett retains an Accumulate rating, which sits in between Buy and Hold, with a target increase to $44.80 from $43.90.

Macquarie continues to see ResMed as attractive at current levels, given solid earnings per share growth over the forecast period, a favourable balance sheet position and valuation appeal. ResMed remains a preferred sector exposure for Macquarie, hence Outperform maintained, with a target increase to $45.10 from $41.10.

UBS covers the company from its US business and has post result release upgraded to Buy from Neutral with its target price lifting to US$290 from US$255. That leaves four Buy or equivalent ratings and one Hold among brokers monitored daily by FNArena covering ResMed. The consensus target is now $43.63 not counting UBS.

Wilsons has downgraded its ResMed rating to Market Weight from Overweight, while upgrading its target another 2% to $42.82. The recommendation change stems from believing earnings expectations now capture the outlook Wilsons had previously upgraded for. THis broker suggests some of those drivers look finite and may only have a few quarters left to run.

While undeniably there are a range of potential new drivers coming into contention, those narratives are too under-developed to predict, Wilsons believes, let alone admit to earnings or valuation outlook.

Goldman Sachs has no such inhibitions when it comes to projecting ResMed's future growth path. It is this broker's assessment the December quarter result continues to highlight the defensiveness of ResMed's existing patient cohort in light of rising GLP-1 usage and progress in executing management's 2030 strategy. Goldman Sachs thus reiterates its Buy rating, increasing its target incrementally to $49.00.

Jarden's shift in thinking around GLP-1 impact to outer year forecasts has this broker lifting its target to $41.48 from $36.60 while retaining an Overweight rating.

Interesting footnote: Broker views on ResMed over the past couple of years have always included speculation on if/when rival Philips will re-enter the market post its earlier device recall. In reporting on ResMed's December quarter, such speculation was notably missing in action.

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

AUSTRALIA

January In Review: Record High For The ASX200

Gains across consumer discretionary and financials helped the ASX200 outperform international equities and record a 4.6% gain in January, but tariff uncertainty clouds the outlook.

-ASX200 gains 4.6% (total return) in January
-Consumer Discretionary and Financials rally
-Gold sector best performed, defensives lag
-Tariff uncertainty, ASX winners & losers

By Mark Woodruff

The ASX200 gained 4.6% (including dividends) in January, reaching new highs and outperforming the S&P500's 2.8% gain in the US. Macquarie attributes the strength in both markets to a global risk-on rally, further evidenced by a strong small-cap performance in Australia. The ASX200 also received a lift from weaker-than-expected inflation numbers (fueling expectations the RBA might be cutting interest rates soon).

Despite China's DeepSeek revelation sending shockwaves through the AI trade, the Nasdaq gained 1.64% in January and the ASX All Technology sector posted a 4.69% gain.

The European market led Developed Market equities higher, while Emerging Market equities also advanced, despite Chinese equities declining in Australian dollar terms.

In Japan, equities extended their upward momentum from recent months, whereas New Zealand equities diverged from Australia, with the NZX50 Index losing -1.0% in January.

According to Macquarie, the market in Australia is now pricing in a 95% probability the Reserve Bank will commence a new rate cutting cycle on February 18.

Interestingly, this broker believes rate cuts will support FY26 growth for Domestic Industrials with EPS growth projected to accelerate by 11% for the sector, up from 1.1% in FY25.

By contrast, the Federal Reserve has already been cutting rates and is in no hurry to make further policy rate adjustments, stated Chair Powell, after the Federal Open Market Committee decided to maintain the federal funds rate at the existing target range of 4.25% to 4.50%, pausing after three consecutive rate cuts in the previous months.

Moving forward, analysts generally see an extended hold by the Fed, though some are contemplating a mid-year interest rate cut in the event of upcoming in-line inflation readings.

For the month, the US 10-year yield fell by around -2bps to 4.54% and the 10-year Australian bond yield rose by 6bps to 4.43%.

Higher gold prices and rising geopolitical risks contributed to a 15.2% gain for the Gold sector in January, highlighted by gains in the ASX100 for Evolution Mining ((EVN)), Newmont Corp ((NEM)) and Northern Star Resources ((NST)) of 18.5%, 16.2% and 12%, respectively.

Consumer Discretionary and Financials also performed well with gains of 7.10% and 6.10%, respectively, while defensive sectors such as Utilities, Food & Beverages and Telecommunications all lost ground (indicating a firm Risk On environment).

Growth has now outperformed Value by 16.2% over the last year, following a further 0.6 percentage point differential for the month, though the Momentum style remains best performed.

Among factor indices, Momentum gained 7%, while Enhanced Value and Low Volatility lagged.

<u>Commodities and currencies</u>

The CRB Commodity Index closed at 304.95 on January 31, climbing 3.15% over the month.

Commodities generally maintained their upward trajectory, notes Morgan Stanley, ending January higher in Australian dollar terms, with notable gains for precious metals and gold, with the latter surging by 7%.

The US dollar Index (DXY), a measure of the value of the US dollar relative to a basket of foreign currencies, rose by 0.7% to 108.37 by the end of the month.

The Australian dollar fell by -0.5% in January to US$0.6226 and has fallen by around -5% in the last few months.

Australian Banks

The average major bank total shareholder return of 6.2% in January beat the 4.6% gain for the ASX200.

Among the majors, National Australia Bank ((NAB)) was the best performer with an 8.2% gain, followed by ANZ Bank ((ANZ)), CommBank ((CBA)) and Westpac ((WBC)), with gains of 7.3%, 4.8% and 4.4%, respectively.

At the smaller end, Judo Capital ((JDO)) gained 11%, followed by Bank of Queensland ((BOQ)) and Bendigo & Adelaide Bank ((BEN)) with respective gains of 4.0% and 3.8%.

Stock market sentiment and the outlook

Macquarie notes stock market bullishness has eased since the euphoria following Trump's election victory last November, as evidenced by a decline in the broker's proprietary FOMO meter, designed to measure market sentiment.

Based on historical lags to bond yields, this broker suggests investors wait until April to add more risk to portfolios, at a time when surprises generated by the Trump administration may have levelled off. It's thought sentiment can cool further, as Trump's policies and the tightening of financial conditions caused by the recent spike in bond yields drive more negative economic surprises.

Talking of lags, Macquarie also highlights defensive sectors like Health, Staples and Gold usually outperform in the year following the first RBA rate cut.

See below for a summary of the market uncertainty created (post month-end) by US tariffs, and the potential positive and negative impacts on a range of ASX-listed companies.

ASX100 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
TLX - TELIX PHARMACEUTICALS LIMITED	19.22	ILU - ILUKA RESOURCES LIMITED	-12.48
EVN - EVOLUTION MINING LIMITED	18.50	TWE - TREASURY WINE ESTATES LIMITED	-4.68
PDN - PALADIN ENERGY LIMITED	17.99	ORG - ORIGIN ENERGY LIMITED	-4.13
NEM - NEWMONT CORPORATION REGISTERED	16.22	ORA - ORORA LIMITED	-3.66
HUB - HUB24 LIMITED	15.88	ASX - ASX LIMITED	-2.46

ASX200 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
BOE - BOSS ENERGY LIMITED	36.21	SGR - STAR ENTERTAINMENT GROUP LIMITED	-36.84
EMR - EMERALD RESOURCES NL	33.23	PMV - PREMIER INVESTMENTS LIMITED	-25.68
GMD - GENESIS MINERALS LIMITED	29.15	ZIP - ZIP CO LIMITED	-17.57
LTR - LIONTOWN RESOURCES LIMITED	27.36	CRN - CORONADO GLOBAL RESOURCES INC	-14.29
INA - INGENIA COMMUNITIES GROUP	25.55	ILU - ILUKA RESOURCES LIMITED	-12.48

ASX300 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
OPT - OPTHEA LIMITED	40.74	WBT - WEEBIT NANO LIMITED	-36.94
BOE - BOSS ENERGY LIMITED	36.21	SGR - STAR ENTERTAINMENT GROUP LIMITED	-36.84
EMR - EMERALD RESOURCES NL	33.23	NXL - NUIX LIMITED	-28.96
GMD - GENESIS MINERALS LIMITED	29.15	NVX - NOVONIX LIMITED	-25.68
LTR - LIONTOWN RESOURCES LIMITED	27.36	PMV - PREMIER INVESTMENTS LIMITED	-25.68

ALL-TECH Best and Worst Performers of the month (in %)

Company	Change	Company	Change
PPS - PRAEMIUM LIMITED	20.27	WBT - WEEBIT NANO LIMITED	-36.94
MP1 - MEGAPORT LIMITED	15.60	4DS - 4DS MEMORY LIMITED	-34.00

4DX - 4DMEDICAL LIMITED	13.54	NXL - NUIX LIMITED	-28.96
CAR - CAR GROUP LIMITED	12.60	NVX - NOVONIX LIMITED	-25.68
360 - LIFE360 INC	12.20	BRN - BRAINCHIP HOLDINGS LIMITED	-16.67

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Copper (lb)	4.3085	5.18%	5.18%	5.18%
Aluminium (lb)	1.1780	3.05%	3.05%	3.05%
Nickel (lb)	6.8524	-4.09%	-4.09%	-4.09%
Zinc (lb)	1.2550	-7.13%	-7.13%	-7.13%
Uranium (lb) weekly	71.15	-1.18%	-1.18%	-1.18%
Iron Ore (t)	101.33	-2.42%	-2.42%	-2.42%

Energy

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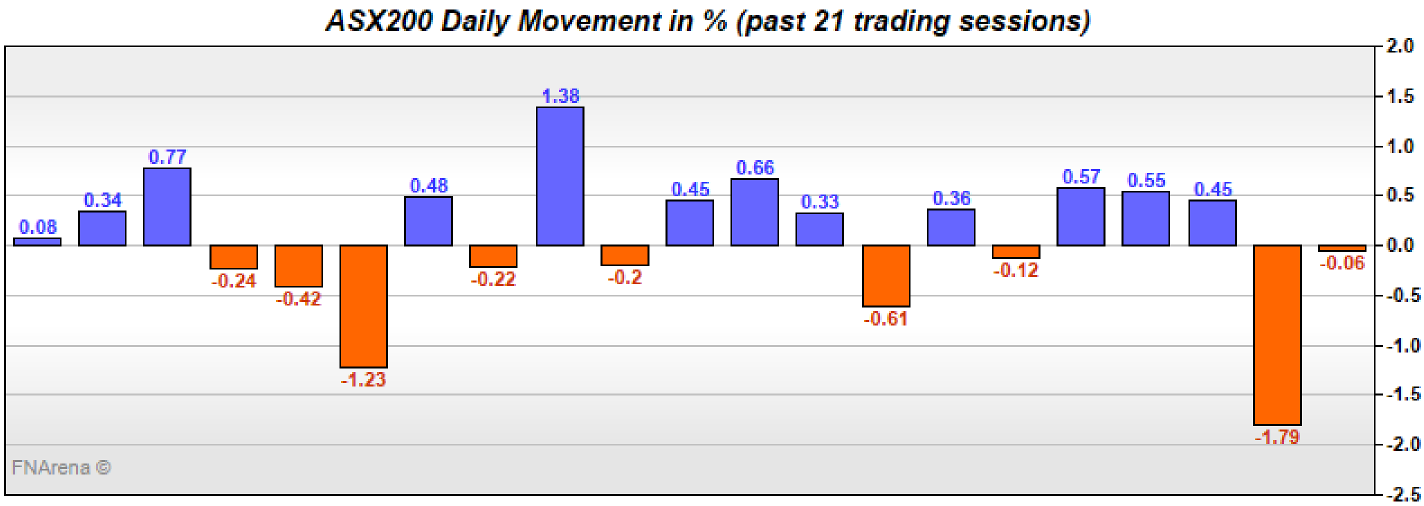

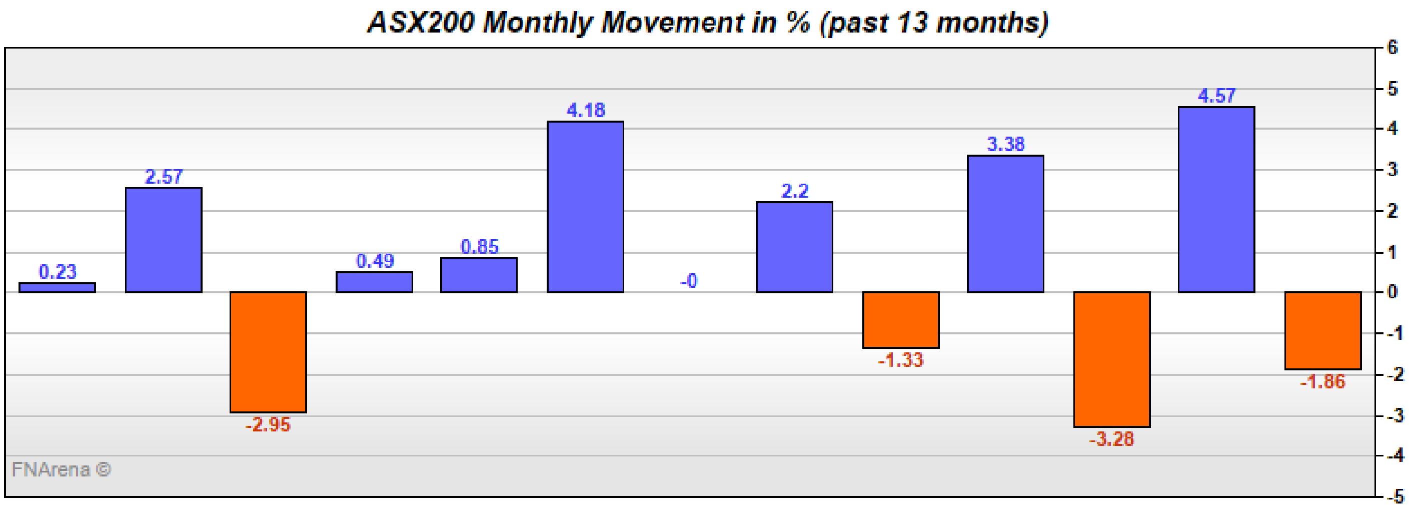

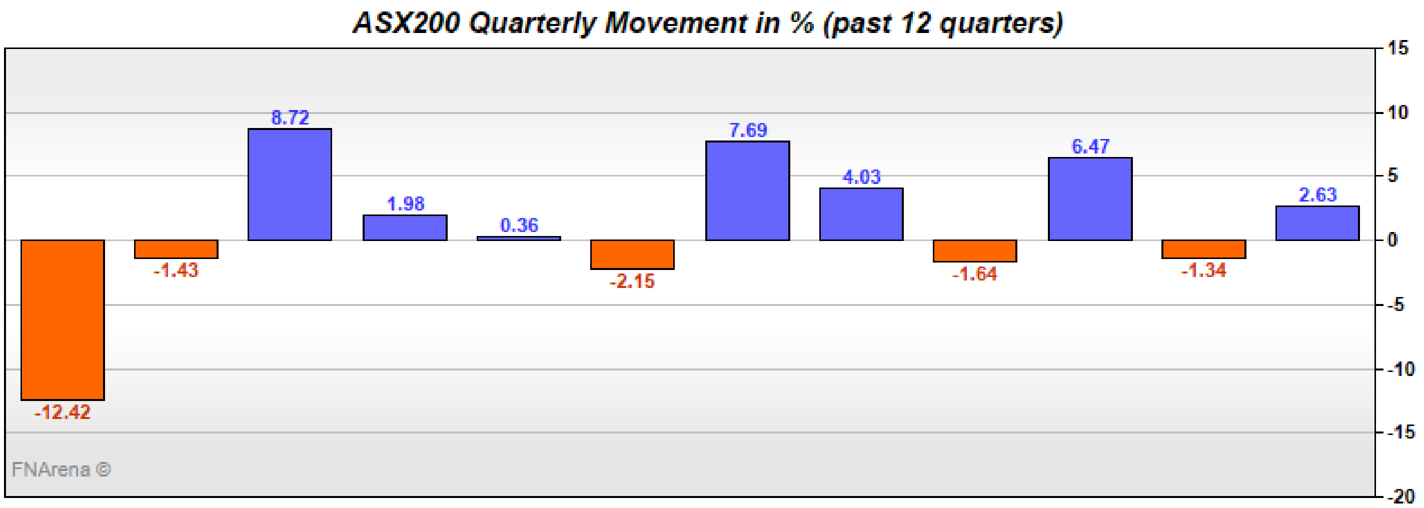

Tariffs

Triggering a flight for safety across the world's financial markets, President Trump on February 1 signed executive orders imposing additional tariffs on imports from Canada, Mexico, and China.

Specifically, a 25% tariff was levied on most goods from Canada and Mexico, with a reduced 10% tariff on Canadian energy resources. Imports from China were subjected to a 10% tariff.

These measures, effective February 4, were justified by the administration as efforts to address illegal immigration and drug trafficking concerns.

In retaliation, China announced tariffs on US goods, including a 15% tax on coal and liquefied natural gas, and a 10% tax on crude oil, large-displacement vehicles, and agricultural machinery, effective February 10.

China also initiated an antitrust investigation into Google.

Canada and Mexico responded by negotiating temporary pauses in tariff implementation. Canadian Prime Minister Justin Trudeau secured a 30-day delay by pledging enhanced border security measures to combat fentanyl smuggling.

Similarly, Mexican President Claudia Sheinbaum agreed to deploy 10,000 troops to the U.S.-Mexico border, resulting in a temporary suspension of tariffs on Mexican goods.

Macquarie believes Treasury Wine Estates ((TWE)) and WiseTech Global ((WTC)) may benefit from the imposition of new tariffs.

The list of companies potentially negatively impacted is longer and includes Aristocrat Leisure ((ALL)), Brambles ((BXB)), CAR Group ((CAR)), Fisher & Paykel Healthcare ((FPH)), Light & Wonder ((LNW)), Nufarm ((NUF)), Orora ((ORA)), Reece ((REH)), Rio Tinto ((RIO)), and Reliance Worldwide ((RWC)).

Technical limitations

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

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

AUSTRALIA

Amcor Confident In Berry On Top

Amcor posted a solid quarter but all eyes are on the company's proposed takeover of the larger Berry Global Group.

-Defensive Amcor posts decent quarter
-Sequential improvement in volumes
-Key catalyst the proposed Berry takeover
-Stock likely range-bound until the deal completes

By Greg Peel

Global packaging company Amcor ((AMC)) posted December quarter and first half FY25 earnings that matched market expectations, aided by falls in interest and tax expenses, reduced depreciation and amortisation charges, and lower corporate overheads, as sales revenue on a constant-currency basis eased by -1%.

There were no major surprises with first half underlying earnings per share (constant currency) growing by 5%. On a reported basis, the result was marginally softer than expected due to the stronger US dollar.

Earnings were driven by a further sequential improvement in volumes, which rose by 2.3% in the quarter, compared to 1.6% in the September quarter and 1.0% in the June quarter. A strong cost performance was partly offset by unfavourable price/mix.

Poor Health

Flexibles earnings (constant currency) rose 4% on the back of flat sales. The result was driven by volume growth in all key regions, despite continued destocking in healthcare, and benefits from cost-outs, partly offset by unfavourable price/mix.

Importantly, management said destocking in healthcare --a long-run hangover from covid-- is now largely complete, although there might still be some residual destocking in pharmaceuticals in the March quarter. Volume growth in the sector is expected to return in the second half.

This should also support an improvement in price/mix, notes Morgans, given healthcare is a higher value segment.

Rigid Packaging earnings (constant currency) increased 6% despite sales falling -3%. The result reflected good cost management and growth in Latin America, Morgans suggests, despite consumer and customer demand remaining soft and variable in the North America beverage business, for which volumes fell mid-single digits.

Management reiterated FY25 guidance for underlying earnings per share of between US72-76cps, representing 3-8% growth in constant currency. Adjusted free cash flow guidance has also been maintained at between US$0.9-1.0m.

Leverage of 3.3x in the quarter was an improvement on the prior quarter (3.4x), and management reiterated its target for leverage to be "at or below 3.0x" by year end.

Guidance assumes low to mid-single digit volume growth, UBS notes, reflecting the end of destocking and increased promotional activity from customers, as opposed to a recovery in consumer demand.

Berry Good

Brokers agree the result was "solid", and guidance is much as expected. But the result is but a mere sideshow to the main event that is Amcor's proposed takeover of US packaging company Berry Global Group.

"Berry Global offers industry leading material science knowledge and manufacturing capabilities to help customers achieve their business and sustainability goals in a circular economy."

This is no bolt-on acquisition. Berry's market cap is greater than Amcor's, leading to suggestions of a "merger" rather than a takeover.

Amcor is an operationally sound business with strong management, notes Ord Minnett. It operates, however, in a plastic packaging industry in which growth, particularly in the key US market, is proving harder to come by.

Enter Berry. An issue for investors will nevertheless be the greater skew to US ownership of Amcor post the Berry takeover. That proportion would increase to 74%, Ord Minnett notes, from circa 58% currently and may result in a share overhang given Wall Street's propensity to value packaging stocks at lower metrics than the Australian market.

Management noted the merger with Berry is on track with the respective shareholder meetings to take place on 25 February. The transaction remains the key catalyst, suggests Morgan Stanely, albeit the close is not expected until mid-year.

Amcor is increasingly confident in the Berry acquisition in terms of strategic fit and synergies. The company has demonstrated a good track record of synergy delivery, Macquarie points out, referencing the prior Bemis and Alcan acquisitions.

Integration planning is "well under way". Management noted it has increased confidence in realising its $650m synergy target, and that progress is being made in respect to regulatory approvals.

Macquarie finds that after a period of near-term consolidation, Amcor's share price did well during the synergy realisation period for both Bemis and Alcan. Post deal close, management will be reviewing the portfolio for value-accretive divestment opportunities with targeted improvement in margins, returns and growth prospects.

Morgans has a different take. While the rationale for the deal makes sense and financial metrics look solid, Morgans suggests, given the size of the deal Amcor's share price will likely be range-bound until it can prove it is meeting its targets.

Morgans notes when Amcor announced the acquisition of Bemis in August 2018, its share price was flat after one year and down -2% after two years. Morgans Stanley is also expecting a relatively range-bound share price until the deal concludes.

The Plodder

In Morgans' (Hold) view, Amcor is a highly defensive business with global leading market positions and a good management team. The Berry Global merger will once again be transformative for Amcor, the broker suggests, following its merger with Bemis in 2019.

Combined with management commentary highlighting confidence in the second half, Ord Minnett (Hold) views the December quarter result as a solid outcome for a company that offers defensive exposure amid the broader economic uncertainty generated by the new US administration's actions on tariffs and potential retaliatory measures by those trading partners in the White House's sights.

Having noted Wall Street's propensity to value packaging stocks at lower metrics than the Australian market, Ord Minnett suggests potentially offsetting that issue is the investment appeal of the Australian-listed shares given their discounted valuation versus other local defensive options, and the possibility Amcor captures the full US$650m of cost savings and revenue benefits it is targeting from the acquisition.

UBS' (Neutral) FY25 earnings growth forecast of 5% is reflective of the company lapping weaker comparables, ahead of what this broker sees as an improving consumer backdrop into FY26. UBS' Neutral rating is based on Amcor trading at a one-year forward PE of 13x, against a long-term average of 15x.

With Berry the key catalyst, Morgan Stanley maintains an Equal-weight rating.

Four of the six brokers monitored daily by FNArena covering Amcor have Hold or equivalent ratings. Macquarie is on Outperform, suggesting Amcor offers an attractive mix of growth, value and income. In a brief note, Citi also retains a Buy rating.

FNArena's consensus target is $16.88.

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

ESG FOCUS

ESG Focus: Top ASX Companies, Superbugs & Hydrogen

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:
https://fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/

Addressing challenges and opportunities in meeting the UN Sustainable Development Goals and what ESG characteristics underpin share prices

-Does governance make for better shareholder returns?
-Antibiotic resistance a major global problem
-Clean hydrogen remains a challenge
-Aging demographic challenges need AI and automation

By Danielle Ecuyer

Intersection between ESG and performance

In some insightful proprietary ESG research by Macquarie on 242 ASX-listed companies covering 89% of the ASX300 market capitalisation, the broker details companies that produce higher ESG scores continue to align with generating better risk-adjusted returns.

The findings showed a relationship between Macquarie's ESG rating system and share price performance. Starting in 2011, the research highlights the relative outperformance is 4.9% on an annualised basis, including the 2024 results, representing a rise from 4% in 2023 over the basket with the lowest ESG scores.

In 2024, Macquarie's quant analysis shows the return for the highest ESG basket of companies at 21.2% versus the lowest ESG basket at 8.7%. This compares to the ASX200 at 15.3% for the 2024 annualised returns through to November 30, 2024.

Dissecting the components of ESG and their impact on scores, Macquarie establishes **Governance holds a consistent relationship with shareholder returns**.

On multiple metrics, governance scores confirm *"superior returns,"* including companies with positive revisions to governance scores generating excess returns of 1.8% p.a. over the last five years and 3% p.a. since the start of the analysis in 2011.

Macquarie states, *"these findings support other research that the most quantifiable dimension is corporate governance as a means to assess the quality, credibility, and trust in management, and we find it offers the greatest potential for investors again here."*

Regarding Social, Macquarie finds a disparate relationship, with a strong correlation to excess returns for large companies but no statistically significant relationship with small companies.

The broker attributes the difference to workforce scale and the impact between communities, regulators, and other social metrics.

Large-cap companies with a higher social score have generated higher returns, with a cumulative return of 23% since 2011, compared to a negative -24% return for those with negative social scores.

Companies with positive social revisions also provide superior shareholder returns over the last five years and since 2011 by 3.4% and 1.6%, respectively.

The weakest relationship remains Environmental. Macquarie's analysis showed companies with higher environmental scores since 2012 generated a cumulative return of 139% against 124% for the laggards.

In terms of companies, in the ASX100, **Cochlear** ((COH)), **Brambles** ((BXB)), **Transurban** ((TCL)), **Wesfarmers** ((WES)), **Commonwealth Bank** ((CBA)), **Xero** ((XRO)), **Vicinity Centres** ((VCX)), and **Car Group** ((CAR)) are all in the top ten high ranking.

Ex-100, **Pinnacle Investment Management** ((PNI)), **Netwealth Group** ((NWL)), **Breville Group** ((BRG)), and **Monash IVF Group** ((MVF)) ranked among the highest.

The Intersection of AI and "Superbugs"

Morgan Stanley examines antimicrobial resistance (AMR), cited as one of the top ten global public health threats. The World Bank's 2017 research estimates an additional US$1trn in healthcare costs by 2050 and US$1trn to US$3.4trn in GDP losses per annum by 2030.

Lower-income countries face the greatest economic impact due to weaker healthcare standards and limited access to water, sanitation, and hygiene. A UK review in 2017 estimated AMR could cause 10 million deaths annually by 2050. The Lancet's 2019 study attributed 1.27m global deaths to AMR and reported a 46% rise in antibiotic consumption between 2000 and 2018, contributing to resistance.

Morgan Stanley highlights two European companies addressing AMR. bioMrieux dedicates over 80% of its product range to AMR, focusing on ensuring patients receive the right drug at the right time. Fresenius SE, Europe's largest private hospital operator (Helios), produces intravenous generic antibiotics through its Kabi division.

Biopharma firms including Boehringer Ingelheim, Roche, GSK, Johnson & Johnson, Moderna, Pfizer, Sandoz, and Sanofi are also investing. Water treatment firms such as Veolia Environnement and animal healthcare companies are equally tackling the issue. Zoetis is developing bacterial vaccines, while Elanco plans to invest over US$3.5bn to improve animal health.

Natural Hydrogen: "Geologic Gamechanger or Just Hot Air?"

To meet net zero targets, Morgan Stanley expects clean hydrogen to play a key role in energy, including green steel, methanol, ammonia, and long-distance transport. Natural hydrogen offers an alternative to costlier green hydrogen.

A US Geological Survey study estimates 5.6trn metric tons of hydrogen in underground reservoirs. The International Energy Agency projects global hydrogen fuel consumption at 420-440mt by 2050. While Air Liquide warns most deposits are too small for commercial use, Wood Mackenzie suggests investment from oil and gas firms could push natural hydrogen to 17mtpa by 2050.

Morgan Stanley expects green hydrogen to remain reliant on subsidies but to become more competitive as costs fall by -35% by 2030. The gap between natural and grey hydrogen remains significant.

Aging Populations Pose a Problem

Goldman Sachs proposes that aging populations and a shrinking productive labour force in developed countries will present both opportunities and challenges in achieving global Sustainable Development Goals.

The broker highlights several key challenges:

-The population over 65 is expected to double to 1.6bn from 800m by 2050, rising to 50% of the total global population from around 10% today.

-Falling fertility rates and a declining working-age population will challenge tax bases for industries and governments.

-A smaller labour force will struggle to support an expanding dependent elderly demographic.

In healthcare, 18% of the current US population is over 65 but accounts for 36% of healthcare spending, allocating over 13% of their total expenditure to healthcare, significantly more than younger demographics.

Older individuals also spend more on leisure, including RVs, cruises, motorcycles, and pets, and watch an average of six hours of TV per day.

Goldman Sachs identifies three key investment themes expected to benefit:

-Healthcare, including medical technology, pharmaceuticals, age-related treatments, and healthcare service providers.

-Senior living and care, encompassing long-term care facilities, assisted living, rehabilitation services, and technologies for independent living. **ResMed** ((RMD)) and **Fisher & Paykel Healthcare** ((FPH)) are highlighted among exposed stocks.

-Entertainment and experiences, including recreational vehicles, motorcycles, cruises, TV, and pets. Netflix, Fox Corp, and **Nine Entertainment** ((NEC)) are featured, with Fox and Nine on the buy-rated conviction list.

The broker outlines five potential solutions:

-Womenomics, an increase in female labour force participation.

-Education, reskilling, retention, and recruiting to extend workforce participation.

-Immigration, though currently facing challenges.

-Capital relocation, shifting industrial production to regions with expanding workforces.

-Automation and AI, emerging as solutions to workforce shortages across all sectors.

For more reading on the latest trends in ESG and AI, automation and robotics see:

https://fnarena.com/index.php/2025/01/22/esg-focus-challenges-hurdles-await-in-2025/

https://fnarena.com/index.php/2024/12/12/the-2024-gen-ai-xmas-special-incl-2025-outlook/

FEATURE STORIES

DeepSeek Fuels AI Technology Advances

The pace of artificial intelligence innovation was reinforced with DeepSeek and it's all systems go with software and hardware working in combination

-DeepSeek confirms (extremely fast) pace of innovation
-Australian companies set to benefit
-Capex in AI continues to rise
-Machine learning takes a step towards reasoning

By Danielle Ecuyer

Jumping to AI conclusions

Markets are often quick to jump to conclusions. For that matter, the simplest and most symmetric conclusion often suffices, especially when investors, traders, and algorithms are confronted with complexity in areas of technological development that far outpace a more nuanced and deeper understanding.

The recent example of the sell-off in hardware, chip makers like Nvidia and Broadcom, and data centre stocks such as NextDC ((NXT)) and Goodman Group ((GMG)), following DeepSeek's perceived miraculous new AI compute capacity at a lower price, is a case in point.

Why Does It Matter?

Like investing in biotech, the fourth industrial revolution in artificial intelligence is both complex and evolving at a rapid pace. That is how innovation and disruption work.

Morgan Stanley and Macquarie draw upon Jevons' Paradox **--"the more efficient they become, the more we will use them"--** as a reason why DeepSeek's new and more efficient software will not supersede demand for hardware to train AI models.

"*Jevons' Paradox occurs when technological progress that increases the efficiency with which a resource is used leads to an overall increase in the consumption of that resource, rather than a decrease.*"

Developed by economist William Stanley Jevons in 1865, the theory noted that increasing the efficiency of coal use in steam engines led to greater overall coal consumption not a reduction.

Morgan Stanley believes the accelerated decline in the cost of compute, as exhibited by DeepSeek R1 (Release One), will result in increased demand for AI inference.

The analysts' modeling shows a decline in the unit cost of compute of -90% over a six-year period resulted in an increase in AI adoption.

Macquarie concurs, stating, *"Lower production costs will drive a proliferation of products using LLMs; technological sprawl."*

Beth Kindig, Lead Tech analyst at the I/O Fund, points to the analogy of DeepSeek as the Sputnik moment for AI.

The analogy refers to how an inflation-adjusted US$33m investment by the USSR in the Sputnik satellite led to the USA investing an estimated US$1trn in inflation-adjusted terms over a sixty-year period in response to the Soviets.

Shelly Palmer, a sought-after technology commentator, wrote last week:

"DeepSeek's real value isn't in replacing big compute' but in delivering meaningful efficiency gains and cost savings".

To appreciate the extent of investment in AI, Kindig explains if the software developments from China

(DeepSeek) are compared to Sputnik, then achieving General Artificial Intelligence (AGI) would be equivalent to the moon landing moment.

AGI refers to machine learning that can perform intellectual tasks at human-level capacity. Digging deeper, Kindig stresses AGI requires large language models (LLMs) with a minimum of one trillion and up to ten trillion parameters.

Software like DeepSeek is not cannibalising hardware at this stage, as achieving AGI remains at least five to ten years in the future.

Palmer states AI innovation isn't an either-or proposition. As Kindig explains, algorithmic efficiency will not exceed brute-force compute, nor will one technology dominate over another. Hardware and software will evolve together.

Palmer sees AI productivity as a meeting of scale and optimisation as LLMs and hyperscalers move to trillion-parameter architectures.

According to technology writer Shelly Palmer, *"DeepSeek isn't a black swan it's a glimpse of the new normal. We are living on the exponential, where breakthroughs that once seemed improbable now arrive with startling regularity. The pace of AI advancement isn't slowing down; it's accelerating. The only real question is whether you're ready to keep up."*

Kindig is a prominent Nvidia expert, making the DeepSeek moment particularly significant.

Reinforcement learning via software ((inference)) is ultimately a step toward AGI. To achieve trillion-plus parameter models, Nvidia, the leader in GPUs and other AI design companies will be essential, Kindig highlights.

Macquarie states the market has developed a *"false dichotomy of haves' and have-nots',"* overlaid with Cold War intrigue. The broker explains new markets accelerate by volume, not cost. Since compute is the cost to train an LLM, software improvements drive efficiencies, then lower prices lead to volume growth and higher adoption.

The analyst details GPU hardware is very expensive, and software is used to drive outcomes more efficiently.

Morgan Stanley supports Kindig's view with internal US data centre pipeline analysis, confirming most new developments are for AI inference rather than AI training.

Macquarie tackles the issue from a different perspective, stating DeepSeek R1 has accelerated inference by moving the process of thought forward, rather than just the outcome of thinking.

Domestic AI Plays

Bringing the analysis back to Australian AI stocks, Macquarie makes two key points:

-Australia lacks capacity and compute supply, facing increasing barriers to entry due to challenging approval processes and power supply constraints. NextDC is positioned to capitalise on better pricing in the Sydney and Melbourne markets.

-AI adoption across major countries supports demand for NextDC's hyperscaler customers in Australia.

Macquarie rates NextDC as Buy-equivalent with a $21.20 target price.

The broker also highlights AI inference requires more edge computing capacity such as devices that support Megaport's ((MP1)) service offering via demand for bandwidth and data transfer.

Macquarie rates Megaport Buy-equivalent with a $10.20 target price.

Big Tech's AI Investment

Big Tech's quarterly reports have provided insight into AI-related investment, which is showing no signs of slowing in 2025 and along with the recently announced US$500bn Stargate project, confirmed investment spend in the US on AI is heading only one way, up!

-Google recently raised FY25 capex by 45% to US$75bn.

-Microsoft guided to US$80bn in data centre spending for FY25, a 40% increase.

-Meta forecasts US$60bnUS$65bn in capex for 2025 to expand AI capabilities.

-Amazon has yet to report.

Kindig notes Big Tech is set to spend US$300bn on capex, approximately 7% higher than analysts' expectations of US$280bn, compared to circa US$170bn in 2024.

AI Cost and Efficiency Debate

Turning to the question of cost and efficiency, Macquarie stresses DeepSeek's claims are misleading.

The analyst estimates DeepSeek R1's development costs were higher by a factor of 467x, at US$2.6bn.

Morgan Stanley explains advances in AI training techniques (such as multi-head latent attention, MoE, FP8 mixed precision, and GRPO) have significantly reduced AI training costs by optimising GPU usage and computational efficiency.

DeepSeek's results reflect improved software efficiency, which underpins faster LLM and AI product development as the evolution toward AGI continues.

Future AI Disruptions are moving fast

Nilesh Jasani, innovation expert and manager of the Geninnov Innovation Fund, describes the rapid evolution of reasoning models as a *"seismic shift in artificial intelligence"*.

Jisani notes OpenAI, Google, and DeepSeek's recent research advances align closely, marking a transition toward AI models that understand data rather than simply reproducing.

Jasani anticipates further breakthroughs in vision, biotech, drug discovery, and materials science.

"For sustainable, profitable businesses, staying in the innovation race is a must, but differentiating through aspects that rivals' machines cannot replicate is equally important".

A future when humans and AI work together

UNSW takes the AI challenge head-on in a recent academic paper addressing the question of how and if AI will impact human creativity. The authors, Professor Cropley and Dr. Rebecca Marrone, conclude the future of work should investigate the relationship between humans and AI.

The question remains whether AI can exhibit creativity or whether that is solely "the domain of humans, and how human/AI creativity can be combined and optimised?"

The authors conclude existing AI applications cannot be independently creative, but humans/AI collaboration can work together on the process of creativity via information/data assembly. Equally, AI can speed up the creative task and generate feedback.

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For more reading and background on AI, robotics and machine learning:

https://fnarena.com/index.php/2025/01/28/deepseek-more-ai-excitement-for-2025/

https://fnarena.com/index.php/2024/12/12/the-2024-gen-ai-xmas-special-incl-2025-outlook/

And FNArena's dedicated section on GenAI:

https://fnarena.com/index.php/tag/gen-ai/

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RUDI'S VIEWS

Rudi's View: Earnings Optimism On The Rise

By Rudi Filapek-Vandyck, Editor

The February results season will soon be in full swing. As I traditionally like to point out: every season has its specific character. This time will be no different.

But results seasons are rarely guided by earnings reports only. Events over the weekend past have reminded investors US policy decisions will be part of the mix that impacts on share prices this year.

Irrespective, most market updates released locally last week saw share prices weaken in the aftermath, including for the two companies that issued financial results, Credit Corp ((CCP)) and ResMed ((RMD)).

If we include market updates on profit guidance and quarterly performances the list of casualties grows quickly, also including Accent Group ((AX1)), Autosports Group ((ASG)), ImpediMed ((IPD)), Kogan ((KGN)), MedAdvisor ((MDR)), Origin Energy ((ORG)), Premier Investments ((PMV)), Zip Co ((ZIP)), and numerous others.

Last year's August season proved a rather underwhelming experience, generating 37% in misses --well above average-- and only 27% of beats, marking the worst milestone for corporate results in Australia post 2013, when FNArena started gathering such stats.

Should investors worry about a lack of progress made since?

Probably not. The RBA is readying Australia for rate cuts this year which no doubt will be reflected in more optimism when companies provide forward-looking guidance.

The same optimism is also creeping into investors' mindset which might lead to more companies receiving the benefit of the doubt this month, as long as there's a genuine prospect of better operational momentum later in the year.

The offset is that valuations generally are a lot higher too and many a market watcher seems worried about what might happen to share prices if expectations are not met.

Shares in Zip Co, for example, are now down more than -29% since disappointing the market, though some of that weakness is US import tariffs related.

Before we start digging deeper into likely signals and potential impacts, let's take a look first at the broader framework for the Australian share market in the opening weeks of 2025.

Earnings Growth (And The Lack Thereof)

The first observation is that underwhelming corporate earnings have not prevented the Australian share market from posting 11.17% in total return over 2024, which compares quite favourably with a much more modest general sentiment throughout the year.

A lot can be explained by the positive performance from the banks, despite little to no growth for the sector generally.

Local superfunds proved the key buyers during the first three quarters last year and international investors joined in during the closing three months.

With no disasters or major downgrades expected, and with banks and financials expected to outperform this year internationally, it seems likely shares in Australian banks will remain supported throughout 2025, despite the absence of strong earnings growth.

Outside of the banks, only about half of ASX200 companies experienced a gain in share price last year and an even smaller group outperformed the index; those performances were much closer aligned with underlying growth in earnings.

The same observation applies to the much larger group for whom sustainable share price gains proved a bridge too far; look no further than the absence of earnings growth if a proper explanation is required.

Average earnings per share growth in Australia has been negative in FY23 and FY24. FY25 (June 30) looks set for a continuation of that trend.

Those numbers are always heavily impacted by what happens in energy and commodity markets, but don't let that blind you to the fact corporate Australia does have a growth problem.

The gap between, say, Aurizon Holdings ((AZJ)), LendLease ((LLC)) and Healius ((HLS)) on one side and Pro Medicus ((PME)), WiseTech Global ((WTC)) and REA Group ((REA)) on the other side has grown to the size of the Indian Ocean in recent years.

We don't need a Master of Finance degree to explain the difference in share price performances.

Close That Gap!

Many in today's market are counting on a narrowing of the gap between Winners and Laggards, which --all else remaining equal-- should allow those Laggards to put in a better share price performance.

The current quarterly reporting season in the US is providing plenty of signals this might indeed be happening in North America.

Analysts at RBC Capital reported the following this week:

The shift we've seen in leadership this year, with Value beating Growth and Small Cap stabilizing relative to Large Cap also seems justified from an EPS perspective, even without last week's DeepSeek episode.

Our favorite gauge of EPS sentiment --the rate of sell-side revisions to the upside-- has shifted in favor of Small Cap over Large Cap (this means Small Cap has been seeing more upward revisions to EPS forecasts for this year and next).

This stat is technically still stronger for Growth and the top 10 market cap stocks in the S&P500 compared to Value and the rest of the S&P500, but the gaps have started to narrow suggesting Mega Cap Growth's dominance on near-term EPS dynamics has softened.

In Australia, where the RBA has yet to deliver its first rate cut and with uncertainties looming from state and federal elections, we are unlikely to witness those same dynamics play out this month already, but we might spot some early green shoots.

Such optimism has underpinned a positive share market performance in January (up 4.57%) with various forecasters suggesting **earnings in Australia are near a bottom** or they might already be on the way up.

Assuming this early optimism proves justified, the big difference with August last year when most misses were caused by underwhelming forward guidance, is this time boards and management teams might prove more optimistic.

Earnings Forecasts And Broker Ratings

Despite many downgrades happening on the back of corporate updates in January, it appears consensus forecasts are trending upwards, albeit cautiously, which is a signal that general optimism is rising.

As we are still in the early phase of earnings growth recovery, and with momentum inside the domestic economy uneven, there will still be plenty of room for nasty disappointments.

Consider, for example, Autosports Group issued a profit warning in November last year and did it again in January.

Another worry is a share market trading near its all-time high leaves little room for disappointment for the Winners in today's market.

Even if we adjust for the local PE ratio to have risen to 16x over the past ten years, the current market multiple remains double digit above that average (closer to 19x before Monday's sell-off).

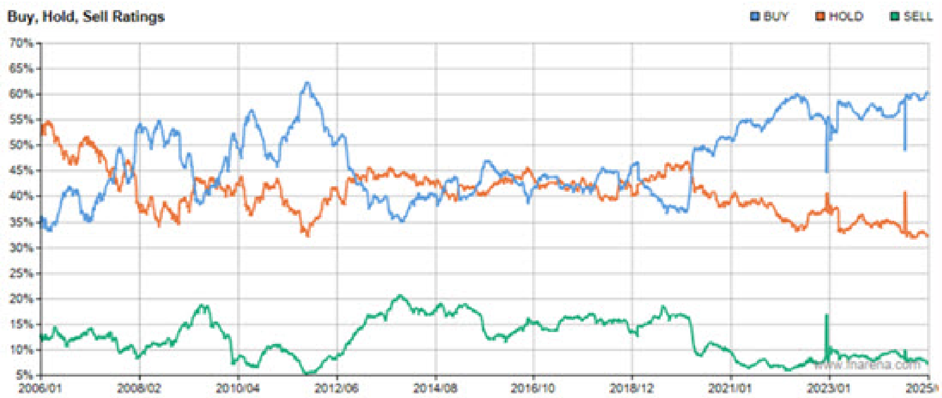
My humble suggestion is having some cash on the sideline might prove very apposite throughout February as the market's short-term knee-jerk response might create opportunities for those with a longer-term horizon.

A recent preview by stockbroker Morgans suggests average EPS growth for calendar year 2025 is poised to rise to 5% from -2% in 2024.

The bulk of this improvement might not show up until the second half, but markets are forward-looking (in the absence of short-term disruptions).

All of the above is reflected in stockbrokers' Buy, Hold and Sell ratings for ASX-listed stocks.

For the eight stockbrokerages monitored daily, the percentage of Buy and equivalent ratings has now risen to above 60% which, as the graphic below shows, is a rather rare occurrence.



But the percentage of Buy ratings has been exceptionally high post covid, which reflects the uneven and narrow-based recovery for the Australian share market since.

It's all well and good to proclaim shares in small caps and cyclicals are undervalued, without a notable recovery in earnings those share prices can remain "cheap" for a very long time.

In line with that extremely high percentage of Buys, the share of Hold/Neutral ratings has fallen below 33%, which hardly leaves anything left for Sell ratings (7.50%).

Early Signals

As suggested at the start of today's Weekly Insights, let's investigate whether there are lessons to be drawn from January's market updates.

Credit Corp's result missed consensus forecasts and thus the share price received instant punishment while forecasts were adjusted downwards.

At face value, the company is positioned for strong growth this year, but this follows two years of declining profits.

The finer details show FY25 might still not match the result achieved in FY22. Competition for buying bad debt ledgers in the US remains key.

Zip Co's market update also disappointed because of the US business, though in this case analysts believe the share price shellacking is overdone. Citi has upgraded to Buy.

More troubles in the US, however, has also triggered a warning from Citi analysts about the risks for online fashion platform operator Cettire ((CTT)) whose revenues are heavily skewed towards US consumers.

Virtual pharmacist company MedAdvisors' ((MDR)) disappointment also concerns slower US market momentum.

Import tariffs on Mexican goods has prompted Fisher & Paykel Healthcare ((FPH)) to specify 60% of US sales are sourced from the neighbouring country.

This is likely to see analysts reduce forecasts in the days coming.

Do we have a theme here?

ResMed's Q2 performance was better-than-expected though some might fret about a gross margin that failed to lift.

ResMed's share price rallied strongly into the release, then failed to extend that rally as the degree of positive surprise simply wasn't large enough to warrant even more excitement.

The average target price from the brokers monitored daily by FNArena has risen to $43.05 from $41.08 and that's the clearest indication that analysts, overall, liked the result and have been increasing their projections in response.

The ResMed experience also shows a great result does not by default always translate into a positive share price response.

Longer-term, that response immediately after the result counts for nothing. It's good to remember that too.

Plenty of insights from Consumer-related companies, including Myer ((MYR)), Kogan, Accent Group, Premier Investments, etc.

Autosports Group's tough conditions can equally be traced back to household budgets under duress in Australia.

The discussion among analysts is still the same: are Australian consumers ready to increase their spending on the back of more election promises and RBA rate cuts?

Needless to say, there's skepsis galore.

Today's debate also features Christmas purchasing and who was left out in the cold? All shall be revealed in the weeks coming.

Traps & Triggers

Stock pickers at Goldman Sachs have identified the following for a positive surprise in February:

-BRG Group (Breville) ((BRG))
-News Corp ((NWS))
-Codan ((CDA))
-QBE Insurance ((QBE))
-Worley ((WOR))
-HMC Capital ((HMC))
-Newmont Corp ((NEM))

Candidates for a likely negative surprise include:

-TPG Telecom ((TPG))
-Flight Centre ((FLT))
-Beach Energy ((BPT))
-ARB Corp ((ARB))
-Cochlear ((COH))

See also the many calls ahead of February in my recent three updates:

-https://fnarena.com/index.php/2025/01/30/rudis-view-cochlear-guzman-y-gomez-siteminder-wesfarmers-xero/

-https://fnarena.com/index.php/2025/01/23/rudis-view-feb-seasons-best-buys-key-picks/

-https://fnarena.com/index.php/2025/01/16/rudis-view-best-buys-convictions-for-2025/

FNArena's Result Monitor

With only Credit Corp and ResMed having reported thus far, we haven't started up the Monitor for February results just yet, but we will do so soon as the likes of Amcor ((AMC)), Pinnacle Investment Managers ((PNI)), News Corp and REA Group will be releasing their financials later this week.

Meanwhile, our calendar is being populated with ever more dates for corporate releases; check it out at:

https://fnarena.com/index.php/reporting_season/

(Scroll down for the calendar).

All-Weather Model Portfolio

2024 review for the All-Weather Model Portfolio:
https://fnarena.com/index.php/download-article/?n=E5B69B1F-9B20-764B-A717E0FF14F11FFE

See also:

FY24: https://fnarena.com/index.php/download-article/?n=DE2A4552-E2C7-4DC7-0A896CE5CF68ACD8

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

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, 3rd February, 2025. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

(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: AGL Energy, Bega Cheese, BRG, Harvey Norman, Imdex & Superloop

By Rudi Filapek-Vandyck, Editor

Looking forward to **Australian utilities** releasing financial reports this month, analysts at **Morgan Stanley** have re-affirmed their conviction in AGL Energy's ((AGL)) outlook, based on projections for electricity demand (data centres included) and what is still seen as an "undemanding valuation".

Stock Analysis shows Morgan Stanley's $12.88 price target for the shares is currently a positive outlier.

In case anyone wonders: the same analysts do not like Origin Energy ((ORG)), not at all.

Stock Analysis shows when it comes to Origin Energy, Morgan Stanley is the negative outlier with a price target of $9.06 only.

A similar sector preview for **infrastructure** by **Citi** has seen this broker expressing upside risk potential for Auckland International Airport ((AIA)) --Citi's most preferred exposure-- and for Atlas Arteria ((ALX)).

Citi analysts are currently not so keen on Transurban ((TCL)), which has been downgraded to Neutral.

****

Pending RBA rate cuts will put **A-REITs** back on investors' mind, sector analysts at **Citi** believe.

Fresh buyers will be looking for 'growth' with Citi highlighting Goodman Group ((GMG)), National Storage ((NSR)), Ingenia Communities Group ((INA)), Scentre Group ((SCG)), and Stockland ((SGP)).

****

Investors looking for **uranium** exposure should consider Paladin Energy ((PDN)), Boss Energy ((BOE)) and/or Deep Yellow ((DYL)) on the ASX, suggest analysts at **Canaccord Genuity**.

While 2024 has been a disappointing experience for the sector, Canaccord argues contracting levels will not remain below replacement rates forever and pricing will improve in the years ahead.

Colleagues at **Petra Capital** have a different approach; they believe smaller companies that are advancing their mining projects, with near-term catalysts, offer the greatest upside potential in 2025.

As such, Petra Capital's two favourites are currently NexGen Energy ((NXG)) and Aura Energy ((AEE)).

****

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

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

-Aristocrat Leisure ((ALL))

-Ampol ((ALD))

-APA Group ((APA))

-Beach Energy ((BPT))

-Brambles ((BXB))

-CSL ((CSL))

-Goodman Group ((GMG))

-IGO Ltd ((IGO))

-James Hardie Industries ((JHX))

-Lottery Corp ((TLC))

-Macquarie Group ((MQG))

-Metcash ((MTS))

-Monadelphous Group ((MND))

-REA Group ((REA))

-ResMed ((RMD))

-Suncorp Group ((SUN))

-Xero ((XRO))

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

This selection has equally seen no changes from December.

-Amcor ((AMC))

-Ampol ((ALD))

-APA Group ((APA))

-Atlas Arteria ((ALX))

-Beach Energy ((BPT))

-BHP Group ((BHP))

-Car Group ((CAR))

-Coles Group ((COL))

-Dalrymple Bay Infrastructure ((DBI))

-Iress Ltd ((IRE))

-Lottery Corp ((TLC))

-Macquarie Group ((MQG))

-Metcash ((MTS))

-Mirvac Group ((MGR))

-Pro Medicus ((PME))

-QBE Insurance ((QBE))

-RAM Essential Services ((REP))

-ResMed ((RMD))

-Suncorp Group ((SUN))

-Tabcorp Holdings ((TAH))

-Telstra ((TLS))

-Westpac Banking ((WBC))

****'

With just about everyone else putting forward their **Top Picks among smaller cap companies** ahead of results season, **UBS** analysts too have lined up their predictions for 'beats' and 'misses' this month.

At risk of missing forecasts with their financial performance are, according to UBS, Dicker Data ((DDR)), IDP Education ((IEL)) and Infomedia ((IFM)).

The broker sees negative risk to outlook guidance for Autosports Group ((ASG)), Imdex ((IMD)) and Kogan ((KGN)).

More bad news from Autosports Group?

Then there's a group that might present a double negative this month, disappointing both on result and on guidance. UBS has nominated ARB Corp ((ARB)), Articore Group ((ATG)) and Megaport ((MP1)).

On the positive side, UBS sees upside surprise potential from results to be delivered by Codan ((CDA)), MA Financial ((MAF)) and Temple & Webster ((TPW)).

Companies that may well positively surprise with their guidance include Eagers Automotive ((APE)), Bega Cheese ((BGA)), Corporate Travel Management ((CTD)), Flight Centre ((FLT)), NRW Holdings ((NWH)), NextDC ((NXT)), Ridley Corp ((RIC)), SiteMinder ((SDR)), Superloop ((SLC)), and Tyro Payments ((TYR)).

Companies that have been selected for a double positive surprise this season are Life360 ((360)), Adairs ((ADH)), BRG Group (Breville) ((BRG)), G8 Education ((GEM)), and ServCorp ((SRV)).

Smaller cap companies UBS likes for the year ahead are Life360, Amotiv ((AOV)), Codan, MA Financial, NextDC, Superloop, TechOne ((TNE)), and Webjet ((WEB)).

Other worthy mentions include Bega Cheese, Hansen Technologies ((HSN)), and Temple & Webster.

****

Quant analysis conducted by **Citi analysts** has unearthed the strongest conviction for upside potential in the following Buy-rated companies:

-Auckland International Airport ((AIA))
-Coles Group ((COL))
-Harvey Norman ((HVN))
-Ingenia Communities Group ((INA))
-JB Hi-Fi ((JBH))
-National Storage ((NSR))
-NextDC ((NXT))
-Superloop ((SLC))
-Zip Co ((ZIP))

...as well as the strongest conviction for downside risk to the following Sell-rated companies: Eagers Automotive ((APE)) and Imdex ((IMD)).

****

Goldman Sachs has identified the following for a positive surprise in February:

-BRG Group ((BRG))
-News Corp ((NWS)), which has been confirmed earlier today
-Codan ((CDA))
-QBE Insurance ((QBE))
-Worley ((WOR))
-HMC Capital ((HMC))
-Newmont Corp ((NEM))

For a negative surprise, Goldman Sachs has nominated:

-TPG Telecom ((TPG))
-Flight Centre ((FLT))
-Beach Energy ((BPT)), confirmed today
-ARB Corp ((ARB))
-Cochlear ((COH))

****

Analysts at **Macquarie** had equally nominated News Corp ((NWS)) for a positive surprise.

They do not like Domain Holdings Australia ((DHG)) while also harbouring some doubt about Cleanaway Waste Management ((CWY)).

Among consumer-related companies, Macquarie's Key Picks are Coles Group ((COL)), Harvey Norman ((HVN)), JB Hi-Fi ((JBH)) and Treasury Wine Estates ((TWE)).

Least preferred are Domino's Pizza ((DMP)) and Endeavour Group ((EDV)).

Best Ideas & Conviction Calls

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

-APA Group ((APA))

-ASX ((ASX))

-Aurizon Holdings ((AZJ))

-Bapcor ((BAP))

-Brambles ((BXB))

-Domino's Pizza ((DMP))

-Dexus ((DXS))

-Endeavour Group ((EDV))

-Fineos Corp ((FCL))

-IDP Education ((IEL))

-IGO Ltd ((IGO))

-Ramsay Health Care ((RHC))

-SiteMinder ((SDR))

-Santos ((STO))

-TPG Telecom ((TPG))

****

Healthcare sector analysts at RBC Capital have used their preview to the February results season to express their preferences:

-Cochlear ((COH))
-Integral Diagnostics ((IDX))
-Australian Clinical Labs ((ACL))
-Ansell ((ANN))
-Regis Healthcare ((REG))
-Monash IVF ((MVF))

Ironically, Australian Clinical Labs has been identified as at risk for delivering a negative surprise next month, alongside Sonic Healthcare ((SHL)) and Healius ((HLS)).

Among Australia's **Small Cap Industrials**, RBC Capital's three top picks are:

-G8 Education ((GEM))
-Temple & Webster ((TPW))
-Zip Co ((ZIP))

That last nominee released a rather disappointing market update on Thursday, which pulled down the share price more than -20%.

RBC analysts foresee multiple catalysts for the company in the year ahead, so maybe this won't change their positive view?

Among ASX-listed **Technology companies** Xero ((XRO)) and TechOne ((TNE)) are the two Key Picks.

****

Morgan Stanley's two key picks among **consumer-related companies** on the ASX ahead of February are

Guzman y Gomez ((GYG)) and IDP Education ((IEL)).

The first nominee has potential to deliver a positive margin surprise while IDP Education is expected to release better-than-feared visa data and ongoing progress in China.

Morgan Stanley is Underweight-rated on JB Hi-Fi ((JBH)), Harvey Norman ((HVN)), Super Retail ((SUL)) and Wesfarmers ((WES)); all should report solid sales numbers, but the broker sees risk in margins.

This broker's preferred local Real Estate stocks are Goodman Group ((GMG)), Charter Hall ((CHC)), Stockland ((SGP)), Scentre Group ((SCG)), GPT Group ((GPT)), and Centuria Capital Group ((CNI)).

All nominations have in common that each have small short term concerns heading into Feb-25 reporting, the broker highlights.

****

When it comes down to consumer related stocks on the ASX, analysts at **Goldman Sachs** are suggesting a two-pronged strategy:

-Buy industry leaders gaining market share, with long-term growth options, like Wesfarmers ((WES)) and BRG Group ((BRG)), also known as Breville;

-Buy industry leaders with short-term earnings risk for a re-rating later in the year, such as Woolworths Group ((WOW)) and Endeavour Group ((EDV)).

****

Stockbroker Morgans harbours positive expectations ahead of the upcoming February results season for the following 12 companies:

-Expecting forecast-beating results from the renamed Breville, BRG Group ((BRG)), Computershare ((CPU)), Guzman y Gomez ((GYG)), and Tasmea ((TEA))

-Expecting a strong outlook from Lovisa Holdings ((LOV)), Megaport ((MP1)), Pinnacle Investment Management ((PNI)), ResMed ((RMD)), Superloop ((SLC)) and Universal Store Holdings ((UNI))

-Regal Partners ((RPL)) is expected to announce capital management

-Treasury Wine Estates ((TWE)) is expected to report better-than-feared financials

On the negative side, Morgans sees earnings risk for Healius ((HLS)), HealtCo Healthcare and Wellness REIT ((HCW)), IDP Education ((IEL)), Monadelphous ((MND)), Ramsay Health Care ((RHC)), Tourism Holdings Rentals ((THL)), and Ventia Services Group ((VNT)).

A soft market update might feature results from ARB Corp ((ARB)), Domino's Pizza ((DMP)), Endeavour Group ((EDV)), and Woolworths Group ((WOW)).

Other companies that might be under threat of releasing a weaker-than-expected result in February are nib Holdings ((NHF)) and PeopleIn ((PPE)).

Taking into account the local share market is trading at a notable premium to its long-term valuation multiples, Morgans prefers caution, suspecting that companies that fail to deliver on high valuations will be punished.

The broker's **best tactical calls** among small caps include Acrow ((ACF)), Lovisa, Megaport, Pinnacle Investment Management, Regal Partners, Superloop, Tasmea and Universal Store.

Preferred exposures on current weakness for resources stocks include BHP Group ((BHP)), Sandfire Resources ((SFR)), South32 ((S32)), Whitehaven Coal ((WHC)) and Woodside Energy ((WDS)).

Key calls for the Financial Services sector are QBE Insurance ((QBE)), Suncorp Group ((SUN)), Challenger ((CGF)), MA Financial ((MAF)) and Tyro Payments ((TYR)).

Taking all of the above, and more, into account, Morgans' **key calls for February** include Computershare, Guzman y Gomez, Lovisa Holdings, Megaport, Pinnacle Investment Management and Superloop.

****

Morgan Stanley's six **High Conviction calls** ahead of next month's results releases are:

-Corporate Travel Management ((CTD))

-Data#3 ((DTL))

-Fleetpartners Group ((FPR))

-Life360 ((360))

-Lovisa Holdings ((LOV))

-Tuas ((TUA))

This broker's team of Quant analysts has identified Rio Tinto ((RIO)) and Pro Medicus ((PME)) as top-ranked ideas ahead of February.

The short list of top ranked ideas for the Asia-Pacific region ex-Japan also includes REA Group ((REA)).

The negative side has equally three ASX-listed companies; TPG Telecom ((TPG)), TechnologyOne ((TNE)), and Transurban Group ((TCL)).

***

January's re-assessment of the **global mining sector** by **RBC Capital** has triggered a downgrade for recommended portfolio exposures to Diversified & Bulk miners, but RBC retains Overweight recommendations for base metals, precious metals, and uranium.

In terms of individual stocks, and readers should keep in mind this is a global exercise, RBC's selection of Best Ideas has seen the inclusion of Westgold Resources ((WGX)).

Northern Star ((NST)), on the other hand, was removed even before this week's market update.

As reported previously, RBC Capital's global selection of Best Ideas among energy producers includes Woodside Energy ((WDS)) as the sole ASX representation.

***

Healthcare analysts at Citi have placed a positive Catalyst Watch on both ResMed ((RMD)) and Australian Clinical Labs ((ACL)) implying both are expected to surprise positively with their upcoming financial updates.

Their colleagues at the retail desk have done the same for both JB Hi-Fi ((JBH)) and Harvey Norman ((HVN)) as industry feedback over the Christmas sales period suggests upside risk to market expectations.

***

Ord Minnett has identified Aristocrat Leisure ((ALL)) and Brambles ((BXB)) as two strong (out)performers from 2024 that are most likely able to continue performing in the year ahead.

Sticking with that theme, analysts at **Wilsons** believe the following four outperformers remain poised to see ongoing upgrades to consensus forecasts in 2025:

-Xero ((XRO))

-Hub24 ((HUB))

-TechnologyOne ((TNE))

-WiseTech Global ((WTC))

****

Evans and Partners sees potential for ongoing strong performances from local **Tech companies and AI beneficiaries.**

The broker has kept a positive view on:

-NextDC ((NXT))

-Megaport ((MP1))

-Macquarie Technology Group ((MQG))

As well as on:

-WiseTech Global ((WTC))

-Block ((SQ2))

-SiteMinder ((SDR))

While sticking with a Neutral rating for the time being on (with positive view nevertheless):

-Xero ((XRO))

-TechnologyOne ((TNE))

***

Bell Potter has lined up its **Key Ideas among A-REITs** ahead of February market updates.

Preferred sector exposures are Centuria Industrial REIT ((CIP)), Dexus ((DXS)), Aspen Group ((APZ)), Cromwell Property Group ((CWP)) and HMC Capital ((HMC)).

Sector analysts at JP Morgan believe 2025 is the year when investor interest will broaden from Goodman Group ((GMG)), and to a lesser extent Charter Hall ((CHC)) and Scentre Group ((SCG)).

JPMorgan analysts have upgraded Vicinity Centres ((VCX)) and Abacus Storage King ((ASK)) to Overweight, and Region Group ((RGN)) to Neutral.

Both Goodman Group and Hotel Property Investments ((HPI)) have been downgraded to Neutral, with Charter Hall Long WALE REIT ((CLW)) downgraded to Underweight.

****

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

-Block ((SQ2))

-CSL ((CSL))

-Flight Centre ((FLT))

-Paladin Energy ((PDN))

-ResMed ((RMD))

-Suncorp Group ((SUN))

-Telix Pharmaceuticals ((TLX))

-Xero ((XRO))

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

-Amaero International ((3DA))

-Australian Vanadium ((AVL))

-Bannerman ((BMN))

-Chrysos ((C79))

-Humm Group ((HUM))

-Metro Mining ((MMI))

-Santana Minerals ((SMI))

-Southern Cross Electrical ((SXE))

****

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

****

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

-ARB Corp ((ARB))

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

****

January's update on the **APAC Conviction List at Goldman Sachs** has seen the inclusion of Worley ((WOR)) and Iluka Resources ((ILU)), for which the broker harbours bullish forecasts for the next four years.

Both are the only ASX-listed stocks included in a selection of 26 stocks.

****

The team of analysts and strategists at **Shaw and Partners** is convinced the time is right to invest in Australian small cap companies.

Shaw's **Top 10 list of Small Cap Ideas for 2025**:

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

****

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

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

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

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

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

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

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

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

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

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

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

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

****

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

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

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

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

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

****

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

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

****

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

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

****

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

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

-Macquarie Group ((MQG))

-Suncorp Group ((SUN))

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

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

-James Hardie ((JHX))

-Orica ((ORI))

-Coles Group ((COL))

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

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

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

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

****

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

-Goodman Group ((GMG))
-Seek ((SEK))
-Aristocrat leisure ((ALL))
-Northern Star ((NST))
-CSL ((CSL))
-Computershare ((CPU))
-NextDC ((NXT))
-Flight Centre ((FLT))
-Cleanaway Waste Management ((CWY))
-Steadfast Group ((SDF))
-James Hardie Industries ((JHX))
-ResMed ((RMD))
-Pexa Group ((PXA))
-Pinnacle Investment Management ((PNI))
-Treasury Wine Estates ((TWE))
-Viva Energy ((VEA))
-Xero ((XRO))
-IGO Ltd ((IGO))

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

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

****

Macquarie's ASX Quality Compounders:

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

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

-Redox ((RDX))

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

-Fisher & Paykel Healthcare ((FPH))
-Medibank Private ((MPL))
-Coles Group ((COL))
-The Lottery Corp ((TLC))
-Lovisa Holdings ((LOV))
-CSL ((CSL))
-IDP Education ((IEL))
-Pinnacle Investment Management ((PNI))
-ARB Corp ((ARB))
-Breville Group ((BRG))
-Johns Lyng ((JLG))

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

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

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.

SMALL CAPS

Doubts & Worries Dominate Kogan’s Outlook

Despite a marketing-led revenue boost, earnings for Kogan.com missed expectations in the second quarter and brokers remain cautious on the outlook.

-Kogan.com's first half earnings miss expectations
-Marketing investment boosts revenue and gross profit
-Concerns over rising competition/marketplace share

By Mark Woodruff

Online retailer Kogan.com returned to top-line growth in the first half of FY25, with gross sales accelerating at the fastest pace since the pandemic, but higher marketing and technology costs led to an earnings shortfall, triggering a -22% share price decline post the recent share market update.

Shareholders have become accustomed to a declining share price, which has fallen to $4.67 at the time of writing after peaking above $24 in October 2020.

While analysts acknowledge the strength of Kogan First membership and improved sales momentum, concerns remain over competition, declining web traffic (despite a year-end surge), and the sustainability of growth.

For the first time in three years, management invested in marketing and the benefits were illustrated by the company's revenue and gross profit performance in the second quarter, points out Canaccord Genuity.

Accelerating strongly into the end of 2024, revenue and gross profit beat the broker's forecasts by 10% and 18%, respectively.

Overall, sales exceeded the consensus expectation by 21%, growing by circa 24% on the previous corresponding period, yet higher marketing expenditure, as well as greater technology costs at Mighty Ape in New Zealand, meant operating earnings fell -17% short of consensus.

Ord Minnett awaits further data before passing judgment on the company's new strategy to reinvest in growth, a necessary impost, according to the analyst, given a highly competitive backdrop as also evidenced by Wesfarmers' ((WES)) recent exit from its e-commerce platform Catch.com.

At Kogan.com, the Marketplace segment facilitates third-party sellers on its platform, and the Product segment generates revenue through direct product sales, making the latter more margin-sensitive due to inventory management and cost fluctuations.

While a segment breakdown was not provided, UBS highlights a solid implied improvement in Marketplace and Product segment sales, noting increased Kogan First member fees were the primary driver of earnings growth.

This analyst suggests the return to top-line growth should be welcomed by investors, who have viewed the stock as largely ex-growth since covid. UBS also highlights Kogan.com remains the most profitable e-commerce company in Australia.

But UBS has its own doubts, see further below.

The doubters

While initially questioning if the earnings miss was mostly due to marketing spend or underperformance at the Mighty Ape operations in New Zealand, Citi has now decided both are likely evenly responsible.

More broadly, Citi ponders whether Kogan.com is capable of sustaining growth while maintaining margin.

Expecting a negative trading update in February, this broker also fails to see a way management can address mounting competition from online player Amazon (brand power) and the ultra-low pricing at Temu.

Further, the marketplace will find it difficult to take market share from leadings bricks and mortar consumer electronics retailers, in the analysts' opinion, given their brand power and access to major suppliers.

Highlighting an around -3% fall in web traffic in the first half, Citi notes a further -21% year-on-year decline in the second half up to January 15.

Additionally, Citi analysts observe Kogan app usage declined by -27% year-on-year up to January 20, while competitors either grew or saw smaller declines.

Similarly, UBS remains unconvinced Kogan.com can achieve sustainable top-line growth while delivering operating leverage, as cost reductions appear exhausted and visibility on Kogan First retention remains limited.

Mighty Ape and Kogan First

The analysts at Canaccord Genuity note how the digital transformation of Mighty Ape resulted in "implementation and technology challenges" which impacted profitability during a key sales period.

Fortunately, these issues have since been resolved, suggesting to the broker a tailwind for earnings moving forward.

Ultimately, the analysts at Citi believe Mighty Ape has a greater chance to grow in New Zealand due to lower competition among online marketplaces.

While overall earnings momentum may now be slowing, this broker believes the contribution from Kogan First will remain strong, driven by a larger member base and the annualisation of fee increases.

Despite these near-term positives, and taking the big picture into account, Citi fails to see how Kogan First membership can grow independently in the face of declining marketplace gross transaction value (GTV) and product revenue for Kogan.com.

Of the four brokers updated daily covering Kogan.com in the FNArena database, three have Hold (or equivalent ratings) while Citi has a Sell rating.

The average target price of $5.14, down from $5.23 prior to the quarterly update, suggests circa 10.70% upside to the share price.

Outside of daily coverage, Buy-rated Canaccord Genuity has an $8.00 target.

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

Weekly Ratings, Targets, Forecast Changes - 31-01-25

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday January 27 to Friday January 31, 2025
Total Upgrades: 11
Total Downgrades: 15
Net Ratings Breakdown: Buy 60.17%; Hold 32.40%; Sell 7.43%

For the week ending Friday January 31, 2025, FNArena recorded eleven ratings upgrades and fifteen downgrades for ASX-listed companies by brokers monitored daily.

Ratings adjustments were dominated by an upbeat Property sector report released by Macquarie, resulting in an equal number of upgrades and downgrades (six) for the broker's research coverage of 22 stocks.

Pointing to prospects for interest rate cuts and accelerating GDP growth in 2025, Macquarie analysts believe the residential market will benefit from the broker's forecast for a -75bps reduction in the RBA cash rate during the year, with the first cut anticipated in February.

It's thought downside risks in the office market are already priced into valuations.

Macquarie's preferred exposures are Mirvac Group, Dexus, GPT Group, Centuria Industrial REIT, Dexus Industria REIT, and Qualitas.

Beyond the property sector, Macquarie and Bell Potter downgraded their ratings for Capricorn Metals on valuation grounds, following a 22% share price gain since January 1st, also raising 12-month targets by approximately 4% following a strong second quarter operational update.

Sales for Capricorn came in higher-than-expected by Macquarie, and all-in-sustaining costs were lower than forecast.

Highlighting strong cash generation, Bell Potter now expects a stronger second half will allow management to meet re-affirmed production guidance.

The tables below show negative revisions to average earnings forecasts last week significantly outweighed positive adjustments, while changes by brokers to average target prices were broadly balanced.

HMC Capital received the largest percentage upgrade to average target price after UBS raised its target to $10.85 from $7.95 and upgraded to Buy from Neutral following significant recent initiatives in both the digital infrastructure and energy transition space.

In the last few months of 2024, HMC management announced the establishment and listing of the DigiCo

Infrastructure REIT (data centres in Australia and the US), and the acquisition of Neoen's Victorian renewable generation and storage portfolio for -$950m.

UBS also identified other areas of potential upside for HMC Capital within existing verticals (involving consumer-facing assets and alternative real estate) following recent guidance upgrades by similar exposures, Baby Bunting and Ingenia Communities, as well as the growth potential across both HMC's Energy Transition and Private Credit platforms.

The asset manager also appears third on the positive change to earnings forecast table below, behind Synlait Milk and Boss Energy.

Macquarie forecast higher profits for Synlait Milk (July year-end) in FY25, following inaugural first-half earnings (EBITDA) guidance of NZ$58-63m through to the end of January.

This Underperform-rated broker noted an improvement around new business development in Advanced Nutrition products, as well as currency and mix benefits for Ingredients.

Management is also reducing costs through lower consultancy expenses, headcount reductions, and North Island asset optimisation, highlighted Macquarie.

Following Boss Energy's "solid" operational results in quarter two, Bell Potter suggested a re-rate is in the wind given undervaluation versus peers, and the potential for shorters of the stock to reverse positions.

The analysts believe management is well placed to beat FY25 production guidance of 850klbs as both drummed production and production in circuit are now operating at nameplate capacity.

Macquarie was pleasantly surprised by lower-than-expected costs at the Honeymoon mine, while Morgan Stanley highlighted better-than-anticipated sales in the December quarter, exceeding consensus expectations.

Bellevue Gold's average earnings forecast rose around 18% last week. Brokers generally made only minor adjustments to earnings forecasts following the company's quarterly operational result, but Bell Potter raised its target to $2.00 from $1.90 due to higher Australian dollar gold price forecasts.

Turning to negative outcomes last week, Autosports Group and COG Financial Services suffered falls in average targets of -16% and -12%, respectively.

While remaining positive on the long-term growth outlook for COG Financial Services, Bell Potter lowered its earnings estimates to reflect near-term headwinds after a "mixed" trading update.

This broker highlighted a weaker-than-expected outcome for aggregation in the second quarter. The company's aggregation service provides access to a broad panel of lenders and financial products, enabling finance brokers to offer competitive financing solutions to clients without needing direct relationships with multiple lenders.

Regarding Autosports Group, management downgraded first half profit before tax and revenue guidance, having previously downgraded as recently as last November.

UBS explained lower guidance reflected weaker new vehicle volumes over November and December, though noted a marginal share price decline in reaction to the ASX release suggested the market is looking through the cycle to future RBA rate cuts, with margins at or near the bottom of the cycle.

Citi attributed some of the downward revision to industrial action at ports but viewed weaker retail demand as the more probable cause due to "excess" new vehicle inventories.

The group also appears fifth on the table for negative change to earnings forecasts, below three lithium miners and gold producer Perseus Mining.

A summary of brokers' views on quarterly reporting by IGO Ltd, Mineral Resources and Pilbara Minerals may be accessed under Stock Analysis on the FNArena website.

Brokers highlighted a strong second quarter operationally for Perseus Mining, but management announced lower-than-anticipated second half production guidance and weaker costs, highlighted Macquarie.

Total Buy ratings in the database comprise 60.17% of the total, versus 32.40% on Neutral/Hold, while Sell ratings account for the remaining 7.43%.

Upgrade

ABACUS GROUP ((ABG)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 4/0/0

Macquarie holds a favourable outlook for the ASX Property sector in 2025, supported by prospects for interest rate cuts and accelerating GDP growth.

The residential market will benefit from the broker's forecast of a -75bps reduction in the RBA cash rate during 2025, with the first cut anticipated in February. It's thought downside risks in the office market are already priced into share valuations.

From coverage of 22 stocks in the Property sector, Macquarie prefers Mirvac Group, Dexus, GPT Group, Centuria Industrial REIT, Dexus Industria REIT, and Qualitas.

For Abacus Group, the broker raises its target to $1.26 from $1.15 and upgrades to Outperform from Neutral, noting a deep discount to fundamental value.

AGL ENERGY LIMITED ((AGL)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/1/0

Macquarie upgrades AGL Energy to Outperform from Neutral with a higher target price of $12.08, up from $11.67, due to an improved earnings outlook driven by higher NSW power prices.

The analyst explains 1H25 results should benefit from government rebates, customer relief programs, and stronger prices. FY26 and FY27 pricing outlooks of $120-$125/MWh for SA and NSW are around $10/MWh higher than the broker's previous forecast.

Macquarie envisions battery arbitrage revenue could have a material impact over the next two years as Neoen and Liddell batteries come online.

The broker highlights political uncertainty in the energy sector, noting a potential government change could extend the "need for coal" and possibly lead to AGL developing an open cycle gas turbine.

Macquarie lifts EPS estimates by 2.5% for FY25 and 7.5% for FY26. Outperform rating retained with a $12.08 target price.

CENTURIA INDUSTRIAL REIT ((CIP)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/3/0

Macquarie holds a favourable outlook for the ASX Property sector in 2025, supported by prospects for interest rate cuts and accelerating GDP growth.

The residential market will benefit from the broker's forecast of a -75bps reduction in the RBA cash rate during 2025, with the first cut anticipated in February. It's thought downside risks in the office market are already priced into share valuations.

From coverage of 22 stocks in the Property sector, Macquarie prefers Mirvac Group, Dexus, GPT Group, Centuria Industrial REIT, Dexus Industria REIT, and Qualitas.

For Centuria Industrial REIT, the broker's target rises to $3.32 from $3.20 due to updates to economic forecasts and the rating is upgraded to Outperform from Neutral.

CHARTER HALL RETAIL REIT ((CQR)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/2/0

Macquarie holds a favourable outlook for the ASX Property sector in 2025, supported by prospects for interest rate cuts and accelerating GDP growth.

The residential market will benefit from the broker's forecast of a -75bps reduction in the RBA cash rate during 2025, with the first cut anticipated in February. It's thought downside risks in the office market are already priced into share valuations.

From coverage of 22 stocks in the Property sector, Macquarie prefers Mirvac Group, Dexus, GPT Group, Centuria Industrial REIT, Dexus Industria REIT, and Qualitas.

For Charter Hall Retail REIT, the target rises to $3.45 from $3.42. The broker upgrades to Outperform from Neutral on greater comfort around balance sheet metrics, noting potential corporate action upside.

DEXUS ((DXS)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/1/1

Macquarie holds a favourable outlook for the ASX Property sector in 2025, supported by prospects for interest rate cuts and accelerating GDP growth.

The residential market will benefit from the broker's forecast of a -75bps reduction in the RBA cash rate during 2025, with the first cut anticipated in February. It's thought downside risks in the office market are already priced into share valuations.

From coverage of 22 stocks in the Property sector, Macquarie prefers Mirvac Group, Dexus, GPT Group, Centuria Industrial REIT, Dexus Industria REIT, and Qualitas.

For Dexus, the target rises to $7.74 from $6.52 and the broker's rating is upgraded to Outperform from Neutral given shares are trading at an around -24% discount to net tangible assets as at June 2024.

GROWTHPOINT PROPERTIES AUSTRALIA ((GOZ)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/0/0

Macquarie holds a favourable outlook for the ASX Property sector in 2025, supported by prospects for interest rate cuts and accelerating GDP growth.

The residential market will benefit from the broker's forecast of a -75bps reduction in the RBA cash rate during 2025, with the first cut anticipated in February. It's thought downside risks in the office market are already priced into share valuations.

From coverage of 22 stocks in the Property sector, Macquarie prefers Mirvac Group, Dexus, GPT Group, Centuria Industrial REIT, Dexus Industria REIT, and Qualitas.

For Growthpoint Properties Australia, the target rises to $2.61 from $2.35. The broker's rating is upgraded to Outperform from Neutral as shares are thought to be trading at a deep discount to value.

HMC CAPITAL LIMITED ((HMC)) Upgrade to Buy from Neutral by UBS .B/H/S: 2/3/0

UBS upgrades HMC Capital to Buy from Neutral, citing recent share price underperformance, strong momentum across existing assets, and growth potential in increasingly diversified verticals.

The broker sees opportunities for raising new capital within these verticals, contrasting with the challenges faced by traditional, lower-growth real estate fund managers.

A $10.85 target is set, up from the $7.95 recorded in a summary of the broker's last update on August 23, 2024, in the FNArena database.

LENDLEASE GROUP ((LLC)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 2/3/0

Macquarie holds a favourable outlook for the ASX Property sector in 2025, supported by prospects for interest rate cuts and accelerating GDP growth.

The residential market will benefit from the broker's forecast of a -75bps reduction in the RBA cash rate during 2025, with the first cut anticipated in February. It's thought downside risks in the office market are already priced into share valuations.

From coverage of 22 stocks in the Property sector, Macquarie prefers Mirvac Group, Dexus, GPT Group, Centuria Industrial REIT, Dexus Industria REIT, and Qualitas.

For Lendlease Group, the broker's target eases to $6.98 from $7.00 and the rating is upgraded to Outperform from Neutral on valuation grounds, including a better-than-expected delivery so far of management's stated strategy.

MONADELPHOUS GROUP LIMITED ((MND)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 2/3/0

Macquarie lifts its target for Monadelphous Group to $15.93 from $14.80 and upgrades to Outperform from Neutral after management pre-announced 1H profit in the range of $40-43m, ahead of the broker's $33m estimate.

The analyst attributes margin improvement largely to good project delivery along with better terms and conditions of work, and believes the company is beginning to benefit from an improving labour environment.

The broker estimates a 1H EBITDA margin of 6.65%, up 57bps versus the previous corresponding period, and forecasts a further 5bps improvement to 6.70% in H2.

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

Following a 2Q operational update, UBS raises its target for Sandfire Resources to $10.45 from $9.85 and upgrades to Neutral from Sell after a -13% share price retreat from October-highs.

The broker highlights a "very good' cost performance and maintenance of FY25 production guidance, despite slightly softer copper production outcomes at both Matsa and Motheo during the quarter.

Management's projections for the Motheo plant prompts the analyst to add 3-4ktpa of copper production to near-term forecasts.

ZIP CO LIMITED ((ZIP)) Upgrade to Buy from Neutral by Citi .B/H/S: 3/0/0

Citi believes the sell-off in the Zip Co share price post the 2Q25 trading update was overdone and upgrades the stock to Buy from Neutral, with a target price of $3, down from $3.30.

The analyst lowers earnings estimates by -8% to -12% for FY25-FY27 due to lower-than-expected A&NZ revenue and marginally higher costs.

Growth in the US business is forecast to slow to 35% in 2H25, which may prove to be conservative, Citi highlights.

Buy. Target $3.

Downgrade

AMPOL LIMITED ((ALD)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/3/0

Macquarie lowers its target for Ampol to $31 from $33.75 and downgrades to Neutral from Outperform after 2024 profit guidance missed expectation, implying a softer 4Q in refining, Fuels & Infrastucture and international.

While the broker notes a solid performance in Convenience Retail, supported by premium fuel margin expansion, international trading remained weaker than pre-2022 levels.

The analyst's earnings forecasts for 2024 and 2025 are reduced by -13% and -8%, respectively, due to lower fuels and infrastructure margins and higher capital expenditure expectations. Macquarie expects a refining recovery by 2026.

ARENA REIT ((ARF)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/3/0

Macquarie holds a favourable outlook for the ASX Property sector in 2025, supported by prospects for interest rate cuts and accelerating GDP growth.

The residential market will benefit from the broker's forecast of a -75bps reduction in the RBA cash rate during 2025, with the first cut anticipated in February. It's thought downside risks in the office market are already priced into share valuations.

From coverage of 22 stocks in the Property sector, Macquarie prefers Mirvac Group, Dexus, GPT Group, Centuria Industrial REIT, Dexus Industria REIT, and Qualitas.

For Arena REIT, the broker lowers the target to $3.99 from $4.15 due to updated economic forecasts and downgrades to Neutral from Outperform on valuation.

ASX LIMITED ((ASX)) Downgrade to Underweight from Equal-weight by Morgan Stanley .B/H/S: 0/3/2

Morgan Stanley downgrades ASX to Underweight from Equal-weight, citing the company's expected low single-digit EPS growth, which does not compare favourably with other stocks in the broker's coverage.

The broker highlights capital market peers, Computershare ((CPU)) and Macquarie Group ((MQG)), are expected to achieve mid-to-high single-digit or better EPS growth, while five covered insurance stocks are forecast to generate double-digit earnings growth in 2025, trading on sub-20 times price-to-earnings ratios.

Morgan Stanley notes ASX might achieve "modest" revenue surprises from two new product launches in 1H25.

Underweight. Target price falls to $55.05 from $58. Industry View: In-Line.

ACCENT GROUP LIMITED ((AX1)) Downgrade to Neutral from Buy by Citi .B/H/S: 4/1/0

On first inspection, Citi highlights an apparent reduction in Accent Group's sales growth and gross margins since the AGM in the latest 1H25 trading update.

Accounting for the unexpected one-off -$3.3m non-recurring item, the update was broadly in line with consensus expectations.

The analyst notes a decline in like-for-like sales growth to 2.0% versus an estimate of 3.5% and 3.5% in the first 20 weeks. Increased promotions saw the gross margin shrink -100bps in 1H25, above the -70bps decline in the first four months.

Management indicated "inventory is clean." Citi lowers net profit after tax forecast by -5% for FY25 and -12% for FY26.

Accent Group is downgraded to Neutral from Buy. Target price falls -2% to $2.43 from $2.47.

CREDIT CORP GROUP LIMITED ((CCP)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/1/0

Macquarie downgrades Credit Corp to Neutral from Outperform with a lower target price of $16.27 from $19.62 post 1H25 update.

The company generated net profit after tax below consensus and the analyst's forecasts by -4% and -5%, respectively. Macquarie points to the US as the key "disappoint" despite ongoing improvement in operational performance.

US collections rose 12% year-on-year with improved labour productivity of 29%, the broker explains.

Management reconfirmed FY25 net profit after tax guidance of $90m-$100m.

The broker lowers EPS estimates by -3.4% and -2.8% for FY25/FY26, respectively. The stock is downgraded due to collection rates and the absence of US debt buying, Macquarie stresses.

CHARTER HALL GROUP ((CHC)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 2/2/1

Macquarie holds a favourable outlook for the ASX Property sector in 2025, supported by prospects for interest rate cuts and accelerating GDP growth.

The residential market will benefit from the broker's forecast of a -75bps reduction in the RBA cash rate during 2025, with the first cut anticipated in February. It's thought downside risks in the office market are already priced into share valuations.

From coverage of 22 stocks in the Property sector, Macquarie prefers Mirvac Group, Dexus, GPT Group, Centuria Industrial REIT, Dexus Industria REIT, and Qualitas.

For Charter Hall, the broker's target rises to $15.71 from $15.43 and the rating is downgraded to Neutral from Outperform on valuation grounds.

CAPRICORN METALS LIMITED ((CMM)) Downgrade to Underperform from Neutral by Macquarie and Downgrade to Hold from Buy by Bell Potter.B/H/S: 1/1/1

Macquarie downgrades Capricorn Metals to Underperform from Neutral due to the 22% appreciation in the share price in 2025 to date.

The broker notes many of the miner's 2Q25 metrics were pre-released. Sales came in higher than expected, and all-in-sustaining costs were lower than the analyst's forecast.

At quarter-end, Capricorn had cash and bullion of $363m. Management confirmed FY25 guidance at the midpoint of 110-120koz of production.

Macquarie lifts EPS forecasts by 4% for FY25 and lowers FY26 by -4%. Target price rises 3% to $7.30.

Bell Potter raises its target price for Capricorn Metals to $7.84 from $7.54 following its second-quarter operational update and downgrades to Hold from Buy after recent share price appreciation.

Gold production from the 100%-owned Karlawinda Gold Project in WA reached 28.7koz, exceeding the broker's 27.8koz forecast, due to higher mill throughput and recoveries, while costs (AISC) were broadly in line.

The broker highlights strong cash generation and expects a stronger second half will allow management to meet unchanged production guidance.

CENTURIA CAPITAL GROUP ((CNI)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 2/2/1

Macquarie holds a favourable outlook for the ASX Property sector in 2025, supported by prospects for interest rate cuts and accelerating GDP growth.

The residential market will benefit from the broker's forecast of a -75bps reduction in the RBA cash rate during 2025, with the first cut anticipated in February. It's thought downside risks in the office market are already priced into share valuations.

From coverage of 22 stocks in the Property sector, Macquarie prefers Mirvac Group, Dexus, GPT Group, Centuria Industrial REIT, Dexus Industria REIT, and Qualitas.

For Centuria Capital, the target eases to $1.85 from $1.87 and the broker's rating is downgraded to Neutral from Outperform partly due to potential ongoing asset devaluations.

DROPSUITE LIMITED ((DSE)) Downgrade to Hold from Buy by Ord Minnett .B/H/S: 1/1/0

Ord Minnett notes Dropsuite has entered a scheme of arrangement for NinjaOne LLC to acquire 100% of the company at $5.90 per share.

The price represents a 34% premium to the last closing price.

Dropsuite's board has unanimously recommended shareholders vote in favour of the scheme.

The broker also highlights 4Q24 metrics were "exceptionally strong" and well above forecasts.

Target price increases to $5.90 from $4.09. Stock is downgraded to Hold from Buy.

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

Bell Potter cuts its target price for MedAdvisor to 21c from 40c and downgrades to Hold from Buy, due to reduced earnings forecasts and a lower assumed valuation multiple.

Second quarter revenue fell short of the growth expectations set by management at the start of FY25, with US revenue declining by -29% in the first half due to lower vaccine contract revenue, which the broker sees as the most significant factor.

Non-vaccine revenue for H1 also dropped by -24% year-on-year, while Australian revenue rose by just 2%. Management did not reiterate its FY25 positive earnings (EBITDA) guidance from the December trading update.

REGION GROUP ((RGN)) Downgrade to Underperform from Outperform by Macquarie .B/H/S: 3/0/2

Macquarie holds a favourable outlook for the ASX Property sector in 2025, supported by prospects for interest rate cuts and accelerating GDP growth.

The residential market will benefit from the broker's forecast of a -75bps reduction in the RBA cash rate during 2025, with the first cut anticipated in February. It's thought downside risks in the office market are already priced into share valuations.

From coverage of 22 stocks in the Property sector, Macquarie prefers Mirvac Group, Dexus, GPT Group, Centuria Industrial REIT, Dexus Industria REIT, and Qualitas.

For Region Group, the target falls to $2.03 from $2.28 and the rating is downgraded to Underperform from Outperform. Despite attractive defensive characteristics, the broker highlights near-term DPS growth is anaemic.

SCENTRE GROUP ((SCG)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 3/1/1

Macquarie holds a favourable outlook for the ASX Property sector in 2025, supported by prospects for interest rate cuts and accelerating GDP growth.

The residential market will benefit from the broker's forecast of a -75bps reduction in the RBA cash rate during 2025, with the first cut anticipated in February. It's thought downside risks in the office market are already priced into share valuations.

From coverage of 22 stocks in the Property sector, Macquarie prefers Mirvac Group, Dexus, GPT Group, Centuria Industrial REIT, Dexus Industria REIT, and Qualitas.

For Scentre Group, the target falls to $3.37 from $3.60 and the rating is downgraded to Neutral from Outperform on changes to the broker's economic forecasts.

STOCKLAND ((SGP)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 2/2/1

Macquarie holds a favourable outlook for the ASX Property sector in 2025, supported by prospects for interest rate cuts and accelerating GDP growth.

The residential market will benefit from the broker's forecast of a -75bps reduction in the RBA cash rate during 2025, with the first cut anticipated in February. It's thought downside risks in the office market are already priced into share valuations.

From coverage of 22 stocks in the Property sector, Macquarie prefers Mirvac Group, Dexus, GPT Group, Centuria Industrial REIT, Dexus Industria REIT, and Qualitas.

For Stockland, the target falls to $5.15 from $5.26 on changes to the broker's economic forecasts, and the rating is downgraded to Underperform from Neutral.

SIGMA HEALTHCARE LIMITED ((SIG)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 1/2/1

Ord Minnett downgrades Sigma Healthcare to Hold from Accumulate on valuation grounds, with a higher target price of $2.70, up from $2.15.

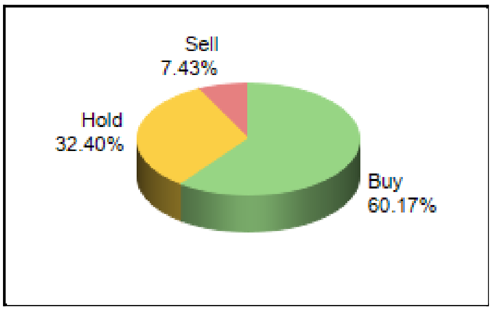
The broker notes a strong trading update for 1H25, including 19% growth in new store roll-outs and a 10.3% like-for-like sales increase.

The analyst highlights improvements in margins compared to the previous year.

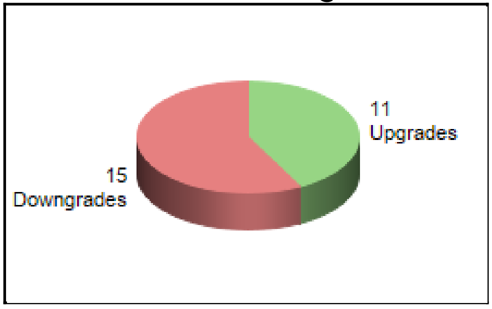
Ord Minnett raises EPS estimates by 20%-24% for FY26 and FY27, respectively.

Sigma Healthcare is set to report earnings in March, with upside potential, the broker highlights due to ASX index changes in March.

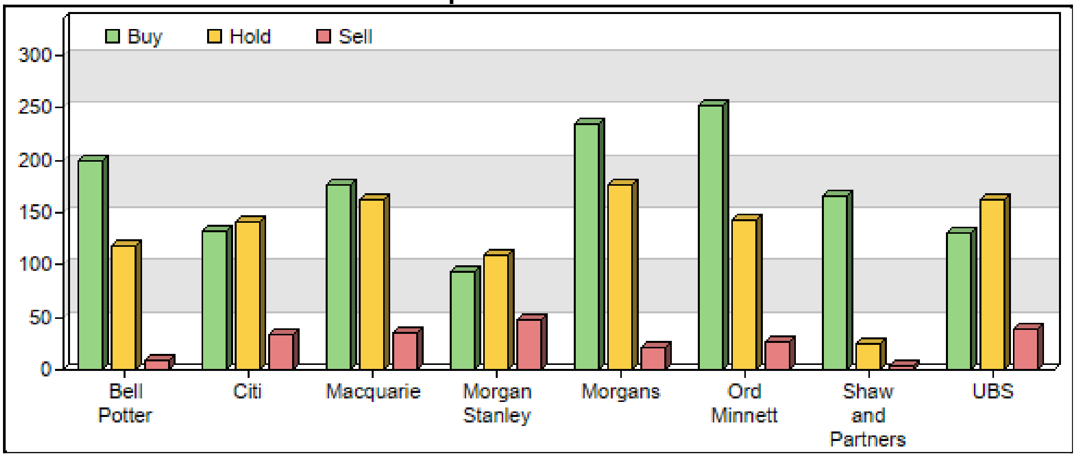
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ABACUS GROUP	Buy	Neutral	Macquarie
2	AGL ENERGY LIMITED	Buy	Neutral	Macquarie
3	CENTURIA INDUSTRIAL REIT	Buy	Neutral	Macquarie
4	CHARTER HALL RETAIL REIT	Buy	Neutral	Macquarie
5	DEXUS	Buy	Neutral	Macquarie
6	GROWTHPOINT PROPERTIES AUSTRALIA	Buy	Neutral	Macquarie
7	HMC CAPITAL LIMITED	Buy	Neutral	UBS
8	LENDLEASE GROUP	Buy	Neutral	Macquarie
9	MONADELPHOUS GROUP LIMITED	Buy	Neutral	Macquarie
10	SANDFIRE RESOURCES LIMITED	Neutral	Sell	UBS
11	ZIP CO LIMITED	Buy	Neutral	Citi
Downgrade				
12	ACCENT GROUP LIMITED	Neutral	Buy	Citi
13	AMPOL LIMITED	Neutral	Buy	Macquarie
14	ARENA REIT	Neutral	Buy	Macquarie
15	ASX LIMITED	Sell	Neutral	Morgan Stanley
16	CAPRICORN METALS LIMITED	Sell	Neutral	Macquarie
17	CAPRICORN METALS LIMITED	Neutral	Buy	Bell Potter
18	CENTURIA CAPITAL GROUP	Neutral	Buy	Macquarie
19	CHARTER HALL GROUP	Neutral	Buy	Macquarie
20	CREDIT CORP GROUP LIMITED	Neutral	Buy	Macquarie

21	DROPSUITE LIMITED	Neutral	Buy	Ord Minnett
22	MEDADVISOR LIMITED	Neutral	Buy	Bell Potter
23	REGION GROUP	Sell	Buy	Macquarie
24	SCENTRE GROUP	Neutral	Buy	Macquarie
25	SIGMA HEALTHCARE LIMITED	Neutral	Buy	Ord Minnett
26	STOCKLAND	Sell	Neutral	Macquarie

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	HMC	HMC CAPITAL LIMITED	10.936	10.132	7.94%	5
2	GOR	GOLD ROAD RESOURCES LIMITED	2.533	2.433	4.11%	3
3	GOZ	GROWTHPOINT PROPERTIES AUSTRALIA	2.603	2.517	3.42%	3
4	ANN	ANSELL LIMITED	31.840	30.800	3.38%	5
5	DXS	DEXUS	7.780	7.536	3.24%	5
6	BOE	BOSS ENERGY LIMITED	3.933	3.817	3.04%	6
7	BXB	BRAMBLES LIMITED	19.633	19.075	2.93%	6
8	BGL	BELLEVUE GOLD LIMITED	1.613	1.575	2.41%	4
9	PPT	PERPETUAL LIMITED	23.410	22.862	2.40%	5
10	ABG	ABACUS GROUP	1.253	1.225	2.29%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	ASG	AUTOSPORTS GROUP LIMITED	1.967	2.333	-15.69%	3
2	COG	COG FINANCIAL SERVICES LIMITED	1.250	1.420	-11.97%	3
3	HCW	HEALTHCO HEALTHCARE & WELLNESS REIT	1.308	1.383	-5.42%	4
4	CIA	CHAMPION IRON LIMITED	6.967	7.350	-5.21%	3
5	VEA	VIVA ENERGY GROUP LIMITED	3.413	3.588	-4.88%	4
6	ZIP	ZIP CO LIMITED	3.317	3.467	-4.33%	3
7	PMV	PREMIER INVESTMENTS LIMITED	31.108	32.250	-3.54%	6
8	29M	29METALS LIMITED	0.278	0.287	-3.14%	4
9	SMR	STANMORE RESOURCES LIMITED	3.833	3.950	-2.96%	3
10	ILU	ILUKA RESOURCES LIMITED	5.950	6.130	-2.94%	5

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	SM1	SYNLAIT MILK LIMITED	-0.183	-1.769	89.66%	3
2	BOE	BOSS ENERGY LIMITED	12.550	10.550	18.96%	6
3	HMC	HMC CAPITAL LIMITED	49.700	42.100	18.05%	5
4	BGL	BELLEVUE GOLD LIMITED	9.133	7.767	17.59%	4
5	GOZ	GROWTHPOINT PROPERTIES AUSTRALIA	22.400	19.800	13.13%	3
6	A1M	AIC MINES LIMITED	4.633	4.167	11.18%	3
7	RMS	RAMELIUS RESOURCES LIMITED	31.133	28.200	10.40%	3
8	CMM	CAPRICORN METALS LIMITED	40.250	37.050	8.64%	3
9	29M	29METALS LIMITED	-8.767	-9.533	8.04%	4
10	WHC	WHITEHAVEN COAL LIMITED	42.817	39.833	7.49%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	IGO	IGO LIMITED	-0.920	5.580	-116.49%	6
2	MIN	MINERAL RESOURCES LIMITED	-120.267	-56.567	-112.61%	7
3	PLS	PILBARA MINERALS LIMITED	0.967	1.600	-39.56%	6
4	PRU	PERSEUS MINING LIMITED	37.635	53.449	-29.59%	4
5	ASG	AUTOSPORTS GROUP LIMITED	16.600	23.133	-28.24%	3
6	CIA	CHAMPION IRON LIMITED	39.793	48.781	-18.43%	3
7	VEA	VIVA ENERGY GROUP LIMITED	17.767	21.400	-16.98%	4

8	NIC	NICKEL INDUSTRIES LIMITED	2.949	3.455	-14.65%	6
9	SGP	STOCKLAND	33.525	38.800	-13.60%	5
10	ZIP	ZIP CO LIMITED	3.700	4.267	-13.29%	3

Technical limitations

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

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: Tariffs & DeepSeek Worries

January ended on a slow note as Canadian import tariffs and DeepSeek disruption concerns weighed on buyer sentiment

-U308 market deflates
-Canada tariffs a hot potato
-What the brokers are saying
-Short positions grow in Australian uranium stocks

By Danielle Ecuyer

Macro concerns undermine buying interest

The U3O8 spot price market was not immune to the tariff whims of President Trump and the technology sell-off on the back of China's DeepSeek revelation, causing consternation around the investment spend on nuclear energy to power data centres.

On January 27, industry consultants TradeTech noted the U3O8 spot price fell to US$67/lb with confirmation US import tariffs would be imposed on China, Canada, and Mexico.

At day end, deals were recorded at US$72/lb for delivery in the US, while material for delivery outside of the US was available at US$69.75/lb.

TradeTech states the drop in the U3O8 spot price attracted utility demand in the mid-term delivery market, while market participants were seeking more details and information on the proposed tariffs, announced on February 1.

As of January 31, TradeTech highlights 4.3mlbs of U3O8 was available for sale against inquiries to purchase of 0.5mlbs, and the consultant's spot price ended the week and the month at US$71.25/lb compared to US$73.50/lb as of December 31.

TradeTech's Mid-Term U3O8 price indicator fell from US$78/lb as of December 31 to US$76/lb at January 31. The consultants' long-term price indicator remained unchanged at US$82/lb over the month of January.

It was only one year ago the U3O8 spot price achieved a 16-year high of US$100.50/lb, since declining on average each month by -2.7% to US$71.25.

Year-to-date the U3O8 spot market has recorded 21 sales equivalent to 2.2mlbs, TradeTech details.

On the cost front, TradeTech's monthly production cost indicator (PCI) experienced a third consecutive increase since October 2024 to US$58.60/lb at month-end. The January PCI value is up 3.4% or US$1.90 from a year earlier at US$56.70. It is the highest value since TradeTech initiated this indicator in April 2020.

Trump targets Canada

Canada is the largest source of minerals imports to the US, including uranium, aluminium, nickel, steel, copper, and niobium at US$47bn in 2023 eclipsing China at US$28.3bn.

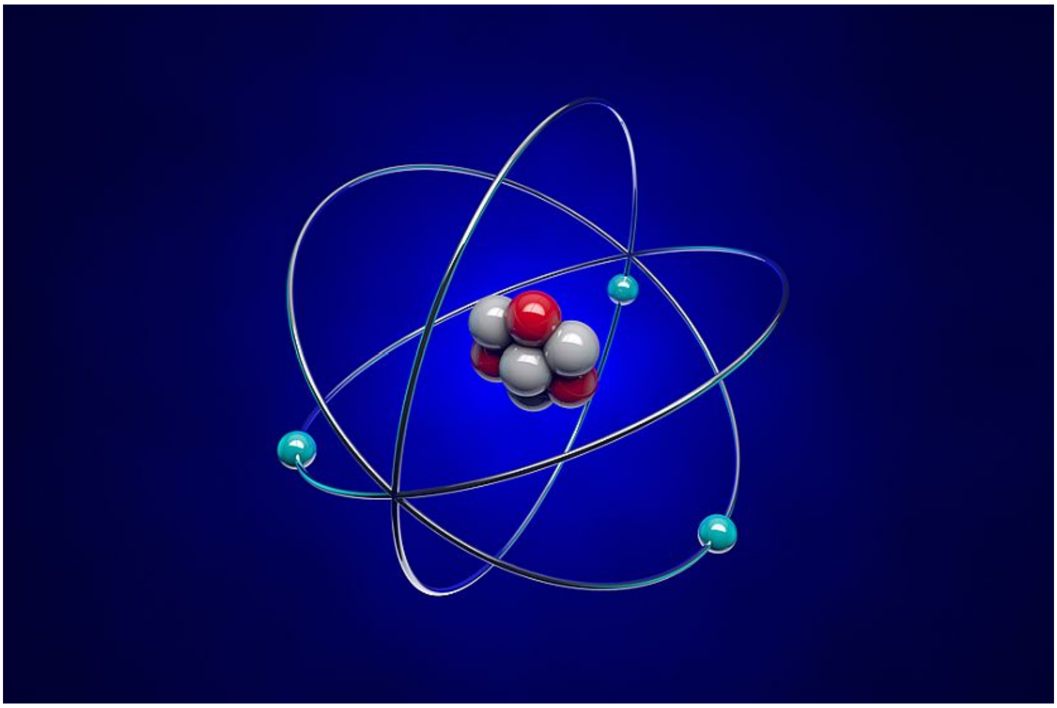
Any impacts would thus be significant for the defence, nuclear energy, and heavy manufacturing industries. In 2023, US nuclear utilities used 32mlbs of imported U3O8, and Canada was the main source of delivered product at 27%.

At the time of writing, the proposed 25% tariffs were due to be imposed on Canada and Mexico on Tuesday, February 4.

World's largest U308 producer reports quarterly update

Kazatomprom reported December quarter production of 15.6mlbs of U3O8, a rise of 12% year-on-year. Sales over the quarter declined -14% to 13.1mlbs, as the company boosted inventories and sold higher levels of enriched uranium to the Kazakh-Chinese Ulba-FA joint venture.

The company anticipates production for 2025 to come in around 65mlbs-68.9mlbs of U3O8 with sales of circa 36.4mlbs-39mlbs.



Sector Analysts' Updates

Paladin Energy ((PDN)) remained in focus post the company's 2Q25 activities report. Macquarie points to ongoing disappointing grades from stockpiles. Management is planning to start mining again in July.

With the completion of the Fission Energy acquisition, Macquarie proposes a strategic sell-down to a commercial partner for Patterson Lake South to manage risk in the short term, which the broker considers prudent.

The analyst forecasts capex of -CA$1bn with a 2031 commencement date, compared to Fission Energy's estimate of -CA$1.1bn and a 2029 start date.

EPS forecasts have been reduced by -24% for FY25 and -7% for FY26. No change to the Hold-equivalent rating and $9.10 target price.

Boss Energy's ((BOE)) "solid" 2Q operational result, according to Bell Potter, places the company in good stead for a re-rating of the valuation as shorters are expected to reverse positions in the stock.

The broker believes management is well-placed to beat FY25 production guidance of 850klbs as both drummed production and production in circuit are now operating at nameplate capacity.

Target rises to $4.90 from $4.70. Buy rated.

Citi and Macquarie were also positive about the operational update.

Citi notes Boss achieved sales of 200,000lbs at a US$77.5/lb price, which is viewed as strong by the analyst at 99% realisation versus the U3O8 spot price.

Management retained FY25 production guidance, with 2H25 cost guidance meeting 2021 costs adjusted for inflation.

Macquarie highlighted the update on Honeymoon costs was better than it feared. The broker expected a more dramatic increase in cash costs for FY25-26, so a US$37-41/lb estimate for 2H25 and a path to US$29-32/lb life of mine (LOM) came as a pleasant surprise.

The broker has now cut its estimate to US$23/lb LOM from US$27/lb.

Boss Energy remains a top uranium pick for Macquarie with an increased target price of $4.80, up from $4.50, and Buy-equivalent rating. Citi is also Buy rated with its target price lifted to $3.60 from $3.40.

UBS retains a Buy rating and $3.40 target. This broker maintains a "conservative" view on the near-term recovery for the price of uranium, with growing supply exceeding growing demand over 2025.

Morgan Stanley observes Boss Energy reported better-than-anticipated sales in the December quarter, exceeding consensus expectations.

The company's drummed production was below estimates, and the analyst attributes the discrepancy to delays in commissioning the horizontal kiln, which has been in operation since mid-January.

Management's 2H25 cost guidance came in below the broker's estimate due to previously higher assumed labour cost inflation, the analyst explains. Target price $2.70. Hold-equivalent rated.

Shaw and Partners observes the December quarter activities report for **Bannerman Energy** ((BMN)) shows ongoing progress in developing the company's Etango uranium project.

Management continues to wait for an appropriate incentive U3O8 price to commit to off-take agreements and the final investment decision for the project.

The company has cash of $81.1m, and the broker believes it is well-funded to retain a wait-and-see approach to the uranium market.

Shaw and Partners retains a Buy, High-Risk rating with a $7.40 target price.

Macquarie observes the extent of activity regarding the restart of **Lotus Resources'** ((LOT)) Kayelekera mine, with over 200 people and mobile equipment on site.

Management aims for initial uranium production in 3Q25. The company has cash on hand of $133m, which was somewhat below the broker's expectation.

The broker notes around 25% of the first four years of production has been contracted to Curzon and PSEG on fixed-price terms. The majority of the balance of contracts is expected to be market-based.

Target slips -5% to 38c due to a lower AUD impacting the Kayelekera valuation against a lower Letlhakane valuation. Buy-equivalent rating unchanged.

Short positions continue to increase

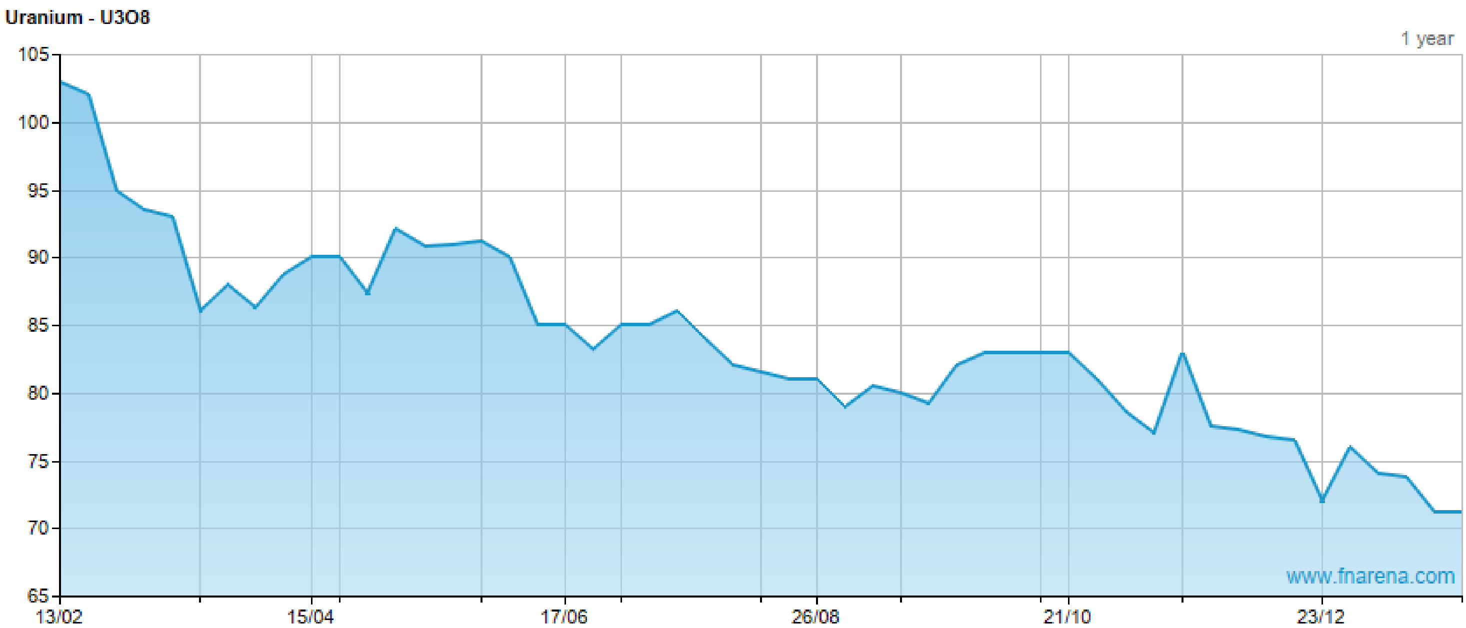
Up to January 28, Boss Energy was the most shorted stock on the ASX at 20.16% of the company's capital versus 19.05% the week prior.

Paladin was the second most shorted at 15.43% against 15.06% the week prior, and Deep Yellow in eighth position at 11.50% versus 10.01%.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	31/01/2025	0.0500	▼-16.67%	$0.19	$0.03			
AEE	31/01/2025	0.1300	▼- 6.90%	$0.29	$0.11			
AGE	31/01/2025	0.0300	▼-10.53%	$0.08	$0.03		$0.100	▲233.3%
AKN	31/01/2025	0.0100	0.00%	$0.04	$0.01			
ASN	31/01/2025	0.0600	▼- 3.17%	$0.17	$0.05			
BKY	31/01/2025	0.3900	▲17.65%	$0.45	$0.27			
BMN	31/01/2025	2.8900	▼- 5.97%	$4.87	$1.90		$7.400	▲156.1%
BOE	31/01/2025	3.3700	▲ 4.42%	$6.09	$2.21	26.6	$3.933	▲16.7%
BSN	31/01/2025	0.0200	▼- 5.56%	$0.20	$0.02			
C29	31/01/2025	0.0400	0.00%	$0.13	$0.03			
CXO	31/01/2025	0.0900	▼- 3.26%	$0.26	$0.08		$0.090	
CXU	31/01/2025	0.0100	0.00%	$0.06	$0.01			
DEV	31/01/2025	0.0800	▼- 7.61%	$0.45	$0.08			
DYL	31/01/2025	1.3300	▼- 6.87%	$1.83	$0.91	-327.5	$1.850	▲39.1%
EL8	31/01/2025	0.2800	0.00%	$0.68	$0.23			
ERA	31/01/2025	0.0030	0.00%	$0.06	$0.00			
GLA	31/01/2025	0.0100	0.00%	$0.03	$0.01			
GTR	31/01/2025	0.0030	0.00%	$0.01	$0.00			

GUE	31/01/2025	0.0800	0.00%	$0.15	$0.05			
HAR	31/01/2025	0.0400	0.00%	$0.24	$0.03			
I88	31/01/2025	0.6800	0.00%	$1.03	$0.14			
KOB	31/01/2025	0.0700	0.00%	$0.18	$0.07			
LAM	31/01/2025	0.7800	▲ 2.63%	$1.04	$0.48			
LOT	31/01/2025	0.2300	▼- 3.92%	$0.49	$0.17		$0.533	▲131.9%
MEU	31/01/2025	0.0600	▲ 3.28%	$0.06	$0.04			
NXG	31/01/2025	10.8100	▼- 5.88%	$13.66	$7.89		$16.600	▲53.6%
ORP	31/01/2025	0.0400	0.00%	$0.12	$0.03			
PDN	31/01/2025	8.6300	▼- 0.89%	$17.98	$6.83	63.2	$11.558	▲33.9%
PEN	31/01/2025	1.0700	▼-29.08%	$2.90	$1.02		$4.810	▲349.5%
SLX	31/01/2025	5.9100	▼- 5.20%	$6.74	$3.35		$7.200	▲21.8%
TOE	31/01/2025	0.2000	▼- 6.82%	$0.52	$0.19			
WCN	31/01/2025	0.0200	0.00%	$0.03	$0.01			



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WEEKLY REPORTS

The Short Report - 06 Feb 2025

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

Summary:

Week Ending January 30th, 2025 (most recent data available through ASIC).

GSBW34 refers to the Australian commonwealth bond 3.50% 2034.

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

10%+

GSBW34	127.97%
BOE	19.48%
PDN	15.72%
SYR	13.22%
DMP	12.87%
PLS	12.58%
IEL	12.53%
MIN	12.16%
DYL	11.38%
SGR	11.14%
MP1	10.19%
LTR	10.00%

In: SGR

9.0-9.9%

LIC	9.62%
KAR	9.54%
ADT	9.05%

In: ADT
Out: SGR, LYC

8.0-8.9%

JLG	8.39%
CTT	8.25%
DRO	8.10%

In: DRO
Out: ADT

7.0-7.9%

CTD	7.65%

GMD	7.63%
RIO	7.51%
BGL	7.23%
SEK	7.10%
CUV	7.07%
EDV	7.02%

In: CUV
Out: XQLQAR, DRO

6.0-6.9%

AD8	6.96%
SLX	6.74%
CIA	6.42%
CHN	6.32%
IMU	6.25%

Out: CUV, STX

5.0-5.9%

STX	5.96%
APE	5.84%
SFR	5.79%
NHC	5.30%
NCK	5.07%

In: STX, NCK
Out: MGR

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.2	0.3	NAB	0.6	0.6
ANZ	0.3	0.3	QBE	0.3	0.3
BHP	0.4	0.4	RIO	7.5	7.2
CBA	1.1	1.1	STO	0.8	1.0
COL	0.8	0.8	TCL	1.1	1.3
CSL	0.4	0.5	TLS	0.2	0.2
FMG	1.3	1.3	WBC	0.6	0.6
GMG	0.4	0.4	WDS	2.0	2.1
JHX	0.6	0.7	WES	0.7	0.7
MQG	0.5	0.6	WOW	0.5	0.6

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

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

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

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

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

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

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

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

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 07-02-25

Broker Rating Changes (Post Thursday Last Week)

Upgrade

29METALS LIMITED ((29M)) Overweight by Jarden.B/H/S: 0/0/0

Jarden notes 29Metals achieved all FY24 guidance metrics and issued 2025 guidance consistent with its expectations. The highlight was another quarter of free cash flow from the Golden Grove mine, with $18m exceeding the broker's forecast of $5m.

Unit cost of US$1.81/lb was 11% above Jarden's US$1.63/lb estimates, however, with lower-than-forecast sustaining capital, the AISC of US$3.31/lb was only marginally higher than the broker's US$3.26/lb

The broker's valuation is based on long-term price forecasts of US$4.50/lb for copper and US$1.30/lb for zinc.

The only material change made to the valuation was to include the corporate charge allocated to Golden Grove at the asset level, with the offset being a reduction in corporate costs by the same amount.

Overweight rating with 32c target price.

VAULT MINERALS LIMITED ((VAU)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

Vault Minerals delivered a solid operational December quarter, Jarden highlights, with a focus on setting up the King of the Hills plant for expansion, a stronger 24 months at Mt Monger and a pick up in planned exploration and resource extension drilling.

In the broker's view, the company's operations are increasingly set up for material free cash flow boost over the coming years.

Jarden has incorporated increases to its gold price forecasts and lower forex, resulting in a 24% increase in valuation and target price.

Rating upgraded to Buy from Overweight and target price raised to 52c from 42c.

Downgrade

ACCENT GROUP LIMITED ((AX1)) Downgrade to Neutral from Buy by Jarden and Downgrade to Hold from Buy by Petra CapitalB/H/S: 0/0/0

Jarden highlights Accent Group's 1H25 sales growth of 4.6% year on year was lower than the consensus for 7.5% growth. Gross profit margin and expenses were in line with consensus.

The broker is concerned the promotional environment in the footwear market may take longer to resolve than it initially expected. As a result, it lowered FY25 and FY26 EBIT forecasts by -11% and -9% respectively.

Potential near-term catalysts for the stock include discussions with Frasers Group regarding a long-term strategic agreement which the broker views as "very" positive, fewer promotions from competitors, and likely interest rate cuts.

Target price lowered to $2.10 from $2.35 and rating downgraded to Neutral from Buy.

Accent Group's trading update flagged a slowing in retail sales in the six weeks to Dec 29, rising just 1.8% amid ongoing promotional backdrop, compared with 1H25 like-for-like growth of 2.9%.

Gross margin is expected to be down -100bps versus -70bps at the time of Nov 21 AGM.

Petra Capital has extrapolated the softness in December into 2H25 estimates. These negative revisions are partially offset by model roll-forward, resulting in a cut in target price to $2.28 from $2.35.

The broker now views the stock as trading at fair-value at 17.6x estimated FY25 PE and downgraded the rating to Hold from Buy.

GOLD ROAD RESOURCES LIMITED ((GOR)) Downgrade to Hold from Buy by Moelis.B/H/S: 0/0/0

Gold Road had pre-reported most headline figures, so the main headline from its 4Q24 report was cost which came in at $1,811/oz, below Moelis' expectation of $1,952/oz. The other notable update was FY25 guidance and growth outlook, which the broker reckons is conservative compared with realised rates in FY24.

Cost guidance range of $2,400-2,600/oz was higher than the broker's $2,436/oz estimate but this includes several one-off items. Still, the analyst lifted sustaining capital costs forecasts to sit within the guidance.

Target price $2.55. Rating lowered to Hold from Buy on recent share price rally.

MEDADVISOR LIMITED ((MDR)) Hold by Moelis.B/H/S: 0/0/0

Moelis reckons MedAdvisor's 1H25 result was in line with the weak guidance provided in late December. The broker notes the company seemed reasonably confident of achieving prior guidance for a positive FY25 EBITDA but this is contingent on contract wins in 2H.

The broker highlights the risk of the company needing to look at alternative funding sources if 2H contract wins are weaker than expected. The broker also notes further cost reductions will be required should US revenue remain under pressure.

Moelis remain cautious on the stock until it has a clearer line of sight around the US operations. Rating remains at Hold, but target price is lowered to 21c on EPS downgrades of -57% and -34% in FY25 and FY26 respectively.

MAGELLAN FINANCIAL GROUP LIMITED ((MFG)) Downgrade to Underweight from Neutral by Jarden.B/H/S: 0/0/0

Jarden sees sizeable redemption risks to Magellan Financial's $17bn of infrastructure funds under management (FUM) with the departure of infrastructure founder/portfolio manager and head of investments Gerald Stack announced for July 2025.

The broker estimates infrastructure FUM will fall by -30% over the coming years. The analyst highlights downside risks to this estimate given sizeable prior collapses in FUM balances, coupled with weak relative infrastructure fund performance,

Rating downgraded to Underweight from Neutral due to increased risk of higher net outflows. Target price lowered to $9.35.

POINTSBET HOLDINGS LIMITED ((PBH)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

PointsBet's 2Q25 results disappointed Jarden, with a total net win of $135m coming in below the broker's and consensus estimates.

The broker notes weaker quarterly top-line performance resulted from seemingly underwhelming VIP cohorts across both regions, and unfavourable results in Canada.

The company downgraded its FY25 EBITDA guidance range to $11-14m (from $11-16m), and FY25 revenue guidance to $260-270m from $280-290m.

Target price cut to $0.95 from $1.00, and rating downgraded to Overweight from Buy.

RESMED INC ((RMD)) Downgrade to Market Weight from Overweight by Wilsons.B/H/S: 0/0/0

Wilsons notes ResMed's 2Q25 revenue and gross margins were in line with its forecasts while non-GAAP EPS beat its estimate by 7%.

The broker expects manufacturing, procurement initiatives and scale benefits to materialise in FY26-27 and subsequently lifted gross margins in this forecast period by 50bps.

The broker upgraded FY25-27 EPS estimates by 2%, leading to a rise in target price to $42.82 from $42.18.

Rating downgraded to Market Weight from Overweight as the broker believes earnings expectations now capture the outlook it upgraded for, and some of those drivers may only have a few quarters left to run.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	29METALS LIMITED	Buy	Sell	Jarden
2	VAULT MINERALS LIMITED	Buy	Buy	Jarden
Downgrade				
3	ACCENT GROUP LIMITED	Neutral	Buy	Jarden
4	ACCENT GROUP LIMITED	Neutral	Buy	Petra Capital
5	GOLD ROAD RESOURCES LIMITED	Neutral	Buy	Moelis
6	MAGELLAN FINANCIAL GROUP LIMITED	Sell	Neutral	Jarden
7	MEDADVISOR LIMITED	Neutral	Buy	Moelis
8	POINTSBET HOLDINGS LIMITED	Buy	Buy	Jarden
9	RESMED INC	Neutral	Buy	Wilsons

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
29M	29Metals	$0.21	Canaccord Genuity	0.16	0.21	-23.81%
			Jarden	0.32	0.30	6.67%
AGN	Argenica Therapeutics	$0.72	Petra Capital	1.20	1.15	4.35%
ALX	Atlas Arteria	$5.07	Jarden	N/A	7.00	-100.00%
ARB	ARB Corp	$37.00	Canaccord Genuity	34.70	38.30	-9.40%
ARX	Aroa Biosurgery	$0.54	Wilsons	0.75	1.00	-25.00%
ASG	Autosports Group	$1.75	Jarden	2.50	2.95	-15.25%
			Moelis	1.67	2.00	-16.50%
AX1	Accent Group	$2.14	Jarden	2.10	2.35	-10.64%
			Petra Capital	2.28	2.35	-2.98%
BBT	BlueBet Holdings	$0.39	Taylor Collison	N/A	0.30	-100.00%
BRE	Brazilian Rare Earths	$2.23	Petra Capital	5.39	5.21	3.45%
BRG	Breville Group	$37.60	Goldman Sachs	40.90	34.20	19.59%
CIA	Champion Iron	$5.41	Goldman Sachs	7.60	7.50	1.33%
			Jarden	7.34	7.26	1.10%
CMM	Capricorn Metals	$8.06	Canaccord Genuity	8.85	8.30	6.63%
			Jarden	7.99	6.96	14.80%
CNB	Carnaby Resources	$0.35	Moelis	0.75	0.86	-12.79%
GOR	Gold Road Resources	$2.60	Moelis	2.55	2.40	6.25%
GQG	GQG Partners	$2.29	Jarden	3.05	3.15	-3.17%
IAG	Insurance Australia Group	$8.90	Goldman Sachs	8.30	8.10	2.47%
IGO	IGO Ltd	$4.98	Canaccord Genuity	4.40	4.30	2.33%
			Goldman Sachs	5.60	6.20	-9.68%
			Jarden	6.07	6.20	-2.10%
KAR	Karoon Energy	$1.58	Goldman Sachs	2.08	2.04	1.96%
			Jarden	1.95	1.90	2.63%
KCN	Kingsgate Consolidated	$1.36	Canaccord Genuity	3.35	3.40	-1.47%
MAC	MAC Copper	$17.43	Wilsons	24.50	23.50	4.26%
MDR	MedAdvisor	$0.18	Moelis	0.21	0.45	-53.33%
MFG	Magellan Financial	$10.12	Jarden	9.35	9.90	-5.56%
MIN	Mineral Resources	$35.34	Goldman Sachs	34.00	41.00	-17.07%
			Jarden	22.80	27.60	-17.39%
ORG	Origin Energy	$10.14	Goldman Sachs	10.20	10.40	-1.92%
			Jarden	10.45	10.65	-1.88%
PBH	PointsBet Holdings	$0.84	Jarden	0.95	1.00	-5.00%
PEN	Peninsula Energy	$1.17	Canaccord Genuity	2.50	3.20	-21.88%
PER	Percheron Therapeutics	$0.01	Wilsons	N/A	0.25	-100.00%

PLS	Pilbara Minerals	$2.33	Goldman Sachs	2.10	N/A	-
			Jarden	2.60	2.50	4.00%
PME	Pro Medicus	$288.00	Goldman Sachs	310.00	278.00	11.51%
PMV	Premier Investments	$24.31	Jarden	23.50	29.50	-20.34%
PNI	Pinnacle Investment Management	$25.87	Jarden	24.20	22.60	7.08%
PPT	Perpetual	$22.01	Jarden	24.05	24.20	-0.62%
PXA	Pexa Group	$12.45	Jarden	15.35	14.65	4.78%
RMD	ResMed	$38.69	Goldman Sachs	49.00	48.90	0.20%
			Jarden	41.48	36.60	13.33%
			Wilsons	42.82	42.18	1.52%
SFR	Sandfire Resources	$10.33	Goldman Sachs	10.40	8.20	26.83%
			Jarden	11.00	9.20	19.57%
SYR	Syrah Resources	$0.24	Jarden	0.29	0.30	-3.33%
TWE	Treasury Wine Estates	$10.73	Jarden	14.70	14.10	4.26%
VAU	Vault Minerals	$0.42	Jarden	0.52	0.42	23.81%
			Moelis	0.57	0.54	5.56%
			Petra Capital	0.51	0.49	4.08%
WGX	Westgold Resources	$2.51	Canaccord Genuity	4.25	4.70	-9.57%
			Petra Capital	3.32	3.82	-13.09%
WOW	Woolworths Group	$29.70	Goldman Sachs	36.10	36.20	-0.28%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

ACE   ACUSENSUS LIMITED

Transportation & Logistics Overnight Price: $1.25

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

Second quarter revenue for Acusensus reached $14.6m, up 4% quarter-on-quarter and 16% year-on-year, highlights Canaccord Genuity.

The broker explains growth was driven by new contract wins in South Australia and overseas, as well as key contract extensions in QLD and NSW, alongside inflation-linked price rises.

Total contracted value surged 58% in H1 to $325m, note the analysts, marking the strongest incremental increase in the company's history.

Management is accelerating product innovation, launching its road worker safety technology with Fulton Hogan, and expanding in high-growth regions in the UK/US, highlights Canaccord.

The Buy rating and $1.50 target are unchanged.

This report was published on January 30, 2025.

Target price is **$1.50** Current Price is **$1.25** Difference: **$0.25**
If **ACE** meets the Canaccord Genuity target it will return approximately **20%** (excluding dividends, fees and charges).
The company's fiscal year ends in July.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 0.70** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 178.57.**

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **0.30** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **416.67.**

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

IMB INTELLIGENT MONITORING GROUP LIMITED

Overnight Price: $0.56

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

Moelis notes Intelligent Monitoring Group's December quarter result was strong, showing material improvements quarter on quarter in underlying earnings and cash flow. Upside surprise came from the early success of video guarding, with several large-scale contracts signed in December through its Signature Guarding brand.

The company announced a new secured term debt facility with NAB of $122.5m which will result in a material interest cost saving to a rate of around 7% from the current 15%. The new debt facility is expected to be implemented by the end of March, and the broker notes most of the interest cost savings will be in FY26 and beyond.

The broker views the debt refinancing as a large strategic milestone for the company, with the upsized facility helping facilitate further M&A and could provide upside to its estimates.

Buy rating and 88c target price.

This report was published on February 4, 2025.

Target price is **$0.88** Current Price is **$0.56** Difference: **$0.32**
If **IMB** meets the Moelis target it will return approximately **57%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Moelis forecasts a full year **FY25** dividend of **0.00** cents and EPS of **1.70** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **32.94**.

Forecast for FY26:

> Moelis forecasts a full year **FY26** dividend of **0.00** cents and EPS of **6.50** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.62**.

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

LRK LARK DISTILLING CO. LIMITED

Food, Beverages & Tobacco Overnight Price: $1.12

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

Lark Distilling's 2Q net sales revenue exceeded Canaccord Genuity's forecast, driven by strong domestic direct-to-consumer sales, incremental contributions from Global Travel Retail (GTR), and direct export sales.

Domestic B2B sales were softer year-on-year, observes the broker, due to distribution outsourcing and industrial action, though export sales were supported by a replenishment order from Singapore and a 12% increase in GTR revenue.

Management is investing in marketing ahead of a planned brand relaunch in the second half of FY25, with an expansion strategy focused on GTR and direct exports.

Canaccord leaves forecasts unchanged and highlights the need for sales growth acceleration into 2025 to meet expectations. A Speculative Buy rating and $1.50 target price are retained.

This report was published on January 30, 2025.

Target price is **$1.50** Current Price is **$1.12** Difference: **$0.38**
If **LRK** meets the Canaccord Genuity target it will return approximately **34%** (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 6.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 18.67**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **minus 6.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 18.67**.

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

RDY READYTECH HOLDINGS LIMITED

Software & Services Overnight Price: $3.19

Wilsons rates ((RDY)) as Overweight (1)

Wilsons is expecting limited surprises at ReadyTech's result on Feb 26, noting that beyond some implementation delays in recent local government wins, IT Vision cloud conversion is accelerating following the achievement of its final earnout hurdle.

This is highlighted as a positive signal to NRR and group margin expansion for 2H25 and beyond.

The broker has considered a scenario where the company grows revenue at a slower rate, but strictly focuses on delivering 100bps of margin expansion per year.

This, combined with debt reduction, would see a far more consistent rate EPS growth trajectory of over 15%, leading to $20m of free cash flow per year and supporting fully franked dividend.

The Overweight rating and a target price of $3.70 are retained.

This report was published on January 30, 2025.

Target price is **$3.70** Current Price is **$3.19** Difference: **$0.51**
If **RDY** meets the Wilsons target it will return approximately **16%** (excluding dividends, fees and charges).
Current consensus price target is **$4.08**, suggesting upside of **27.8%**(ex-dividends)
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 **15.40** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.71**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **11.6**, implying annual growth of **148.9%**.
Current consensus DPS estimate is **1.1**, implying a prospective dividend yield of **0.3%**.
Current consensus EPS estimate suggests the PER is **27.5**.

Forecast for FY26:

Wilsons forecasts a full year **FY26** dividend of **0.00** cents and EPS of **19.90** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **16.03**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **15.1**, implying annual growth of **30.2%**.
Current consensus DPS estimate is **1.3**, implying a prospective dividend yield of **0.4%**.
Current consensus EPS estimate suggests the PER is **21.1**.

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

SYL SYMAL GROUP LIMITED

Industrial Sector Contractors & Engineers Overnight Price: $1.91

Jarden rates ((SYL)) as Initiation of coverage with Buy (1)

Jarden initiates coverage of Symal Group with a Buy recommendation and target price of $2.15.

The broker notes construction works still form the majority of the company's EBITDA base, which it expects to strengthen over time with new contract wins.

The broker sees the company as having three distinct advantages that allow it to generate EBITDA and EBIT margins 150-200bps over comparable ASX-listed peers.

Advantages include vertical integration and materials ownership, modest capital investment requirement and scope to drive margin from variations and scope shifts on performance works.

The company will report its maiden ASX-listed 1H25 result on February 24 where the broker expects earnings skew to be largely consistent with historical levels at 40% in 1H, and forecasts underlying 1H EBITDA of $41m.

This report was published on February 4, 2025.

Target price is **$2.15** Current Price is **$1.91** Difference: **$0.24**
If **SYL** meets the Jarden target it will return approximately **13%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **15.30** cents and EPS of **19.00** cents.
At the last closing share price the estimated dividend yield is **8.01%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **10.05**.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **10.60** cents and EPS of **21.30** cents.
At the last closing share price the estimated dividend yield is **5.55%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.97**.

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

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