WEEK 24

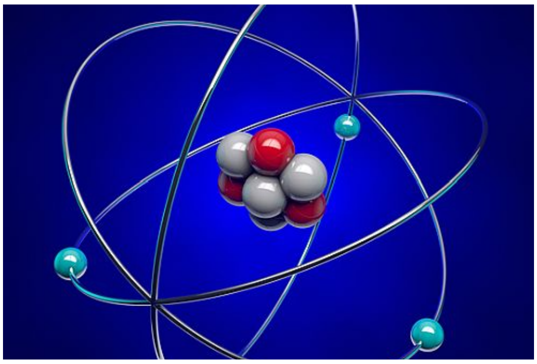
FINANCIAL NEWS, ANALYSIS & DATA

STORIES TO READ FROM FNArena

Friday, 14 June 2024

A Bite Of The "Refreshed" Apple

Cooper Energy Ready For East Coast Gas Deficit



Uranium Week: Namibia In Focus

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FNArena
Financial News, Data & Analysis

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AUSTRALIA

The Market In Numbers - 8 Jun 2024

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

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

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

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

Australia & NZ

Index	08 Jun 2024	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
NZ50	11856.560	-0.09%	-0.09%	-2.05%	0.73%	-0.50%
All Ordinaries	8112.80	1.78%	1.78%	-0.50%	3.62%	9.61%
S&P ASX 200	7860.00	2.06%	2.06%	-0.47%	3.55%	9.12%
S&P ASX 300	7801.30	1.97%	1.97%	-0.59%	3.52%	9.00%
Communication Services	1501.90	2.66%	2.66%	-4.89%	-5.43%	-2.31%
Consumer Discretionary	3508.70	2.99%	2.99%	-2.98%	8.29%	19.19%
Consumer Staples	12236.70	3.40%	3.40%	-0.98%	-0.60%	-7.95%
Energy	10012.80	-1.77%	-1.77%	-7.07%	-5.74%	-7.53%
Financials	7573.10	3.91%	3.91%	1.54%	12.72%	21.76%
Health Care	43589.10	2.76%	2.76%	0.35%	2.95%	5.57%
Industrials	7003.80	1.91%	1.91%	-2.47%	2.01%	3.05%
Info Technology	2291.80	-0.69%	-0.69%	0.65%	25.04%	25.27%
Materials	17975.40	-0.45%	-0.45%	0.19%	-7.77%	-0.31%
Real Estate	3716.40	3.08%	3.08%	-3.15%	11.01%	22.09%
Utilities	9199.50	2.53%	2.53%	11.05%	12.47%	5.33%
A-REITs	1693.60	3.33%	3.33%	-2.87%	12.73%	25.02%
All Technology Index	3102.60	0.90%	0.90%	0.22%	15.17%	28.39%
Banks	3169.90	4.20%	4.20%	2.75%	14.05%	26.96%
Gold Index	7877.20	1.98%	1.98%	8.77%	6.92%	19.03%
Metals & Mining	5945.30	-0.65%	-0.65%	1.78%	-8.06%	-1.85%

The World

Index	08 Jun 2024	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
FTSE100	8245.37	-0.36%	-0.36%	3.68%	6.62%	9.48%
DAX30	18557.27	0.32%	0.32%	0.35%	10.78%	14.92%
Hang Seng	18366.95	1.59%	1.59%	11.04%	7.74%	-2.90%
Nikkei 225	38683.93	0.51%	0.51%	-4.18%	15.60%	16.56%
DJIA	38798.99	0.29%	0.29%	-2.53%	2.94%	12.76%
S&P500	5346.99	1.32%	1.32%	1.76%	12.10%	20.15%
Nasdaq Comp	17133.13	2.38%	2.38%	4.60%	14.13%	24.26%

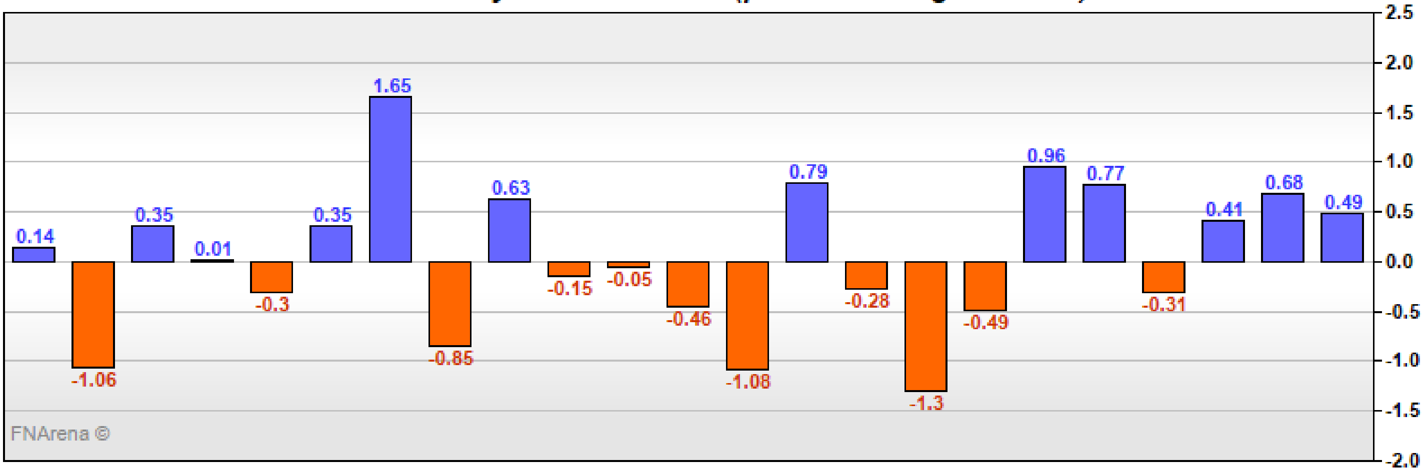
Metals & Minerals

Index	08 Jun 2024	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
Gold (oz)	2376.00	1.43%	1.43%	8.29%	16.21%	24.52%
Silver (oz)	31.27	0.51%	0.51%	27.22%	28.26%	38.79%
Copper (lb)	4.5139	-1.08%	-1.08%	13.06%	18.54%	21.44%
Aluminium (lb)	1.1939	-2.10%	-2.10%	14.95%	22.79%	24.65%
Nickel (lb)	8.3304	-7.97%	-7.97%	11.23%	12.01%	-6.40%
Zinc (lb)	1.3045	-5.45%	-5.45%	18.42%	16.00%	24.40%
Uranium (lb) weekly	90.00	-1.37%	-1.37%	2.27%	4.65%	60.14%
Iron Ore (t)	108.50	-7.75%	-7.75%	6.78%	-21.51%	-4.75%

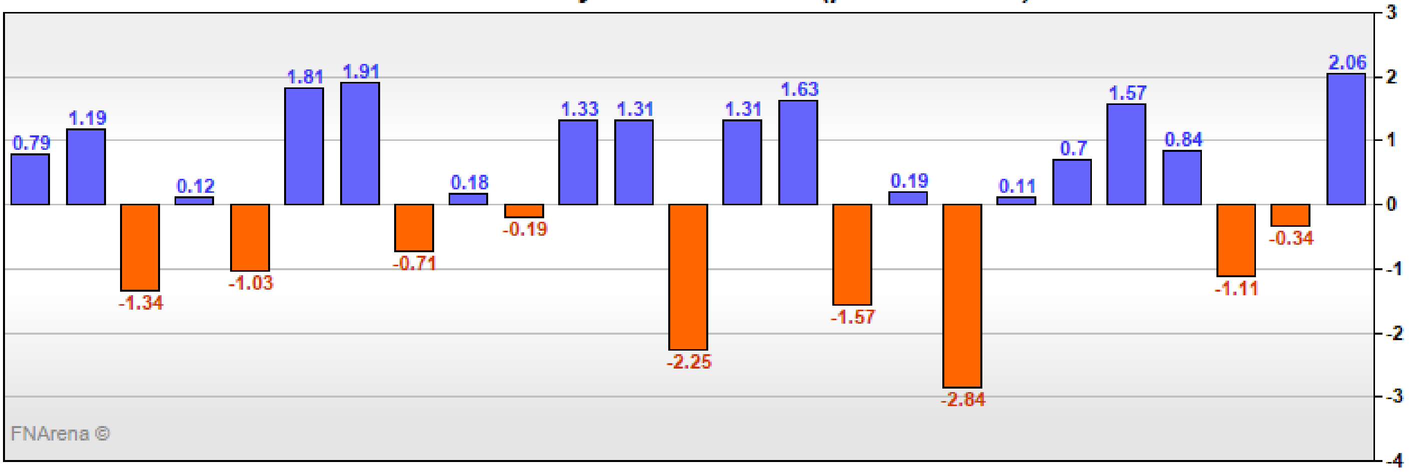
Energy

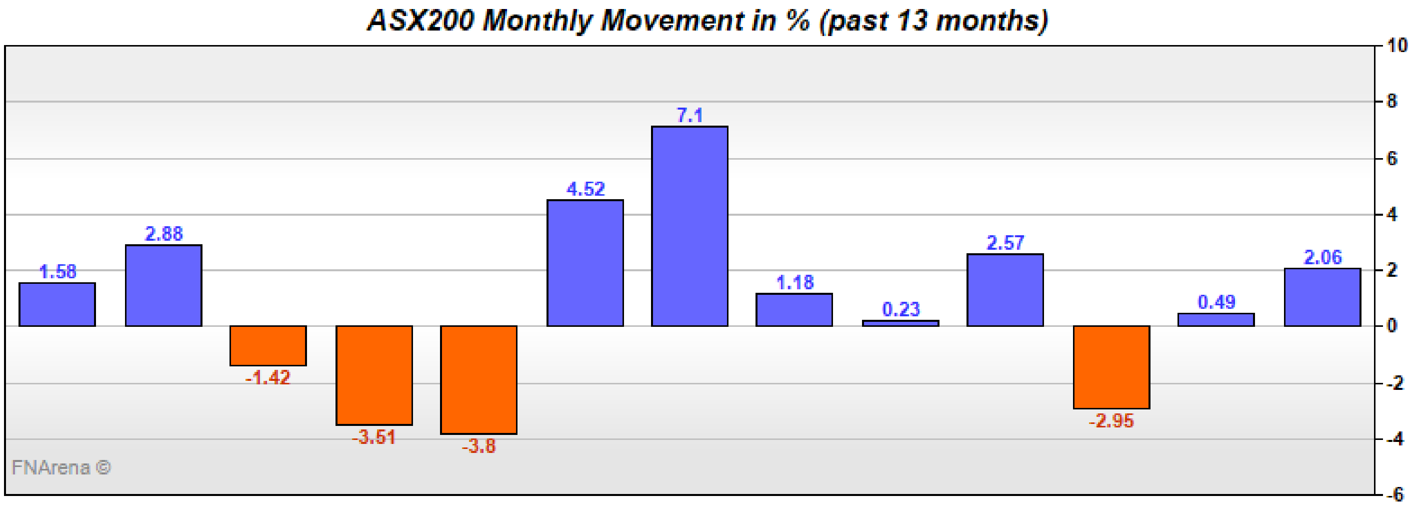
Index	08 Jun 2024	Week To Date	Month To Date (Jun)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
West Texas Crude	74.66	-4.12%	-4.12%	-8.64%	1.15%	6.87%
Brent Crude	80.02	-2.34%	-2.34%	-7.33%	0.96%	7.68%

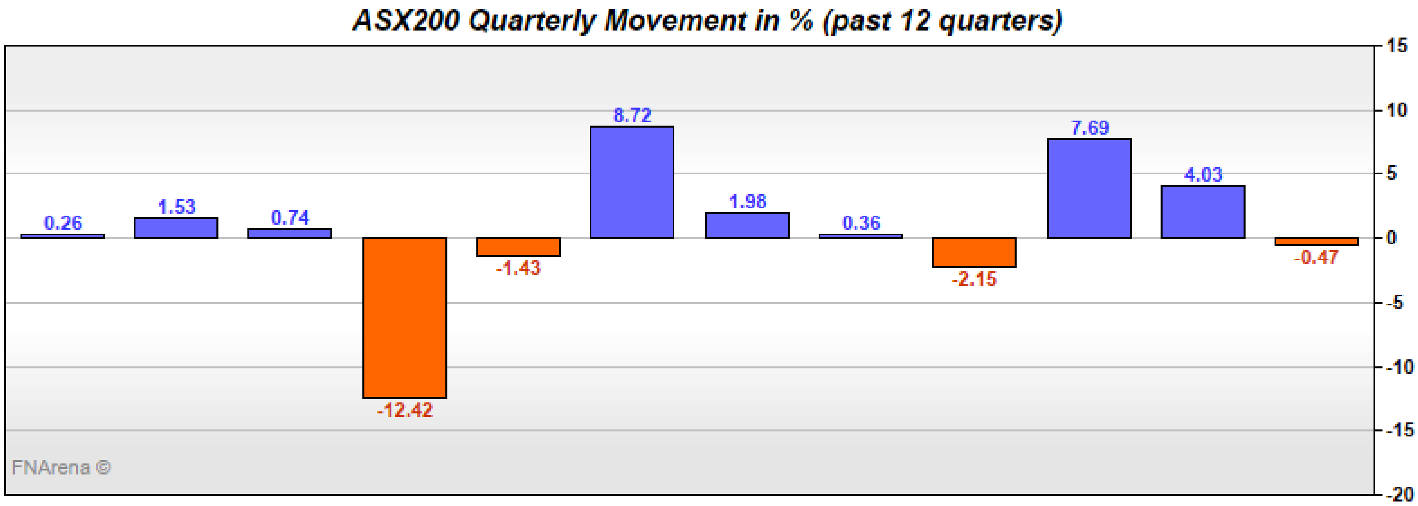
ASX200 Daily Movement in % (past 23 trading sessions)



ASX200 Weekly Movement in % (past 25 weeks)







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

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FNArena welcomes comments and suggestions at info@fnarena.com

AUSTRALIA

Might FY25 Be The Trough For IDP Education?

Following tighter student visa restrictions in Canada and the UK, Australia has now followed suit, further impacting on IDP Education's earnings. But brokers see a trough ahead.

-Australia tightens student visa restrictions
-IDP Education downgrades forecasts
-Ongoing market share gains expected
-Longer term growth outlook intact

By Greg Peel

In February this year the number of international students in Australia topped 700,000 for the first time, helping to drive the number of temporary entrants to 2.8m, which was also a record. Post-covid, the government strove to boost migration levels in order to restore the economy, but the policy was to pursue permanent rather than temporary migration.

Yet, the extent of international student migration meant the country was sitting on the largest temporary migration number in history.

In March, the government begun to implement several key recommendations of a migration review, including: lifting English language requirements for student visas; new powers to suspend high risk education providers from recruiting international students; and a new genuine student test will be introduced to further crack down on international students looking to come to Australia primarily to work rather than study.

The test will ask students to answer questions about their study intentions and economic circumstances, with a declaration to be made they understand what it means to be a genuine student.

More generally, the government has introduced new visa approval rates as part of a plan to cut net overseas migration in half year-over-year in FY25.

At the start of 2024, Canada announced a temporary two-year cap on international student visa applications with an implied reduction of -28% in new permits this calendar year. The UK's method to cut numbers has been to lift financial capacity requirements for international students, alongside tougher compliance standards for institutions.

The declines in international student visa approvals in Canada and the UK were -27% and -21% lower respectively in the first three months of 2024.

IDP Education ((IEL)) provides International English Language Tests (IELT) and Student Placement (SP) services for international students looking to study in, among other countries, Australia, Canada and the UK.

Tough Times

IDP's share price peaked over $37.00 in October 2021 as international students began to flow in again post covid lockdowns. It's been all downhill from there. At the beginning of 2024, the stock was trading under $20.00 and as the difficult year unfolded, hit a low under $14.00.

As each country mentioned announced restrictions on student migration, investors sold down the stock. On each occasion, brokers were forced to reset their earnings expectations accordingly. Analysts agreed the underlying thesis remained intact, and IDP remained a solid longer term prospect, being the world's largest such service provider.

IDP Education is widely considered to be "quality" amidst less respected competitors, showing with each hit to student numbers in its territories, it was able to grow market share.

When the Australian government became the last to announce student migration restrictions, IDP was sold down once more. Brokers again responded by lowering earnings forecast in anticipation of IDP providing updated guidance on the impact it would endure.

Hedge funds have also been responding over the course of the year. As of last week, IDP Education shares were the second most shorted stock on the ASX at 12.8%.

The Reality

Last week management at IDP Education delivered the anticipated update.

FY24 earnings are expected to be broadly in line with FY23, which Jarden estimates implies earnings growth of around 34% in the second half of FY24. SPs should grow 15-20% according to management, which is above prior consensus forecast. But IELT volumes are expected to fall -15-20%, which is more than consensus had feared.

The company expects FY25 global system student volumes to fall -20-25% year on year due to current policy and market trends, but it remains confident in a subsequent recovery. This is broadly in line with consensus expectations but IDP management also noted it would likely see less volume outperformance in FY25, creating uncertainty regarding market share forecasts.

Management remains positive on the industry's long-term growth drivers, Jarden notes, given the majority of policy regulation is intended to target low-quality agents, which, if successful, should produce market share gains, and the company holds a view that international students are necessary for education and immigration policy.

IDP is confident it can outperform the market, as it has a track record of doing so. Barrenjoey notes the company has grown its share by 15-20% in FY24 while the industry in general has seen a -15% decline.

Management's anticipated volume trough is deeper than Goldman Sachs anticipated, with IELTs softness front-loaded into the second half FY24 and first half FY25 given weaker sentiment from Indian and South Asian students, in addition to competition in testing in Canada.

SPs are now expected to decline in FY25 against the industry, contracting -20-25% following various regulatory tightening measures in the destination markets, though Goldman expects IDP to materially outperform the industry based on its higher-quality customer base and its position as a trusted brand for both universities and students.

Ord Minnett notes management's guidance to a -15-20% decline in IELTs and a 15-20% increase in SPs in FY24 compares to first half IELTs down -12% and SPs up 33%. The expected FY24 SP performance implies significant outperformance relative to industry volumes that are expected to decline, which Ord Minnett finds "impressive" given IDP's volumes increased by 53% in FY23.

The Response

In response to declining volumes, company management has announced a cost-out program that will focus on reducing discretionary spend in travel, consultants, IT and marketing and reducing staff by -6%, or around -400 employees, across nine countries where the capacity for efficiencies were recognised.

The change to IDP's office and testing footprint will nevertheless be minimal and there will be minimal impact on revenue-generating roles. The cost reduction program is designed to align expenses to the near term outlook, yet the company still intends to implement incremental expenditure for the purpose of investing in long term growth.

IDP wants to manage costs in line with revenue, Jarden notes, but may need to retain excess capacity for when the market recovers.

Analysts also note solid growth in average fees have provided an offset to the softer volume environment.

The Outlook

IDP' Educations share price suffered another whack last Thursday in response to management's update, but quickly recovered around half that loss on the day, followed by further gains on the following days. Today, the share price is some -50c below where it was prior to the profit warning issued. As to how much of that was to do with short-covering is unclear.

The question for investors is can it get any worse for the company in FY25?

Common among broker reports following the update was a cut to earnings forecasts in accordance with guidance and a warning that consensus forecasts remain too high. But given all brokers reset their expectations, one assumes consensus has now aligned at lower levels, and hence is no longer too high.

The question then is whether FY25 will represent an earnings trough.

Macquarie believes an earnings trough is close as softer SP and IELTs volumes in FY25 will be partly offset by the cost-out program. The broker also cites a potential impact from election results in the UK next month and Australia by May 2025, noting "no government has successfully grown an economy without net migration over the last several decades and we think an outcome with elections will provide a pathway to reducing regulatory pressure on student visas".

Macquarie has retained a Neutral rating.

UBS remains positive on the longer term structural story and SP market share gains, but wants to see the extent to which consensus is adjusted down before moving off its Neutral rating.

Medium term, Morgans expects a return to "system" growth; market share gains given quality and technology advantages; ongoing price growth and geographic expansion. However, trading on 28x FY25 PE, this broker also thinks the near-term earnings multiple allows some further time to assess short-term earnings outcomes. Medium term, Morgans is positive on the investment case and believes value has emerged.

Morgans has a Hold rating.

The longer term outlook has been key to broker views throughout a year of visa restrictions in IDP's markets. Ord Minnett agrees the international education industry, and immigration more broadly, remain important economic growth drivers. This broker thus believes the shares remain undervalued and expects the company to benefit in the longer term.

Ord Minnett retains an Accumulate rating (which sits between Hold and Buy).

Morgan Stanley sees current trends as short term, cyclical and politically influenced, noting management continues to expect positive long term structural trends to be supportive of its core business.

Morgan Stanley is Overweight.

Six brokers monitored daily by FNArena cover IDP Education, albeit Bell Potter (Hold) has not yet responded to the update. There are two Buy or equivalent and four Hold ratings among them.

Following cuts to target prices, the consensus target has fallen to $19.86 from $21.74, suggesting 31% upside. Macquarie is the low marker on $16.00.

Beyond daily-monitored brokers there is greater confidence at the rebased settings.

Goldman Sachs retains Buy, cutting its target by -14% to $21.75.

Jarden retains Overweight, cutting its target to $17.75 from $19.70.

Barrenjoey also has Overweight, with a target cut to $23.00 from $24.00.

Evans & Partners has a “Positive” recommendation following a cut to $20.10 from $23.09.

INTERNATIONAL

Opportunities In China’s New Economy Cycle

Unveiling opportunities in China’s new economy cycle

By Wenli Zheng, Portfolio Manager for T. Rowe Price China Evolution Equity Strategy

China’s recent stock market rally has caught investors’ attention. Its economy has undergone a deep structural adjustment since 2021, bringing about a paradigm shift in its investment markets.

We believe that breaking away from reliance on traditional approaches and exploring new growth drivers can help investors to capture some of the many new investment opportunities emerging in Chinese stocks.

China's economy enters a new cycle

In recent years, the real estate industry has been in deep contraction while the issue of local government debt pressures has suppressed demand in related sectors.

The booming new energy industry from 2021 to 2022 has faced challenges of increased competition and temporary overcapacity. Traditional internet platforms and blue-chip consumer companies have also encountered growth slowdowns. However, these headwinds are well known and have been extensively analysed, and so should be largely discounted in the current market price.

Against these headwinds, positive changes are taking place in China today that should not be ignored by investors.

From a bottom-up perspective, many Chinese companies are continuously exploring new growth drivers through innovation. Chinese companies have been enhancing their global competitiveness in high-end manufacturing.

Favorable shifts in supply and demand patterns are occurring in certain traditional industries. In every economic cycle, the market leaders tend to change. This requires investors to break free from path dependency, move beyond index-weighted stocks, and delve deeper into the new investment opportunities in areas experiencing positive changes.

We believe this structural differentiation will continue, and those investors who can keenly adapt to changing dynamics and make informed stock selections are more likely to achieve desirable investment returns.

Rise of new growth leaders

Chinese internet platforms, blue-chip consumer stocks, and the healthcare sector have previously brought substantial returns to investors. These companies retain prominent positions in equity indices and investor portfolios.

However, as these companies have already expanded in size and face changing external environments, we believe many are entering a stage of growth deceleration. Investors need to reassess the prospects and valuations of some of the most popular Chinese growth stocks.

Beyond traditional blue-chip stocks, new growth leaders are emerging.

Companies leading in areas with lower penetration rates, for example, online recruitment and online music, are experiencing rapid growth through technological innovation. Leading companies in consumer sectors related to services and experiences, such as hotels and shopping centers, benefit from both market expansion and increased market concentration.

Moreover, the electrification revolution is not only driving the automotive industry but is also rapidly improving the competitiveness of Chinese companies in sectors like engineering machinery, excavators, and landscaping equipment. These structural trends are expected to continue for the next three to five years and are worthy of close attention from investors.

Traditional industries enter an upward cycle

Many traditional industries in China have experienced prolonged downward cycles over the past 10 to 15 years. As supply continues to contract, supply-demand rebalancing is gradually occurring in certain sectors.

When demand recovers and supply bottlenecks emerge, relevant companies regain some of their bargaining power and are poised to enter a profit growth cycle lasting several years. We can observe these favourable supply-demand dynamics in sectors such as shipbuilding, offshore oilfield services, aircraft leasing, and industrial metals (copper and aluminium).

Simultaneously, we believe that Chinese industries such as railway equipment, ultra-high-voltage power grids, and nuclear power will also accelerate their growth in the coming years. These sectors experienced a trough in the past three to five years but are now being propelled by the growth in end market demand, initiating new investment cycles.

Equipment suppliers in these areas benefit from high industry concentration and sufficient reserve capacity. The recovery in demand is expected to significantly improve profitability and shareholder returns.

After experiencing a prolonged period of downturn, these traditional sectors have temporarily fallen off investors' radar screens. Consequently, the market may not fully recognise the positive changes in their fundamentals. We believe that with accelerated growth in demand and improved profitability, the investment value of these sectors is likely to be re-evaluated.

Improved shareholder returns

Another encouraging development in the Chinese market is the significant improvement in shareholder returns in recent years. Dividends and share repurchases for listed Chinese companies on the Hong Kong Stock Exchange and US-listed Chinese companies with a market capitalisation exceeding USD1bn(1) have increased by over 30% compared to 2019.

The cash return rate (dividends or repurchases divided by market capitalisation) for overseas-listed Chinese companies is as high as 4.1%, surpassing mainstream markets such as the United States and Japan(2).

The increased focus on shareholder returns and dividends by state-owned enterprises is a crucial factor driving the improvement in shareholder returns. However, fundamental factors also play a vital role.

State-owned enterprises in various sectors such as energy, telecommunications, and transportation have passed through rapid expansion investment cycles. With declining capital expenditures, continued stable cash flows will likely drive these companies' shareholder returns.

The improvement in shareholder returns is not limited to state-owned enterprises. Internet companies, including small and medium-sized enterprises, have also achieved remarkable growth in returns.

Dividends for listed internet companies in 2023 increased by over 130% compared to 2022, with the total amount of dividends and repurchases reaching US$33bn(3). With the stock valuations of many sectors at low levels, the sustained improvement in cash returns presents an effective path for valuation reassessment and value realisation.

Although China's macro-economic outlook still faces challenges, we think investors can still find attractive investment opportunities by identifying new growth leaders, reassessing traditional industries, and considering companies with improving shareholder returns.

It is important to stay informed about market dynamics, adapt to changing trends, and conduct thorough company research in order to make successful investment decisions in the Chinese equity market.

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(1) As of March 31, 2024. Source: Goldman Sachs Global Investment Research.

(2) As of March 31, 2024. Source: Goldman Sachs Global Investment Research.

(3) As of March 31, 2024. Source: Goldman Sachs Global Investment Research.

INTERNATIONAL

A Bite Of The “Refreshed” Apple

Apple Intelligence has arrived and with it a whole new narrative around the extraordinary growth in market capitalisation and earnings being driven by generative Ai; what did Apple actually reveal to the market?

-Big Tech just became a whole lot bigger
-Why Apple Intelligence matters, bringing GenAi to the masses
-Selling the experience not the technology

By Danielle Ecuyer

2024 just got more extraordinary

There is no denying 2024, thus far, is turning into an extraordinary year, with US markets continuing to rally to all-time highs and Big Tech engaging in what Dan Ives from Wedbush Securities describes as an '**Ai arms race'.**

Ives wrote “The Ai revolution starts with Nvidia and in our view the Ai party is just getting started as it’s 9pm in a party going till 4am with the rest of the world now joining”.

For a while the market rated Apple like it had missed the GenAi party, but at this week’s Worldwide Developers Conference (WWDC), Apple laid to rest investor concerns about its agenda for building out on-device artificial intelligence capabilities.

What started as a yawn, sending the stock price down -2% on Monday’s trading, translated into an off-to-races moment on Tuesday and Wednesday.

Apple stock has rallied nearly 11%, and closed off a Wednesday intra-day high of up 14%, adding around US$260bn in market capitalisation to US$3.26trn over two days.

So why is the market so hyped up on Apple?

Morgan Stanley sums up the significance of WWDC as the establishment of important building blocks of on device GenAi capabilities, which will drive the next Apple product refresh cycle starting in FY25.

The analyst points to the device replacement cycles as the main driver of the stock’s outperformance, both historically and over the longer term.

Hatem Dhiab, from Gerber Kawasaki Wealth & Investment Management, highlights the marketing genius of Apple, stating “leave it to Apple to rebrand Ai to Apple Intelligence. Ultimate power play”.

The announced Apple Intelligence system is a “new personal intelligence system” notes Morgan Stanley which will be driven by in-house developed small language models (SLMs) and large language models (LLMs) with assistance from the OpenAi/ChatGPT partnership, if required.

UBS underplays the importance of the OpenAi/ChatGPT integration and points to Apple using an on-device circa 3bn parameter foundation model (SLM) which is trained for specific functions and tasks such as summarising, proofreading or generating email responses, as well as simplifying applications across apps and generating colourful emojis.

Laugh you may, when you think where Siri is now, but as Apple commentators highlighted, Apple is bringing GenAi to the masses and the upgrade in Siri will be integral to the offering.

The Apple refresh cycle became a lot fresher

Potentially 1.5bn Apple users may eventually shift to the new Ai enhanced products and Ives estimates some 270m iPhones have not been upgraded in more than four years.

Morgan Stanley stresses the announced Apple Intelligence functionality is limited to the existing devices with the A17 Pro of M-series chips, which represent around 8% of the current iPhone and iPad installed base.

Importantly, Dhiab points out it is the development of "its own Ai chips to support Ai inferencing in its own data centres (i.e., Apple Chips in Data Centres or ACDC)" that is so significant.

In house chips ultimately assist with privacy issues, which was a big topic for Apple at WWDC, allowing for a closer inference with the integration of the hardware and software.

UBS describes the system as "a new server solution running a new OS (operating system) and new machine learning stack on Apple silicon (chips) to mitigate privacy risk".

Apple went to some lengths in depicting the extent and importance of the privacy features for users.

Looking for the bearish Apple news

With so much for investors to be bullish about, Morgan Stanley tried to pour some cold water on the initial excitement and points to a lack of details around the impact on battery life.

UBS pushes back against any concerns and has calculated the circa 3bn parameter small language model would only use 3GB of memory on device, compared to the existing 15 Pro/Max iPhone with 8GB of memory. The new iPhone 16 will be available in the September quarter.

Apart from Apple Ai, Morgan Stanley observed the distribution of Vision Pro extends to China, Hong Kong and Japan with pre-orders starting June 13th and pre-orders for Australia, Canada, France, Germany, and the UK starting on June 28th.

The real kicker for the bulls though is the potential for app developers to evolve Ai-focused apps built upon Apple's Ai tech stack, says Ives, which has the upside to create bundled subscription services over time.

Ultimately the WWDC announcements came as no surprise says Dhiab, "the big difference was in the focus on how these tools will integrate the whole suite of Apple ecosystems and applications" and "how much better our lives will be using Generative Ai".

Morgan Stanley has a price target of US$216 with an Overweight rating and In-Line Industry View.

UBS is Neutral rated alongside a US$190 target price.

The race to the US$4trn market capitalisation between Microsoft, Apple and Nvidia is on says Ives.

Who will be the Ai King?

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More reading on Generative Artificial Intelligence:

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

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

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

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

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SMALL CAPS

Cooper Energy Ready For East Coast Gas Deficit

With the costly decommissioning of the BMG field now behind it, Cooper Energy has outlined its strategy to exploit a tight east coast gas market.

-Analysts attended Cooper Energy's investor day
-BMG decommissioning now complete
-Attention turns to Otway production and processing
-Free cash soon to flow

By Greg Peel

The south-east Australian gas market is confronting seasonal shortages from 2026 and an annual supply gap from 2028. With two gas plants, 217PJ of proven & probable (2P) reserves and 1,632PJ of prospective resource, Cooper Energy ((COE)) is poised to benefit from rising prices and leverage its infrastructure, Canaccord Genuity believes.

Cooper Energy has now passed a milestone with the completion of decommissioning of the troubled Basker Manta Gummy (BMG) gas field off the coast of Victoria, which cost the company some two-thirds of its market capitalisation.

With decommissioning complete, last week's investor day provided management at the company an opportunity to articulate its growth strategy, highlight its free cash flow-generating capacity, and reinforce a focus on opportunities where it enjoys a competitive advantage, being Australian gas.

Investor focus, and what Jarden describes as the key to unlocking the material upside within Cooper's portfolio, now turns to planned drilling activities in the Otway Basin, also off the coast of Victoria. The company's primary focus is to improve production at Orbost, deliver into strong southeast coast gas markets and grow production through the Otway East Coast Supply Project (ECSP) formerly known as OP3D.

The Plan

Development drilling at Annie is targeted for the second half of 2025 and will likely be followed by exploration drilling at Juliet and Elanora. Importantly, notes Canaccord, unlike the Annie discovery well, Juliet and Elanora will be completed as production wells if successful, with the company targeting first production from ECSP in 2028.

With gas contract pricing now in the mid-teens and the 150TJ Athena gas plant under-utilised, Canaccord suggests this development will be highly economical despite rising construction costs.

No updated cost estimates have been released, although management expressed increasing confidence JV partner Mitsui will participate in the work program. Cooper believes company revenues could exceed $500m per annum by FY29, once Otway wells are tied in.

Nearer term, the focus is on higher (above consensus) production rates at the Orbost Gas Processing Plant (OGPP). After spending the past 12 months progressing various initiatives to improve output, the company is confident average production rates will soon increase to 58 TJ/day, more than 10% higher than the average rate achieved in the March 2024 quarter. In addition, Cooper is targeting average rates of 62 TJ/day by the end of FY25, above consensus forecasts of 60 TJ/day from FY26.

The improvement project initiatives are having a positive impact and remain ongoing. That said, Jarden points out Orbost is still well short of its 68TJ/d nameplate capacity due to issues in the sulphur absorption circuit. With a third absorber costed at under ~$30m, it does remain an option to drive improved production.

Management is also evaluating the potential reconnection of the Patricia Baleen gas field for possible production or gas storage, and has begun farm-out discussions to drill one or more Gippsland exploration wells in 2026/27.

Macquarie believes Patricia Baleen could add a material tranche of value. The site is optimally located given access to the Eastern Gas Pipeline, which provides access to Port Kembla LNG imports and the NSW market, and, unlike Otway, unencumbered flow into Melbourne.

<u>Funding</u>

With capex-heavy BMG remediation now out of the way, management has outlined indicative underlying free cash flow generation sufficient to deleverage some ~$300m of net debt by the end of FY27. The company pointed to its organic cash generation, undrawn capacity within is existing Reserve Based Lending Facility and customer prepayments as ECSP funding options.

Highlighting its conventional gas assets, the pricing and volume certainty of term Gas Sales Agreements and highly credible customers, Cooper implicitly suggested comfort in higher levels of financial leverage. With the ECSP rig campaign scheduled for late in the second half of 2025, Bell Potter expects the company will ultimately re-leverage its balance sheet before free cash generation recommences from 2028.

Cooper ended the March quarter with net debt of $164.7m, and forecasts this to increase to around $290m by year-end. With a significant offshore development/exploration drilling program beginning in the second half of 2025, and ECSP approaching a final investment decision, it pleased Canaccord to see management's forecast of $300-500m of free cash flow, albeit before growth capex, from FY25-27.

Cooper Energy has also signed a small gas agreement with Alinta for the Bairnsdale open cycle gas peaking plant. The company should achieve a premium to Victorian spot pricing, Macquarie suggests, given its close proximity to Orbost, saving on transport costs. The company is exploring commercial relationships with utility customers to offer more flexible services to drive higher gas margins.

<u>The View</u>

Cooper Energy shares have re-rated from 15c in early March to over 20c today. Macquarie expects the shares to re-rate further as the company deleverages and de-risks its growth path via Orbost improvement, Otway final investment decision, gas storage contracts, and electricity customer flexible peaking contracts.

Macquarie retains an Outperform rating, increasing its target by 11% to 30c.

Jarden retains an Overweight rating, and has increased its target to 24c from 23c. Cooper Energy is the stock the broker sees as most leveraged to the tightening east coast gas market.

Canaccord Genuity has increased its price target to 27c from 25c on the back of a higher Otway valuation, and “upgrades” to Buy from Speculative Buy, implying reduced investor risk.

Bell Potter remains cautious that Cooper Energy’s next major capital program, designed to lift longer term production in the Otways, will commence in FY26 and again add balance sheet pressure. This broker has made no changes to earnings estimates, and retains a Hold rating alongside an unchanged 21c target.

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SMSFUNDAMENTALS

SMSFundamentals: Leveraging Mean Reversion For Decisive Investment Returns

SMSFundamentals is an ongoing feature series dedicated to providing SMSF trustees with valuable news, investment ideas and services, in line with SMSF requirements and obligations.

For an introduction and story archive please visit FNArena's SMSFundamentals section on the website.

Leveraging Mean Reversion For Decisive Investment Returns

While making investments, volatility can be considered an ally. To derive considerable returns with safety, there exists a principle: mean reversion. Similar to gravitational force, it pulls asset prices back to equilibrium.

For sharp investors, understanding mean reversion is an essential element. The article focuses on the core of mean reversion investing. Overall, when disciplined and logical entry-exit strategies are applied to market ups and downs with precision, they yield favourable returns.

-Mean reversion investing capitalises on the tendency of asset prices to return to their historical averages over time
-Core aspects include moving price averages, valuation multiples, and trading indicators for systematic application
-Risks include reliance on historical data, fundamental weaknesses in assets, and failure during extended market trends
-Real-time application involves careful asset selection, confirmation of time frames, and the formulation of clear entry and exit strategies

By Anuj Sharma

Figure 1: Mean Reversion Marks Extreme Long-Term Opportunities on S&P500

Source: tradingview.com

Understanding Mean Reversion Investing

Simply put, mean reversion investing suggests that asset prices tend to revert to their historical average or mean over the specified time. This approach capitalizes on the statistical rationale that extreme deviations from the mean are temporary and will eventually correct themselves toward the dynamic mean.

For instance, if a particular stock experiences a considerable increase in price due to market speculation or hype (like AI), mean reversion investors might anticipate that the price will eventually decline back to its moving average. One would then sell the stock to exit the position or apply other strategies (buying put options) to derive profit from this anticipated decline.

Similarly, in commodities, if the price of crude oil spikes due to geopolitical tensions (conflicts) and OPEC+ cuts, mean reversion suggests that the crude oil price will revert back to its moving average once the tensions subside (peace talks) and increased OPEC+ production.

Figure 2: Crude Oil Futures During October 2023

Source: Bloomberg

Figure 3: The fluctuations in Crude Oil futures price during Israel-Hama conflict in October 2023, reverting back to the 65-Day (3-months) mean.

Source: tradingview.com

To comprehend a sharp and easy execution of mean reversion strategies, investors can focus on simple quantitative factors, such as asset price, valuation multiples, and/or technical indicators, to identify assets that have deviated considerably from their historical means. With that, they then enter positions with the expectation that prices will revert to the mean, and derive returns from the ensuing correction.

<u>The Core of Systematic Mean Reversion Investing</u>

At the basic level, three core aspects form the basis of systematic mean reversion investing: the state of price average, valuation multiples, and trading indicators.

Historical Price Average:

This aspect assesses an asset's current price relative to its historical average. One has to configure the moving averages over specified time frames to identify deviations from the mean and take action accordingly. For instance, a 156-week moving average compared to the current price can signal whether the asset is overbought or oversold from a mid-term perspective (52 weeks per year * 3 years). For instance, if the ASX200's price is trading well below its 156-week moving average, one might interpret it as undervalued and buy systematically, expecting the price to revert upwards.

Valuation Multiples:

Similarly, this aspect measures an asset's price relative to fundamental performance metrics such as earnings, sales, or cash flow. Basic valuation multiples include the price-to-earnings (P/E) ratio, price-to-book (P/B) ratio, and price-to-sales (P/S) ratio. When these multiples diverge considerably from historical averages, it may indicate mispricing. For instance, if a stock historically (5-year average) trades at a P/E ratio of 17 but is currently trading at a P/E of 11, it can be considered undervalued and expect the price to revert upwards to hit its long-term average mark.

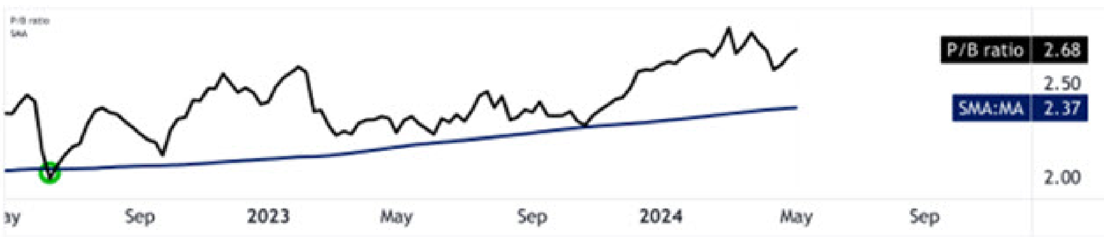
Trading Indicators:

Finally, this aspect employs technical indicators derived from price and volume data to identify potential reversal points. Like the Relative Strength Index (RSI), Stochastic Oscillator, and Moving Average Convergence Divergence (MACD). These indicators assess the momentum and strength of price movements. When an indicator signals that an asset is oversold or overbought, investors may anticipate a reversion to the mean. For instance, if the RSI indicates that a stock is overbought (RSI > 70 and >Regular Bearish level), it can be seen as an opportunity to book profit (exit) on a long position.

Figure 4: Commonwealth_Bank (Moving Average + RSI)

Source: tradingview.com

Figure 5: Commonwealth_Bank (Price-to-Book Ratio)



Source: tradingview.com

<u>Downsides and Risks</u>

It's critical to note that mean reversion investing carries risks, as prices may not always revert as expected, leading to extended losses if the trend persists.

Fundamental Issues with the Asset:

One considerable risk is relying on historical price averages, valuation multiples, and trading indicators that may generate false signals for an asset that is already attached to considerable fundamental weakness. For instance, a company's stock may appear to be undervalued based on moving averages, PE, and RSI, but underlying fundamental weaknesses (like loss of competitiveness, lack of liquidity, inefficient capital structure, and regulatory adversities) could prolong its deviation from the mean, leading to losses on long-term positions.

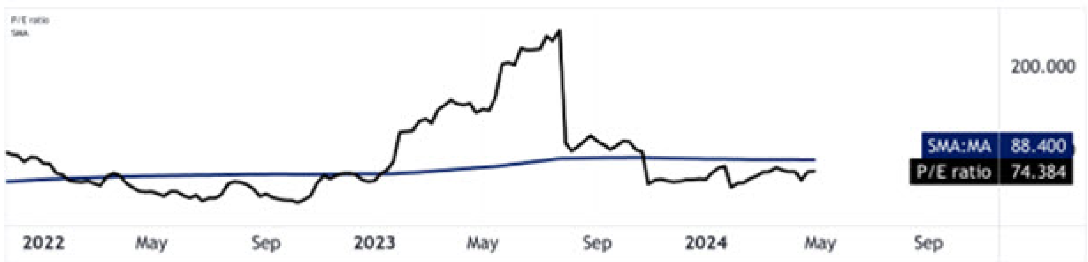
Market Trends Override:

Mean reversion strategies may fail during extended market trends, such as prolonged bullish or bearish market sentiment (like the current AI hype environment or boosted performance). In such conditions, stocks may continue deviating from their moving averages for an extended period, resulting in losses while attempting to capitalize on mean reversion.

Figure 6: Nvidia (Moving Average + RSI)

Source: tradingview.com

Figure 7: Nvidia (Improving Price-to-Earnings Ratio)



Source: tradingview.com

<u>Step-By-Step, Real-Time Application of Mean Reversion Investing</u>

Identify the Mean Reversion Candidate

The asset (especially stocks) for mean revision should be fundamentally resilient and solid to avoid or minimize the downsides and risks. Here, regular critical assessment of the stock's performance, the company's operational and financial trends, and the industry and macro environment is a must. For long-term consistency and to avoid stock-specific risks, an index, or ETF, can be selected. The same applies to commodities, forex, and alternative assets (like crypto).

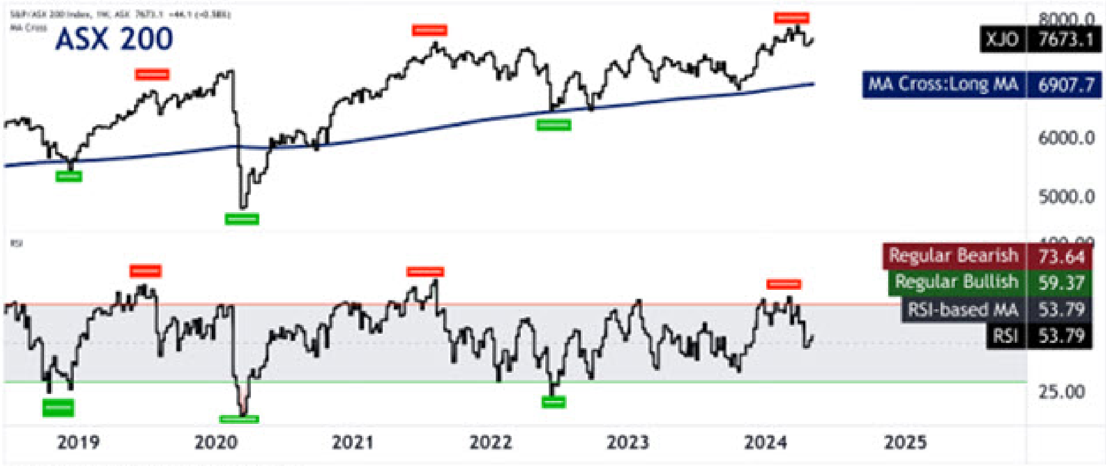
Confirmation of the Time Frame

The selection of the time frame (for moving averages) usually depends on the investment horizon or frequency of traction one is looking for. For instance, if the investment horizon is 5 years, then 260- weeks is a suitable time frame for the application of mean reversion. However, if the investor is looking to establish a long-term position systematically (based on annual frequency or dollar cost average), a 260-days moving average can be applied with a 260-week moving average.

Strategy Formulation

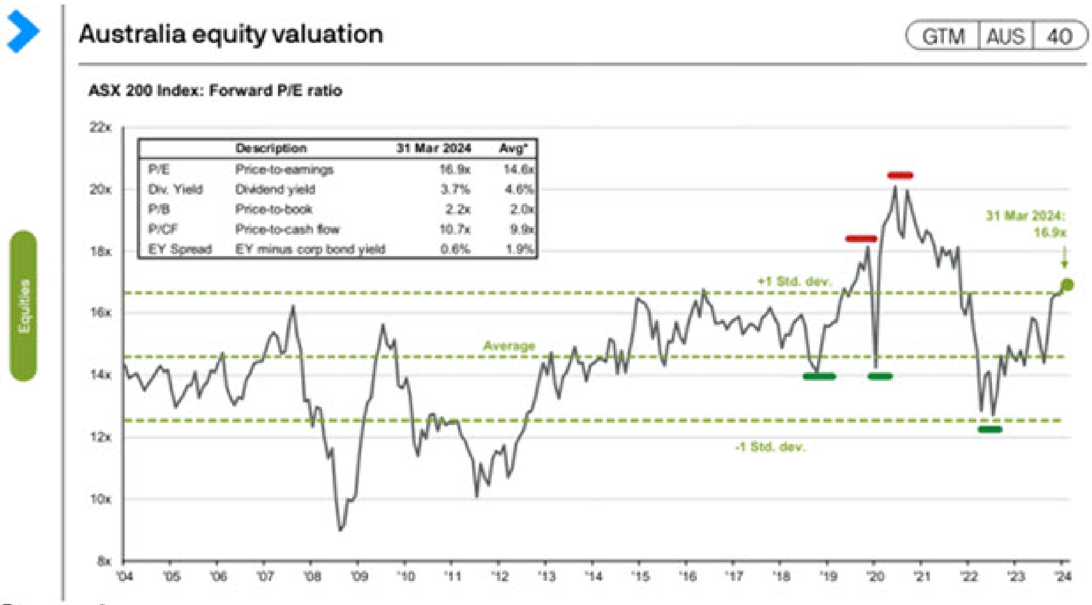
To set clear rules of entry and exit, the proper configuration of moving average, valuation multiple, and technical indicator should be established. For instance, the rule of entry can be when the price is below the 260-week moving averages, with PE multiples below the long-term average and RSI below 30 and a regular bullish level. The rule of exit can be when the price is above the 260-week moving averages, with PE multiples above the long-term average and RSI above the regular bearish level and 70.

Figure 8: ASX 200 (Moving Average + RSI)



Source: tradingview.com

Figure 9: ASX 200 (Forward PE Ratio)



Source: jpmorgan.com

In conclusion, mean reversion investing is a disciplined approach to capitalising on market cycles and fluctuations.

By leveraging historical averages, valuation metrics, and technical indicators, one can capitalize on market volatility with precision. However, it's vital to be aware of the downsides attached to this strategy.

Through well-assessed asset selection and systematic application, a mean reversion strategy can yield favourable returns.

Technical limitations

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

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WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 07-06-24

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday June 3 to Friday June 7, 2024
Total Upgrades: 11
Total Downgrades: 10
Net Ratings Breakdown: Buy 56.31%; Hold 34.27%; Sell 9.43%

For the week ending Friday June 7, 2024, FNArena recorded eleven ratings upgrades and ten downgrades for ASX-listed companies by brokers monitored daily.

The tables below show percentage upgrades by brokers to average earnings forecasts were larger than downgrades, while falls in average target prices were greater than rises.

Gold miner De Grey Mining received the greatest percentage boost to average earnings forecasts after the UBS strategy team materially upgraded its gold price forecasts, though it should be noted the percentage increase was exaggerated by very small numbers.

UBS believes gold is experiencing a structural shift, triggered by macroeconomic uncertainty, geopolitical risks and the fact investors are likely to allocate more funds towards this precious storage of wealth.

The broker’s forecasts for 2025-27 were raised by 21%, 34% and 30%, respectively, to US$2,700/oz, US$2,775/oz, and US$2,600/oz, while the long-term real price assumption was raised by 11% to US$1,950/oz.

Consequently, the analysts increased De Grey’s 12-month price target to $2.10 from $1.75 and retained a Buy rating.

A day earlier, Morgans upgraded its copper price assumptions across FY24-27 and increased its long-term price forecast by 13% to US$4.25/lb, along with more modest upgrades to zinc-lead estimates across FY24-26.

These changes supported 25-30% forecast earnings upgrades by the broker for copper producer Sandfire Resources in FY25-26, resulting in a $9.00 target, up from $7.00.

The analysts like Sandfire’s current trajectory including material de-gearing, the (forecast) resumption of dividends, and the increasing value in the metal endowment (defined and being discovered) close to the process infrastructure at the Matsa and Motheo operations.

Towards the end of last week, Ord Minnett reassessed its outlook for both gold and copper miners, following year-to date rallies for gold and copper prices of 19% and 15%, respectively.

According to this broker, there has been a "disproportionate" rise in copper equities compared to gold (outperforming by 29%) which had opened an opportunity in terms of value in some gold stocks. Ord Minnett downgraded its rating for Sandfire to Hold from Accumulate, but kept the $10.00 target.

Select Harvests also received material percentage upgrades to earnings forecasts by brokers last week.

Ord Minnett declared a return to financial stability in the first half following two consecutive poor almond crops. Net debt has peaked at $237.9m, in the broker's opinion, with management guiding to a year end balance of between $160-170m.

The company's first half net loss of -$2.1m, compared to the -$52.8m loss in the previous corresponding period, and was better than the loss of -$3.1m forecast by Bell Potter.

This broker is cautious on the potential development of a La Nina weather pattern in 2024; an event that would typically have an adverse impact on almond yields in Australia.

On the flipside, earnings forecasts last week for Stanmore Resources and Genesis Minerals fell by -19% and -14%, respectively.

Stanmore's average earnings forecasts in the FNArena database were negatively impacted partly because of lower forecasts contained within first-time research coverage by Citi.

The Buy-rated broker noted an opportunity for investors from the recent sell-off in metallurgical coal prices and related share prices.The broker's in-house price outlook remains "constructive" based upon a persistent seaborne market deficit, driven by growing Indian demand.

Citi analysts highlighted positives for Stanmore in the acquisition of the Eagle Downs project and the completion of the Poitrel Southern Levee Extension project ahead of schedule and below budget. A $4.00 price target was set.

In the same week, Morgans (Add) lifted its target for Stanmore to $4.20 from $4.00 after raising long-term coal price expectations and noting the company's long-life cashflow leverage at solid margins.

Ord Minnett's increasing preference for gold over copper, along with upgraded gold price forecasts by UBS, benefited gold miner Genesis Minerals. The company's rating was upgraded by Ord Minnett to Accumulate from Hold, while UBS moved to Buy from Neutral and raised its target to $2.30 from $1.75.

The only material movements in average broker target prices in the FNArena database last week were down, affecting Synlait Milk, Peter Warren Automotive, and APM Human Services International.

The average target for Synlait Milk fell by circa -29% as management failed to find a buyer for Dairyworks and will now use a NZ$130m shareholder loan from Bright Dairy.

The company now expects FY24 earnings at the lower end of guidance, and is likely to breach three banking covenants, requiring waivers, noted Macquarie. It's felt the failure to sell Dairyworks increases pressure to divest other assets, including North Island facilities, and necessitates an equity raise.

UBS agreed on the potential for an equity raise and downgraded Synlait Milk's rating to Neutral from Buy.

While the company is expected to post a strong earnings recovery out past FY25, the broker observed higher medium-term risk from lower milk supply from FY26 onwards, given management has noted a strong majority of farmer suppliers have submitted cessation notices.

Readers should ignore Synlait's appearance in the earnings upgrade table below due to a data glitch.

Peter Warren Automotive's recently downgraded profit-before-tax guidance -20% below consensus forecasts, according to Hold-rated Morgans, implying a -40% decline for the yet-to-be-completed June half.

Management cited lower gross profit margins on new vehicles, particularly in certain brands where inventories are failing to shift, as higher cost of living bites into new-vehicle demand and interest rates and inventories remain elevated.

The company is more exposed than peers, in Morgans opinion, due to its underweight and overweight positions to certain OEMs. The broker's target was reduced to $1.98 from $2.50.

Madison Dearborn Partners' new agreement to acquire APM Human Services International at $1.45 per share marked a -28% discount to Ord Minnett's $2.00 fair value estimate, and the broker last week assumed the takeover will be successful and lowered its target to $1.45.

The new bid price is higher than Madison's former April $1.40 approach, but below CVC Asia Pacific's February bid of $1.60, which the APM board rejected.

Following a weak trading update in the interim, management remains confident conditions will normalise, but sees an opportunity to realise value, Hold-rated Ord Minnett noted.

The unexpected upcoming transition to John Cheston as CEO of Lovisa Holdings from Victor Herrero on June 4, 2025, has divided broker opinions.

Morgan Stanley and Cit downgraded to Hold (or equivalent). While Morgan Stanley acknowledged Cheston comes highly regarded, this broker is now more concerned over the store-roll out given Herrero's strong background in retail. Citi agreed and felt the board didn't offer enough remuneration for Herrero to stay the course.

On the other hand, Macquarie continued to base its investment view on the strength of the company's store roll-out and revenue growth, and raised its rating to Outperform from Neutral.

This broker noted revenue growth has outpaced store openings over the past five years, with a compound rate of 22.4%. This is expected to continue to FY28.

Total Buy ratings in the database comprise 56.31% of the total, versus 34.27% on Neutral/Hold, while Sell ratings account for the remaining 9.43%.

Upgrade

BRICKWORKS LIMITED ((BKW)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 3/3/0

Due to the current implied discount for Brickworks' 26.1% holding in WH Soul Pattinson ((SOL)) and the attractive rent growth outlook elsewhere, Bell Potter upgrades its rating for Brickworks to Buy from Hold.

Building Products and near-term working capital reduction targets are the key risks, cautions the broker.

Despite some recent normalisation in market rent growth and vacancies, near-term supply in the company's precincts continue to remain heavily pre-committed, according to the analysts.

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

Post a rally of 19% in the gold price and 15% in the copper price year-to-date, Ord Minnett reassesses the outlook for gold and copper miners.

The analyst highlights a "disproportionate" rise in copper equities compared to gold, outperforming by 29%, which has opened up an opportunity in terms of value in some gold stocks.

Ord Minnett upgrades Genesis Minerals to Accumulate from Hold.

UBS has come to the view that gold is experiencing a structural shift, triggered by macro uncertainty, geopolitical risks and the fact investors are likely to allocate more funds towards the precious storage of wealth.

As a result, UBS's strategy team has materially upgraded its gold forecasts, with 2025/26/27 prices lifting 21%/34%/30% to US$2,700/2,775/2,600/oz alongside an 11% higher long-term real price assumption of US$1,950/oz.

All this implies gold producers look significantly underpriced.

Genesis Minerals has been upgraded to Buy from Neutral with the broker's price target shifting to $2.30 from $1.75.

INFOMEDIA LIMITED ((IFM)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 3/0/0

Bell Potter has upgraded Infomedia to a Buy rating from Hold and raised the target price to $1.90 from $1.80, on the back of a better than anticipated outlook provided by management at two recent presentations.

The analyst highlights the company's outlook has improved due to strong progress in the Americas, leading the broker to upgrade revenue forecasts by 2% for FY25 and 5% for FY26.

Bell Potter now expects top-line revenue growth of 8% annually for FY24, FY25, and FY26 and assesses Infomedia is poised for strong organic growth, supported by a high level of recurring revenue and a solid SaaS platform.

LOVISA HOLDINGS LIMITED ((LOV)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/3/0

Macquarie continues to base its investment view on the strength of Lovisa Holdings' store roll-out and revenue growth.

Earnings expansion is expected over the next five years, supported by operating leverage and reduced LTI incentive payments (the current CEO has earned $51.1m in LTI performance payments).

A change at the executive level is not expected to impact revenue and store growth. Revenue growth has outpaced store openings over the past five years, with a compound rate of 22.4%, and is expected to continue to FY28.

Macquarie upgrades to Outperform from Neutral and raises the target to $33.70 from $26.90.

See also LOV downgrade.

NORTHERN STAR RESOURCES LIMITED ((NST)) Upgrade to Buy from Neutral by UBS .B/H/S: 2/3/0

UBS has come to the view that gold is experiencing a structural shift, triggered by macro uncertainty, geopolitical risks and the fact investors are likely to allocate more funds towards the precious storage of wealth.

As a result, UBS's strategy team has materially upgraded its gold forecasts, with 2025/26/27 prices lifting 21%/34%/30% to US$2,700/2,775/2,600/oz alongside an 11% higher long-term real price assumption of US$1,950/oz.

All this implies gold producers look significantly underpriced.

Northern Star Resources has been upgraded to Buy from Neutral with the broker's price target shifting to $18.50 from $15.00.

See also NST downgrade.

NORTHERN MINERALS LIMITED ((NTU)) Upgrade to Speculative Buy from Hold by Ord Minnett .B/H/S: 1/0/0

Post the delayed 2023 AGM for Northern Minerals, Ord Minnett upgraded the stock to a Speculative Buy rating from Hold due to the perceived de-risking of the company's profile, with four Chinese national failing to achieve director endorsement at the AGM.

The broker expects management to remain focused on completing the feasibility study into Browns Range and on the Wolverine deposit in the latter part of 2024.

The 2024 AGM is presumed to be in four months time, states the broker.

Speculative Buy rating, upgraded from Hold and a 5.2c target price.

REGION GROUP ((RGN)) Upgrade to Overweight from Equal-weight by Morgan Stanley .B/H/S: 4/1/0

Morgan Stanley upgrades Region Group to Overweight from Equal-weight, raising the target to $2.50 from $2.44.

The broker's latest survey suggests there are multiple tailwinds for the supermarket segment, with shoppers primed to spend more on groceries and least likely to cut back on such expenditure.

The broker considers Region Group the way to play the thematic, given supermarket/groceries make up 43% of its rental base.

The survey also suggests there is positive momentum for in-store retail sales over the next 12 months, as 70% of shoppers primarily shop in-store and another 24% intend to increase in-store grocery shopping relative to online in FY25. Industry view: In-Line.

REGIS RESOURCES LIMITED ((RRL)) Upgrade to Buy from Sell by UBS .B/H/S: 5/0/1

UBS has come to the view that gold is experiencing a structural shift, triggered by macro uncertainty, geopolitical risks and the fact investors are likely to allocate more funds towards the precious storage of wealth.

As a result, UBS's strategy team has materially upgraded its gold forecasts, with 2025/26/27 prices lifting 21%/34%/30% to US$2,700/2,775/2,600/oz alongside an 11% higher long-term real price assumption of US$1,950/oz.

All this implies gold producers look significantly underpriced.

Regis Resources has been upgraded to Buy from Sell with the broker's price target shifting to $2.10 from $1.80.

SSR MINING INC ((SSR)) Upgrade to Buy from Neutral by UBS .B/H/S: 1/0/0

UBS has come to the view that gold is experiencing a structural shift, triggered by macro uncertainty, geopolitical risks and the fact investors are likely to allocate more funds towards the precious storage of wealth.

As a result, UBS's strategy team has materially upgraded its gold forecasts, with 2025/26/27 prices lifting 21%/34%/30% to US$2,700/2,775/2,600/oz alongside an 11% higher long-term real price assumption of US$1,950/oz.

All this implies gold producers look significantly underpriced.

SSR Mining has been upgraded to Buy from Neutral with the broker's price target shifting to $10.20 from $7.70.

LOTTERY CORPORATION LIMITED ((TLC)) Upgrade to Buy from Neutral by Citi .B/H/S: 3/3/0

Record second half revenue for Powerball presents a tough comparable for Lottery Corp to cycle in FY25, notes Citi. However, the broker's analysis suggests Lottery Corp will accelerate the Powerball jackpot sequence to minimise the drop-off in FY25.

Citi's analysis also indicates Lottery Corp has room to lift its dividend payout to 120% of profit while still retaining flexibility to debt-fund
a Victorian licence renewal payment of up to $1bn.

The broker's upgraded earnings forecasts now sit some 6% ahead of FY24 consensus and 3% ahead in FY25. The Lottery Corp’s relatively resilient earnings profile and room for higher dividends should appeal to investors looking for defensive exposure, the broker suggests.

Target rises to $5.60 from $5.50, upgrade to Buy from Neutral.

Downgrade

AMA GROUP LIMITED ((AMA)) Speculative Buy by Bell Potter .B/H/S: 1/0/0

Refinancing risks over AMA Group's senior debt facility have risen according to Bell Potter.

The facility matures in October this year and the broker assesses the risks as being elevated with two recent red flags in May; the resignation of the CFO and a major shareholder calling for a general meeting to remove three directors from the board.

As at June, there are no further updates and the company remains "confident" of refinancing in the 2H2024.

The target price is lowered to 8c from 12c and the rating adjusted to Speculative Buy from Buy.

BEACH ENERGY LIMITED ((BPT)) Downgrade to Neutral from Buy by Citi .B/H/S: 5/2/0

Citi downgrades Beach Energy to Neutral from Buy, initiating a negative catalyst watch ahead of the strategic review that is due on June 18.

The broker suspects the equity market will reward the stock ahead of execution and its transformation will allow the business to undertake novel solutions in Australia's energy markets over time.

Yet, the good news story will likely be offset by a disappointing outlook for FY25 and beyond. Citi assesses consensus is positioned too "high" on production and too "low" on SIB capital expenditure. Target is reduced to $1.60 from $1.70.

CORONADO GLOBAL RESOURCES INC ((CRN)) Downgrade to Speculative Buy from Add by Morgans .B/H/S: 4/1/0

Morgans lifts its long-term coal price expectations, with net present value uplifts for coal miners moderated by higher cost assumptions.

The broker adjusts its rating for Coronado Global Resources to Speculative Buy from Add to reflect recent operating and cashflow challenges.

Target rises to $1.80 from $1.70.

LOVISA HOLDINGS LIMITED ((LOV)) Downgrade to Equal-weight from Overweight by Morgan Stanley and Downgrade to Neutral from Buy by Citi .B/H/S: 3/3/0

Morgan Stanley regards the change in CEO as raising the risk profile for Lovisa Holdings.

The change highlights the broker's concern over the store-roll out from June 2025 when the current MD of Smiggle takes over from the existing CEO and MD, Victor Herrero.

Morgan Stanley notes Cheston is a highly regarded executive, however, Smiggle's track record has been mixed, while Herrero is highly regarded due to his strong background in retail.

The analyst adjusts EPS forecasts by 2.3% for FY24 and 15.1% for FY25 on the back of lower long-term incentive payments for the new CEO.

The rating is downgraded to Equal-Weight from Overweight as the shares have risen 53% over the last six months. Industry view: In-Line.

Target price is $30.25.

Citi downgrades Lovisa Holdings to Neutral from Buy after a share price rally and unexpected news the CEO will depart in May next year.

The broker is surprised by the announcement and hints at the board not offering enough for CEO Victor Herrero to stay the course.

As Herrero will still be with the retailer until May next year (just before FY24 incentives vest, the broker highlights) relative stability should remain with the business, the broker suggests. Target is $31.65.

See also LOV upgrade.

NAVIGATOR GLOBAL INVESTMENTS LIMITED ((NGI)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/1/0

Macquarie has downgraded Navigator Global Investments to Neutral from Outperform, with a revised target price of $2.22, up from $1.55.

The company has upgraded FY24 EBITDA guidance to a range of US$85m to US$89m, approximately 14% higher than previous expectations, which suggests 2H24 earnings growth of 83% to 97%, year-on-year.

Macquarie highlights the increase is driven by strong profit distributions from partner firms and performance fee revenue.

The analysts adjusts EPS forecasts by 14.3% for FY24.

NORTHERN STAR RESOURCES LIMITED ((NST)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 2/3/0

Post a rally of 19% in the gold price and 15% in the copper price year-to-date, Ord Minnett reassesses the outlook for gold and copper miners.

The analyst highlights a "disproportionate" rise in copper equities compared to gold, outperforming by 29%, which has opened up an opportunity in terms of value in some gold stocks.

Ord Minnett downgrades Northern Star Resources to Hold from Accumulate.

See also NST upgrade.

PETER WARREN AUTOMOTIVE HOLDINGS LIMITED ((PWR)) Downgrade to Equal-weight from Overweight by Morgan Stanley .B/H/S: 0/3/1

Morgan Stanley downgrades its rating for Peter Warren Automotive to Equal-weight from Overweight given uncertainties around margins and profitability into FY25 and FY26. Impacts from the leadership transition are also expected to weigh.

The target is also reduced to $1.90 from $3.00. Industry View: In-Line.

The leadership transition announced in March leaves the company without a successor and will potentially increase the timeline for a business turnaround, in the broker's view.

Management recently lowered FY24 profit before tax guidance. The analysts believe the largest profit detractor are gross margins, as improved car supply has overshot requirements. A weaker consumer also implies to the broker more discounting.

SANDFIRE RESOURCES LIMITED ((SFR)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 1/4/1

Post a rally of 19% in the gold price and 15% in the copper price year-to-date, Ord Minnett reassesses the outlook for gold and copper miners.

The analyst highlights a "disproportionate" rise in copper equities compared to gold, outperforming by 29%, which has opened up an opportunity in terms of value in some gold stocks.

Ord Minnett downgrades Sandfire Resources to Hold from Accumulate.

SYNLAIT MILK LIMITED ((SM1)) Downgrade to Neutral from Buy by UBS .B/H/S: 0/2/1

UBS downgrades Synlait Milk to Neutral from Buy, applying a -85% discount to book value (largely in line with the market), to reflect the increased likelihood the company will choose to switch to an equity raising (from asset sales) to deleverage.

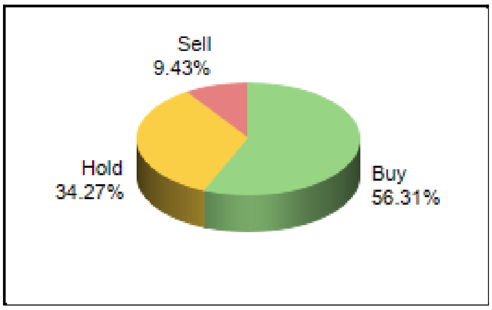
The broker still expects the company to post a strong earnings recovery out past FY25 but UBS now spies higher medium-term risk from lower milk supply from FY26 onwards given the company has observed a strong majority of farmer suppliers have submitted cessation notices.

And the risks keep rising. The company has downgraded earnings (EBITDA) guidance to the low end of guidance; and has taken a recent NZ$130m shareholder loan from Bright Dairy to meet the company's prepayment obligations to senior lenders in July.

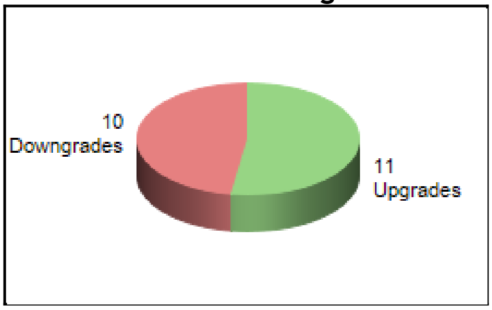
Hence the growing likelihood of an equity raising, which UBS estimates at NZ$180m (from the previous estimate of NZ$100m) at a -40% discount, triggering a -48% cut in the broker's FY26 EPS forecast.

Target price falls to NZ45c from NZ85c.

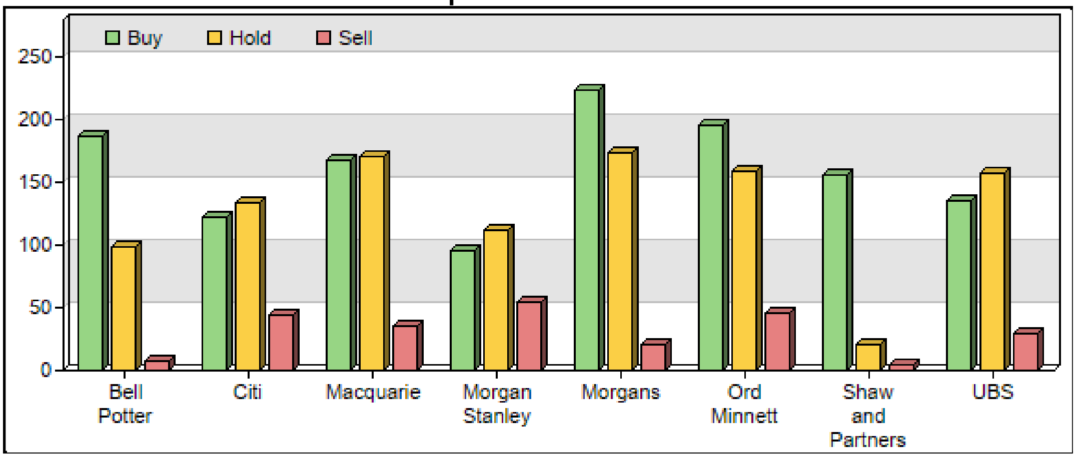
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	BRICKWORKS LIMITED	Buy	Neutral	Bell Potter
2	GENESIS MINERALS LIMITED	Buy	Neutral	UBS
3	GENESIS MINERALS LIMITED	Buy	Neutral	Ord Minnett
4	INFOMEDIA LIMITED	Buy	Neutral	Bell Potter
5	LOTTERY CORPORATION LIMITED	Buy	Neutral	Citi
6	LOVISA HOLDINGS LIMITED	Buy	Neutral	Macquarie
7	NORTHERN MINERALS LIMITED	Buy	Neutral	Ord Minnett
8	NORTHERN STAR RESOURCES LIMITED	Buy	Neutral	UBS
9	REGION GROUP	Buy	Neutral	Morgan Stanley

10	REGIS RESOURCES LIMITED	Buy	Sell	UBS
11	SSR MINING INC	Buy	Neutral	UBS
Downgrade				
12	AMA GROUP LIMITED	Buy	Buy	Bell Potter
13	BEACH ENERGY LIMITED	Neutral	Buy	Citi
14	CORONADO GLOBAL RESOURCES INC	Buy	Buy	Morgans
15	LOVISA HOLDINGS LIMITED	Neutral	Buy	Citi
16	LOVISA HOLDINGS LIMITED	Neutral	Buy	Morgan Stanley
17	NAVIGATOR GLOBAL INVESTMENTS LIMITED	Neutral	Buy	Macquarie
18	NORTHERN STAR RESOURCES LIMITED	Neutral	Buy	Ord Minnett
19	PETER WARREN AUTOMOTIVE HOLDINGS LIMITED	Neutral	Buy	Morgan Stanley
20	SANDFIRE RESOURCES LIMITED	Neutral	Buy	Ord Minnett
21	SYNLAIT MILK LIMITED	Neutral	Buy	UBS

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	CSR	CSR LIMITED	8.600	7.893	8.96%	6
2	DEG	DE GREY MINING LIMITED	1.853	1.737	6.68%	3
3	GOR	GOLD ROAD RESOURCES LIMITED	2.063	1.963	5.09%	4
4	NST	NORTHERN STAR RESOURCES LIMITED	15.970	15.270	4.58%	5
5	GMD	GENESIS MINERALS LIMITED	2.063	1.975	4.46%	4
6	SSM	SERVICE STREAM LIMITED	1.273	1.220	4.34%	3
7	IPH	IPH LIMITED	8.683	8.350	3.99%	3
8	SFR	SANDFIRE RESOURCES LIMITED	9.367	9.017	3.88%	6
9	COE	COOPER ENERGY LIMITED	0.270	0.260	3.85%	3
10	IMD	IMDEX LIMITED	2.190	2.113	3.64%	5

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	SM1	SYNLAIT MILK LIMITED	0.470	0.660	-28.79%	3
2	PWR	PETER WARREN AUTOMOTIVE HOLDINGS LIMITED	1.883	2.288	-17.70%	4
3	APM	APM HUMAN SERVICES INTERNATIONAL LIMITED	1.417	1.600	-11.44%	3
4	IEL	IDP EDUCATION LIMITED	20.150	21.742	-7.32%	6
5	SKC	SKYCITY ENTERTAINMENT GROUP LIMITED	2.900	3.100	-6.45%	3
6	SHV	SELECT HARVESTS LIMITED	4.383	4.683	-6.41%	3
7	AVH	AVITA MEDICAL INC	4.833	5.100	-5.24%	3
8	CTD	CORPORATE TRAVEL MANAGEMENT LIMITED	18.045	18.576	-2.86%	8
9	LLC	LENDLEASE GROUP	6.917	7.117	-2.81%	3
10	TPW	TEMPLE & WEBSTER GROUP LIMITED	11.450	11.650	-1.72%	5

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	DEG	DE GREY MINING LIMITED	0.250	-0.750	133.33%	3
2	SFR	SANDFIRE RESOURCES LIMITED	-0.701	-1.523	53.97%	6
3	SM1	SYNLAIT MILK LIMITED	-10.353	-18.021	42.55%	3
4	SHV	SELECT HARVESTS LIMITED	3.100	2.667	16.24%	3
5	FCL	FINEOS CORPORATION HOLDINGS PLC	-3.274	-3.768	13.11%	3
6	RRL	REGIS RESOURCES LIMITED	8.500	7.833	8.52%	6
7	GOR	GOLD ROAD RESOURCES LIMITED	11.200	10.450	7.18%	4
8	GQG	GQG PARTNERS INC	20.906	20.526	1.85%	4
9	ILU	ILUKA RESOURCES LIMITED	45.200	44.420	1.76%	5
10	RMS	RAMELIUS RESOURCES LIMITED	18.200	17.900	1.68%	3

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	SMR	STANMORE RESOURCES LIMITED	27.288	33.710	-19.05%	3

2	GMD	GENESIS MINERALS LIMITED	4.033	4.700	-14.19%	4
3	LLC	LENDLEASE GROUP	51.760	55.860	-7.34%	3
4	PWR	PETER WARREN AUTOMOTIVE HOLDINGS LIMITED	22.425	24.175	-7.24%	4
5	IEL	IDP EDUCATION LIMITED	55.817	59.800	-6.66%	6
6	PDN	PALADIN ENERGY LIMITED	-4.999	-4.695	-6.47%	5
7	AVH	AVITA MEDICAL INC	-109.107	-103.522	-5.39%	3
8	COE	COOPER ENERGY LIMITED	0.600	0.633	-5.21%	3
9	LOV	LOVISA HOLDINGS LIMITED	75.714	78.143	-3.11%	7
10	KAR	KAROON ENERGY LIMITED	50.946	52.386	-2.75%	5

Technical limitations

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

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WEEKLY REPORTS

Uranium Week: Namibia In Focus

Morgan Stanley forecasts nuclear energy production to double globally by 2050. Spot U3O8 weakened last week. Bell Potter reports back from Namibia.

-Nuclear industry celebrates a 50-year milestone
-Morgan Stanley runs with the nuclear energy bulls
-Bell Potter's Namibian site visit updates

By Danielle Ecuyer

U3O8 spot market adjusts to the softer utility demand

It seems apposite the uranium industry celebrated the 50th anniversary of the World Nuclear Fuel Market (WNFM) conference last weekend, at a time when the industry is undergoing many challenges or as the agenda suggested "Building the Jigsaw Puzzle".

Industry consultant TradeTech outlined the topics covered, including the nuclear fuel market supply and demand issues, challenges to production capacity, production costs, and supply chain constraints.

The most important aspect for utilities and other attendees remained the conditions, as outlined from the US Department of Energy (DOE), on what would qualify as a 'waiver' between now and January 1, 2028, when the full Russian nuclear importation ban comes into being.

The consensus view concluded 'waivers' would not be as hard to secure as expected, or withheld easily.

The U3O8 price declined to US$84.25/lb as traders entered the market post the conference, levels not seen since mid-March this year.

Traders remained the most active in the spot market with utilities concentrating on waiver applications, reports TradeTech, and looking to their enrichment portfolios to ensure there are no supply disruptions.

TradeTech's weekly U3O8 price ended the week down -US$5.00 to US$85/lb.

The spot price has declined -8% year-to-date, but remains up 53% on the same time last year, with the average 2024 spot price at US$93.57/lb, 39% above the 2023 average spot price.

TradeTech's Mid-Term U3O8 price indicator stands at US$93.50/lb and Long-Term U3O8 at US$80/lb.

Tremendous upside growth in demand for nuclear power

A **"Nuclear Renaissance Is Coming"** according to Morgan Stanley, whereby the broker outlines why the industry can grow to be worth an estimated US$1.5trn in value by 2050.

The bullish take assumes 383.5GW of new nuclear capacity will be added globally versus the current capacity of 390GW.

China is expected to add the most, around 168GW, the US circa 50GW, and Europe some US$197bn in new investment.

Maintenance is forecast to run at some US$128bn annually.

Demand for nuclear power generation will be driven by net zero emission targets as well as the GenAi development, alongside the potential location of data centres next to reactors.

Financing the investment spend is expected via green bonds, which are anticipated to become more common place and accepted by the finance industry, although nuclear is currently excluded.

Morgan Stanley highlights challenges regarding costs, construction times, uranium supplies and labour issues, which remain "key risks". Both small modular reactors and nuclear fusion could be game changers.

The broker has an Overweight rating on **Paladin Energy** ((PDN)) with a $17.45 target price, preferring Paladin over **Boss Energy** ((BOE)), with the ramp up of Langer Heinrich considered less risky than Boss Energy's Honeymoon project.

Paladin Energy also looks cheap relative to uranium peers. Boss Energy carries an Equal-weight rating with a $4.60 target price.

Namibian road trip cements an upbeat view on Aussie uranium stocks

Bell Potter recently took part in a Namibian site tour of Aussie uranium miners and visited Paladin Energy's Langer

Heinrich mine. The broker came away with a generally positive view.

The ramp up of the mine could create an increase in the revenue and costs risks above the broker's current forecasts. Operating expenses depend largely on mining contractor rates and with an expected doubling of the contractor staff for the mining phase, Bell Potter points to upside risks above current estimates.

The report does suggest the recent run-up in the share price suggests the stock is currently fully valued.

Longer term growth for Paladin Energy could be generated via acquisitions or increased exploration to offset the decline in lower-grade feeds in about ten years, according to the broker.

Paladin Energy shares carry a Hold rating with a $15.70 target price.

Bell Potter prefers Boss Energy attaching a $6.35 target price and a Buy rating.

The stock is seen trading at a -40% discount to the broker's valuation.

Boss Energy is expected to bring Alta Mesa into production while the ramp up of Honeymoon is going well.

Post the visit to **Deep Yellow's** ((DYL)) site in Namibia, Bell Potter has a Speculative Buy rating alongside a $1.90 target price on this stock.

The analyst is looking forward to a production off-take agreement in the second half of 2024; the debt financing in the September quarter, with a final investment decision in the December quarter for Deep Yellow and the Tumas project.

More reading:

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

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

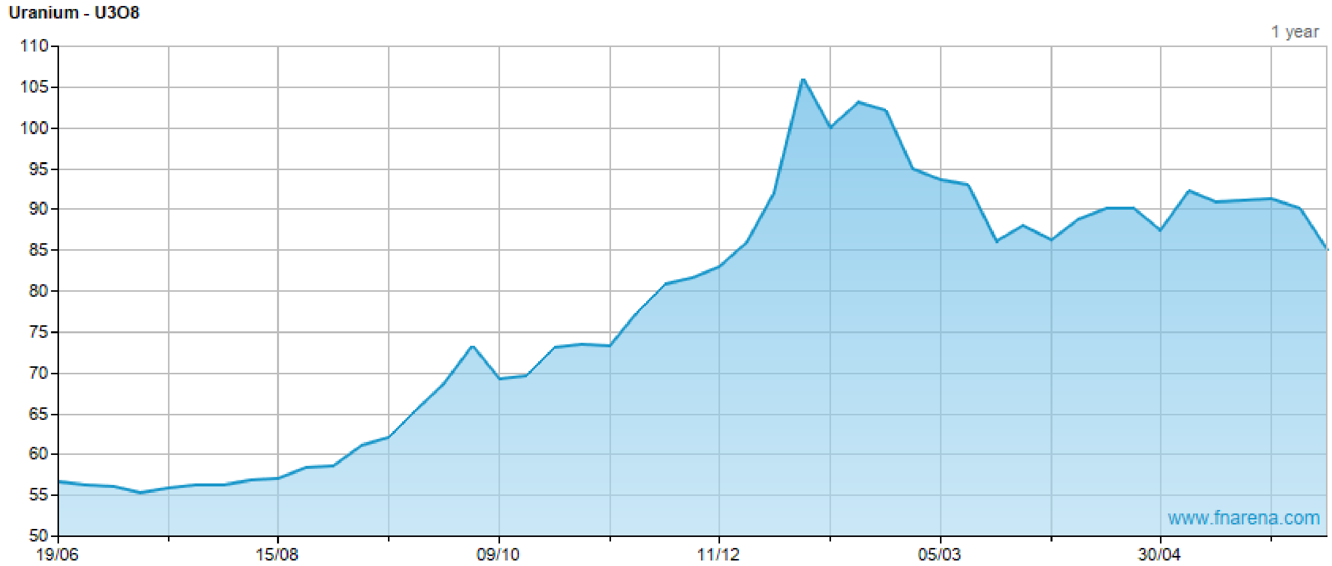
https://fnarena.com/index.php/2024/05/14/uranium-week-us-boycott-enthusiasm-fades/

and uranium company broker updates

https://fnarena.com/index.php/financial-news/australian-broker-call-archives/?n=3AF72815-0002-7339-852F59916894CB90

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	10/06/2024	0.0800	▼-11.11%	$0.19	$0.05			
AGE	10/06/2024	0.0600	▼- 3.39%	$0.08	$0.03		$0.100	▲66.7%
BKY	10/06/2024	0.3900	0.00%	$0.80	$0.26			
BMN	10/06/2024	4.0400	▼- 1.43%	$4.87	$1.44		$7.400	▲83.2%
BOE	10/06/2024	4.3500	▼- 0.88%	$6.12	$2.83	44.4	$5.425	▲24.7%
DYL	10/06/2024	1.5500	▼- 4.57%	$1.83	$0.65		$1.770	▲14.2%
EL8	10/06/2024	0.4600	▼- 5.88%	$0.68	$0.29			
ERA	10/06/2024	0.0400	▼- 6.67%	$0.08	$0.03			
LOT	10/06/2024	0.4000	▼- 7.95%	$0.49	$0.17		$0.660	▲65.0%
NXG	10/06/2024	10.6900	▼- 3.71%	$13.66	$6.50		$17.500	▲63.7%
PDN	10/06/2024	14.7300	▼- 1.67%	$17.98	$6.70	-294.5	$16.310	▲10.7%
PEN	10/06/2024	0.1000	0.00%	$0.20	$0.08		$0.260	▲160.0%
SLX	10/06/2024	5.5500	▼- 2.21%	$6.74	$2.92		$7.600	▲36.9%



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

WEEKLY REPORTS

The Short Report - 13 Jun 2024

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

Summary:

Week Ending June 5, 2024 (most recent data available through ASIC).

10%+

PLS 21.42
IEL 12.89
SYR 10.50
LTR 10.35
CHN 10.02

In: LTR, CHN

9.0-9.9%

FLT
WGX
SYA

Out: LTR, CHN

8.0-8.9%

ACL
WBT
CXO
STX

In: CXO Out: HLS

7.0-7.9%

HLS
LYC
GMD
NAN
ARU

In: HLS, GMD Out: CXO, LIC

6.0-6.9%

LIC
WEB
OBL
BOQ
VUL
BAP

Out: GMD

5.0-5.9%

CTT

CUV
IFL
MIN
CTD
DMP
IMU
NVX

Out: SHV

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.2	0.3	QBE	0.6	0.5
ANZ	0.5	0.5	RIO	4.9	4.8
BHP	0.4	0.4	S32	2.5	2.3
CBA	1.5	1.4	STO	1.3	1.3
COL	0.5	0.7	TCL	0.7	0.6
CSL	0.4	0.3	TLS	0.2	0.3
FMG	1.0	0.9	WBC	0.9	1.0
GMG	1.5	1.5	WDS	0.5	0.8
MQG	0.8	0.9	WES	1.1	1.1
NAB	0.7	0.6	WOW	0.3	0.3

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

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

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

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

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

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

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

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WEEKLY REPORTS

In Brief: US Dominance Rests On Tech & Liquidity

Weekly Broker Wrap: Experts talk big on US financial dominance; Jarden and Canaccord dissect the outlook for Australian retailers; and Barrenjoey lends its ear to management from the REITS sector.

-Speculation about the end of US dominance looks (very) premature
-Retailers pulling out all stops to drive earnings, will the tax-cuts save them?
-Property markets continue to adjust to higher-for-longer interest rates, are we there yet?

By Danielle Ecuyer

US dominance: the trillion-dollar elephant in the room

The bears are congregating around several narratives including Ai bubbles, the demise of US treasuries and the US dollar with American exceptionalism in decline.

Not so, according to Oxford Economics who articulates the “enduring appeal” of US Treasuries to Japanese investors.

The premise is simple. Demand dynamics are unlikely to shift with the large yield gap differential between US treasuries and Japanese JGBs, even with the recent increase in Japanese yields.

Japan is the largest holder of US treasuries at around 49% of total ownership by foreign bond investors.

The rise in yields over 2022 caused investors and banks to dump US treasuries, only to return to the market in 2023 as the Fed’s hiking cycle entered the final phase.

Life insurers are the exception, due to the buying of longer dated JGBs ahead of foreign bonds.

Oxford Economics thinks it is unlikely the 10-year JGB will reach 2% from the current 1% level, unless term premia rise substantially, or simply put: the additional yield investors demand to hold a 10-year JGB rises a lot.

Global liquidity continues to rise and boosts US dollar assets and the currency

The lauded global expert in global liquidity, Michael Howell of CrossBorder Capital entered the US dollar debate this week.

Howell stated the latest capital flow data point to ongoing strength in foreign money inflows into US assets, up until the end of May this year.

No letup is anticipated. The US Federal Reserve and Treasury are expected to ease and increase liquidity, respectively, into the second half of 2024.

The US monetary inflows typically adjust via Wall Street in terms of higher asset prices, with Howell stressing he does not advocate ‘value investing’ because **“fast-moving footloose border flows cause ‘momentum investing' to drive returns.”**

Notably, Crossborder Capital’s piece, “*China Sneezes…The Dollar Milkshake Blows-Off*” depicts how China’s growing trade surplus underpins the US dollar, alongside more conventional views of slowing global growth supporting the US dollar.

While some may question the global liquidity analysis, anecdotally the US stock markets have remained resilient with the indices hitting all-time highs, driven to a large part by technology stocks and those specifically in the GenAi megatrend and ‘momentum’ trade.

Howell forecasts Fed liquidity will rise by around 12% in 2024 on 2023. and experience over 20% annualised growth in the second half of 2024.

Hold onto your hats!

Will the US economy and markets continue to dominate?

Chief Economist, Jennifer McKeown from Capital Economics poses the question and concludes the US dominance and global leadership has good reasons to remain robust.

Taking a snapshot of McKeown’s overview, US economic strength is magnified by its policies, underpinning per-capita and real GDP growth, including population growth which is still accelerating at a faster pace than other G7 economies.

It has the highest level of GDP per capita among major economies, since circa 1900, excluding small financial hubs and select energy producers.

Technological leadership is another strong feature, with the World Intellectual Global Innovation Index consistently rating the US as one of the top three innovators, alongside Switzerland and Sweden.

China, in contrast is missing the regulatory and institutional frameworks to enhance and capitalise on its innovations.

Venture capital also plays a significant role for US start-ups and the evolution of technological innovation. Twelve out of the Top 20 ranked global universities are in the US, as does the quality of the workforce; the favourable regulatory backdrop and the consistently high spend on research and development, ranking only behind Korea and Taiwan.

For US dominance, one cannot look past the financial leadership.

"The US has the world's deepest and most liquid financial markets", states Capital Economics, of which few would choose to argue against.

The US bond market stands at US$51trn compared to US$21trn for China and US$20trn for Europe, and the US dollar remains the dominant world currency, even as BRIC countries try to move away from its hegemony.

On balance, the US economy may not be number one in all aspects, but on balance it ranks highly if not number one across several relevant criteria.

<u>Retail in the dump(ster)?</u>

One doesn't have to be Robinson Crusoe to see the pain in the consumer discretionary sector with targeted sales and discounting coming thick and fast.

Purely an observation, which is seemingly backed up by official ABS statistics, and failing consumer confidence.

In the fortieth case study of online transactions across 25 sites in Australia, Jarden highlighted traffic declined around -2% in May across 52 brands, with durable goods and travel (falling airfare prices) leading the way.

Amazon continued to grow market share with Temu, SharePoint, Microsoft and Chemist Warehouse benefiting from declines in Gumtree, OzBargain and eBay.

For those dismissing Gen Ai as a bubble, interest in Microsoft has risen notably over the last three months, ahead of the CoPilot+PC launch on June 18; not that anyone could miss the event just looking at the JB HiFi ((JBH)) website.

Overall, inventory levels are rising, and as anecdotal evidence would suggest, promotions are also on the up, notably for household goods.

The boomers are spending, while mortgage holders and the young are under the pump.

Extrapolating out to companies, Jarden prefers those stocks with expansion plans and improving returns on capital, which includes Flight Centre ((FLT)) on Buy and a $23.50 target, and Woolworths Group ((WOW)), Overweight rated with a $39.90 12-month target price.

Helloworld ((HLO)), Webjet ((WEB)), Temple & Webster ((TPW)), The Reject Shop ((TRS)) and Domino's Pizza Enterprises ((DMP)) are also in the preferred basket.

Super Retail Group ((SUL)), Premier Investments ((PMV), Coles Group ((COL)) and Accent Group ((AX1)) are all Neutral rated.

<u>Brick and Mortar retailers not so cheap</u>

Over at Canaccord Genuity, the broker needs some "retail therapy" but cautions the brick-and-mortar retailers are not offering as much value as they have done in the past.

Put another way, the valuations are relatively looking a bit rich, which places stock prices at risk if the news flow doesn't meet expectations.

Although, the upcoming tax cuts and the recycling of weak comparisons in the previous year might sustain company earnings into the August reporting season and the first half of FY25.

Overall, the picture is hardly appetising and the broker, like the consumer, remains cautious and can only rustle up a Neutral weighting on the retail sector.

Focusing on individual stocks, Adairs ((ADH)). Collins Food ((CKF)), Dusk Group ((DSK)), KMD brands ((KMD)) and Lovisa Holdings ((LOV)) are rated Hold, with price targets of $1.92, $9.25, 70c, 42c and $29, respectively.

Both dusk Group and KMD brands copped a downgrade in the target price by -23%.

Real Estate: The wash out from low interest rates yet to play out

Barrenjoey took a deep dive into the domestic real estate sector hosting a conference with management from some of Australia's largest REITs.

Office valuations in the US have fallen -35% and could ultimately decline -50% through the cycle.

More blood on the streets?

Looking at the ongoing concerns for US regional banks, the observation is the market is super cautious regarding commercial property exposure and who or what might be dragged down in the valuation reset.

Hardly surprising with this outlook there are large dollops of international capital sitting on the sidelines and waiting to be deployed in real estate.

Institutions remain underweight the historical benchmarks.

Back home, superfunds are continuing to experience strong equity inflows and are viewed as continuing to allocate to traditional and alternative real estate sectors.

On balance, the Australian market has lagged overseas counterparts like the US and Europe in the decline in cap rates (valuations).

The report states the current circa 8% rate suggests another six months to a year for rates to fully adjust.

Breaking down the sector preferences, investors are aligned with logistics, retail, and alternatives like student accommodation, healthcare, self-storage, and private credit.

Build-to-rent is suffering from higher construction and financing costs.

Interestingly, Sydney's CBD Office has bottomed and is expected to recover, occupying a hefty 45% of the MSCI Australia Wholesale Property fund Index, in other words: too big to avoid.

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 14-06-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

COOPER ENERGY LIMITED ((COE)) Upgrade to Buy from Speculative Buy by Canaccord Genuity.B/H/S: 0/0/0

Canaccord Genuity highlights Cooper Energy’s strong position in the south-east gas market, with potential for significant free cash flow generation of $300-500m over three years.

The Otway Basin's development projects, including the Annie and OP3D wells, are progressing well, the analysts observe, targeting first production by 2028.

Financial forecasts have been revised, with FY24 EBITDA now expected at $122m. The broker remains optimistic about Cooper Energy’s growth prospects amid rising gas prices and strategic infrastructure investments.

Canaccord Genuity has upgraded Cooper Energy to Buy from Speculative Buy while raising the price target to $0.27 from $0.25.

DICKER DATA LIMITED ((DDR)) Upgrade to Neutral from Sell by Goldman Sachs.B/H/S: 0/0/0

Goldman Sachs assesses Dicker Data has made "good progress" on its EBITDA margins following the Hills SIT and Exeed acquisitions. The headwinds from the backlog are expected to materially ease while PC recovery may commence in the second half of FY24.

Goldman Sachs still downgrades 2024 and 2025 revenue estimates by -8% and -7%, respectively, given a tough operating environment and a slow start to the current year.

Risks are considered "fairly balanced" and the broker upgrades to Neutral from Sell. Target is reduced to $9.85 from $10.50.

IPD GROUP LIMITED ((IPG)) Upgrade to Buy by Taylor Collison.B/H/S: 0/0/0

IPD Group has provided updated guidance for FY24 that includes adjusted EBITDA of $39-39.5m. Taylor Collison notes limited information beyond the numbers while new major project gains were mentioned without any specifics.

The broker estimates organic EBITDA growth of around 5% but awaits the full year result for more detail. Macro conditions are considered favourable for reaccelerating organic growth in FY25.

Catalysts include major infrastructure projects, a firm start date for the National Vehicle Emissions Standards and an investment boom in data centres. Rating is upgraded to Buy with around 15% upside considered to the broker's DCF valuation of $5.30.

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

Wilsons believes consensus is underestimating the incremental gross profit contribution via Channels Plus and upgrades SiteMinder's rating to Overweight from Market Weight. It's felt the product is a game changer for the company's growth profile.

Channels Plus launches in the next two months, note the analysts, enabling Hoteliers to gain increased access to online travel agencies by directly connecting to SiteMinder, rather than Hoteliers managing each individual connection.

The product is a low touch “Free Option” bundled into base subscription fees, explains the broker.

The target is increased to $6.50 from $5.40.

Downgrade

BWP TRUST ((BWP)) Downgrade to Sell from Hold by Moelis.B/H/S: 0/0/0

Moelis updates its forecasts after BWP Trust moves to 100% ownership of Newmark Property REIT ((NPR)) from the prior 93% stake.

The broker downgrades its rating for BWP Trust to Sell from Hold following two months of strong share market performance, and reduces the target to $3.61 from $3.64.

The broker points to an ongoing capex burden for BWP Trust from repositioning as Bunnings vacates older assets.

MINERAL RESOURCES LIMITED ((MIN)) Sell by Goldman Sachs.B/H/S: 0/0/0

Mineral Resources has sold its 49% stake in the Onslow iron-ore project, haul and road along with the project's $8.04 tolling fee for $1.2bn after tax, comprising an upfront cash payment of $1.1bn and the $200m balance is deferred subject to achieving a 35Mtpa run rate for any quarter before June 30, 2026.

Goldman Sachs observes the selldown is capped at 40Mtpa of production and adds the tolling fee will be reset at a lower rate after three years, and is subject to Foreign Investment Review Board approval.

Tolling payments above 40Mtpa will be 100% owned by Mineral Resources.

The company has entered a $750m drawdown facility which the broker expects will be cancelled on or before the project's completion.

All up, the broker considers the transaction to be strategically astute and a plus for the company's balance sheet. Sell rating and $47 target price retained pending deal completion.

SKYCITY ENTERTAINMENT GROUP LIMITED ((SKC)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

Jarden downgrades its rating for SkyCity Entertainment to Overweight from Buy and reduces the target to NZ$1.75 from NZ$2.90 after a profit warning, maiden guidance for FY25 and suspension of dividends until FY26.

Dividends are impacted while management conducts a wider capital structure review, including consideration of asset sales.

Earnings (EBITDA) guidance for FY24 was lowered to NZ$280-285m, down around -3% compared to the broker's forecast, due to the impact of a challenging economic environment on customer spend. FY25 underlying earnings guidance is NZ$250-270m.

There has also been a further delay to the Horizon Hotel opening (now set for August), and a potential increase in duty expense at the Adelaide casino following a recent South Australian Court of Appeal ruling, explain the analysts.

REJECT SHOP LIMITED ((TRS)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

Jarden downgrades its rating for Reject Shop to Overweight from Buy, the broker observing a recovery from supermarkets to volume growth and expansion of private label and everyday essentials as inflation moderates.

This means discounters will have their work cut out to remain competitive, especially given intensifying online trade from retailers such as Temu.

Jarden expects sales will grow slower than previously forecast but the outlook is still rosy, the broker forecasting a three-year compound annual growth rate of 34%.

The broker says the company now has to propel the flywheel to boost purchase frequency. Target price falls to $5.80 from $6.

Order	Company	New Rating	Old Rating	Broker
Upgrade				

1	COOPER ENERGY LIMITED	Buy	Buy	Canaccord Genuity
2	DICKER DATA LIMITED	Neutral	Sell	Goldman Sachs
3	IPD GROUP LIMITED	Buy	N/A	Taylor Collison
4	SITEMINDER LIMITED	Buy	Neutral	Wilsons
Downgrade				
5	BWP TRUST	Sell	Neutral	Moelis
6	MINERAL RESOURCES LIMITED	Sell	Neutral	Goldman Sachs
7	REJECT SHOP LIMITED	Buy	Buy	Jarden
8	SKYCITY ENTERTAINMENT GROUP LIMITED	Buy	Buy	Jarden

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
APM	APM Human Services International	$1.38	Canaccord Genuity	1.45	1.30	11.54%
AQZ	Alliance Aviation Services	$3.09	Wilsons	4.49	4.47	0.45%
ASX	ASX	$58.14	Jarden	63.70	63.30	0.63%
BCB	Bowen Coking Coal	$0.06	Petra Capital	0.11	0.48	-77.08%
BMN	Bannerman Energy	$3.95	Petra Capital	5.23	4.93	6.09%
BRE	Brazilian Rare Earths	$3.25	Canaccord Genuity	4.25	3.20	32.81%
			Canaccord Genuity	5.50	3.20	71.87%
			Petra Capital	5.13	4.29	19.58%
BWP	BWP Trust	$3.62	Moelis	3.61	3.64	-0.82%
CCP	Credit Corp	$14.27	Canaccord Genuity	20.90	21.90	-4.57%
CIA	Champion Iron	$6.51	Goldman Sachs	9.30	9.40	-1.06%
			Jarden	8.01	7.95	0.75%
CNB	Carnaby Resources	$0.50	Petra Capital	1.44	1.45	-0.69%
COE	Cooper Energy	$0.21	Canaccord Genuity	0.27	0.22	22.73%
			Jarden	0.24	0.23	4.35%
DDR	Dicker Data	$9.64	Goldman Sachs	9.85	10.50	-6.19%
GDF	Garda Property	$1.19	Moelis	1.63	1.60	1.87%
GNC	GrainCorp	$8.79	Wilsons	8.61	8.27	4.11%
IEL	IDP Education	$15.11	Goldman Sachs	21.75	25.30	-14.03%
			Jarden	17.75	19.70	-9.90%
LGL	Lynch Group	$1.36	Jarden	2.00	2.50	-20.00%
LOV	Lovisa Holdings	$31.15	Canaccord Genuity	29.00	27.30	6.23%
			Jarden	33.08	28.69	15.30%
			Wilsons	30.40	22.90	32.75%
MDR	MedAdvisor	$0.45	Moelis	0.58	0.41	41.46%
MIN	Mineral Resources	$63.11	Jarden	47.20	47.10	0.21%
NCK	Nick Scali	$13.98	Wilsons	18.30	16.20	12.96%
NWC	New World Resources	$0.03	Canaccord Genuity	0.12	0.15	-20.00%
SDR	SiteMinder	$4.87	Wilsons	6.50	N/A	-
SFR	Sandfire Resources	$8.65	Jarden	7.40	6.50	13.85%
SFX	Sheffield Resources	$0.32	Petra Capital	0.69	1.11	-37.84%
SNL	Supply Network	$22.63	Moelis	26.00	21.26	22.30%
SSM	Service Stream	$1.23	Canaccord Genuity	1.45	1.24	16.94%
TLX	Telix Pharmaceuticals	$16.46	Jarden	16.62	13.94	19.23%
TPW	Temple & Webster	$10.00	Petra Capital	12.20	12.00	1.67%
TRS	Reject Shop	$3.11	Jarden	5.80	6.00	-3.33%
TWE	Treasury Wine Estates	$11.97	Goldman Sachs	13.00	12.60	3.17%
			Goldman Sachs	13.40	12.60	6.35%
VVA	Viva Leisure	$1.49	Petra Capital	2.60	2.52	3.17%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

AQZ ALLIANCE AVIATION SERVICES LIMITED

Transportation & Logistics - Overnight Price: $3.02

Wilsons rates ((AQZ)) as Overweight (1) -

Alliance Aviation's recent guidance outpaced consensus and the company announced engine sales yielding a $25m gross profit.

Wilsons says the former points to sustained earnings growth from fleet expansion and the latter to strong earnings contribution from the Aviation Services division.

The broker considers risk to be to the upside.

Overweight rating unchanged. Target price edges up to $4.49 from $4.47.

This report was published on June 7, 2024.

Target price is **$4.49** Current Price is **$3.02** Difference: **$1.47**
If **AQZ** meets the Wilsons target it will return approximately **49%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Wilsons forecasts a full year **FY24** dividend of **0.00** cents and EPS of **36.80** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.21**.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **38.80** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.78**.

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

BMN BANNERMAN ENERGY LIMITED

Uranium - Overnight Price: $3.88

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

Canaccord Genuity remains bullish on the uranium market as restarts and brownfield expansions will likely prove insufficient to restore equilibrium to the market.

Increasing recognition of nuclear energy's positive contributions to decarbonisation, energy security and the provision of economically dispatchable electricity will drive substantial demand growth, in the broker's view.

While the U_3O_8 spot price is down slightly year-to-date, the more important contract price is 13% higher, note the analysts.

The Speculative Buy rating and $4.65 target are kept for Bannerman Energy.

Canaccord Genuity researches six other ASX-listed uranium companies and further notes a number of juniors (not currently under coverage) which are making significant progress with their respective developments.

In alphabetical order these juniors are: Alligator Energy ((AGE)), Aura Energy ((AEE)), Berkeley Energia ((BKY)), Cauldron Energy ((CXU)), DevEx Resources ((DEV)), Elevate Uranium ((EVE)), Global Uranium and Enrichment ((GUE)), Laramide Resources ((LAM)), Orpheus Uranium ((ORP)) and Toro Energy ((TOE)).

This report was published on June 13, 2024.

Target price is **$4.65** Current Price is **$3.88** Difference: **$0.77**
If **BMN** meets the Canaccord Genuity target it will return approximately **20%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

> Canaccord Genuity forecasts a full year **FY24** dividend of **0.00** cents and EPS of **minus 6.70** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 57.88**.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 7.01** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 55.36**.

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

CSC CAPSTONE COPPER CORP

Copper - Overnight Price: $10.15

Moelis rates ((CSC)) as Initiation of coverage with Buy (1) -

Moelis initiates coverage on Capstone Copper with a Buy rating and $14.50 target, as the recent listing of the stock on ASX has provided domestic investors with an opportunity to gain exposure to a large Canadian-listed copper play that has four assets across the US, Mexico and Chile.

The broker further suggests exposure arrives at a time of limited investment choice locally and a persistent view that copper fundamentals are likely to be very supportive of the commodity price.

Moelis calculates, on current trading, the stock represents an EV/EBITDA multiple of 8.7x, 6.5x and 4.9x on FY24, FY25 and FY26 respectively.

This report was published on June 3, 2024.

Target price is **$14.50** Current Price is **$10.15** Difference: **$4.35**
If **CSC** meets the Moelis target it will return approximately **43%** (excluding dividends, fees and charges).

Forecast for FY24:

> Moelis forecasts a full year **FY24** EPS of **0.61** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **1666.67**.

Forecast for FY25:

> Moelis forecasts a full year **FY25** EPS of **0.91** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **1110.50**.

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

CCP CREDIT CORP GROUP LIMITED

Business & Consumer Credit - Overnight Price: $14.23

Canaccord Genuity rates ((CCP)) as Buy (1) -

Canaccord Genuity believes the retreat in Credit Corp's share price to historic lows in terms of both absolute and relative valuation represents a good opportunity for entry, attributing most of the fall to sentiment.

The company has said it believes US operational challenges are behind it and the broker observes net profit after tax is finally gaining traction after a period of flat earnings growth.

Canaccord Genuity notes Credit Corp's gross loan book and annualised revenue remain firm, the company writing $204m of loans in the first half of 2024, which management expects will translate into strong FY25 earnings.

FY25 EPS forecasts fall -4% as the broker realigns its figures with past performance.

Buy rating retained. Target price falls to $20.90 from $21.90.

This report was published on June 6, 2024.

Target price is **$20.90** Current Price is **$14.23** Difference: **$6.67**
If **CCP** meets the Canaccord Genuity target it will return approximately **47%** (excluding dividends, fees and charges).
Current consensus price target is **$18.24**, suggesting upside of **26.4%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY24:

Canaccord Genuity forecasts a full year **FY24** dividend of **48.00** cents and EPS of **120.00** cents.
At the last closing share price the estimated dividend yield is **3.37%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.86**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **76.2**, implying annual growth of **-43.2%**.
Current consensus DPS estimate is **52.3**, implying a prospective dividend yield of **3.6%**.
Current consensus EPS estimate suggests the PER is **18.9**.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **70.00** cents and EPS of **139.00** cents.
At the last closing share price the estimated dividend yield is **4.92%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **10.24**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **131.9**, implying annual growth of **73.1%**.
Current consensus DPS estimate is **67.3**, implying a prospective dividend yield of **4.7%**.
Current consensus EPS estimate suggests the PER is **10.9**.

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

CLG CLOSE THE LOOP LIMITED

Industrial Sector Contractors & Engineers - Overnight Price: $0.35

Canaccord Genuity rates ((CLG)) as Initiation of coverage with Buy (1) -

Canaccord Genuity initiates coverage of Close the Loop with a Buy rating and 65c target price, which the broker considers to be conservative.

Close the Loop is leveraged to the circularity megatrend and is involved in sustainable packaging, printer cartridge recycling and the repurposing of personal and enterprise electronic equipment for OEMs (the broker believes the latter opportunity to be the most compelling).

The broker observes the company, which is a circularity pioneer, enjoys relationships with 17 leading operating equipment manufacturers, most of which either have or will be establishing circularity divisions/enterprises.

The company is profitable across the P&L and boasts good free cash flow, which Canaccord Genuity expects will continue over FY24 to FY26, during which period it expects 17% EPS growth.

Canaccord Genuity observes the company is free cash flow positive and boasts a cheap valuation.

This report was published on June 12, 2024.

Target price is **$0.65** Current Price is **$0.35** Difference: **$0.3**
If **CLG** meets the Canaccord Genuity target it will return approximately **86%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

> Canaccord Genuity forecasts a full year **FY24** dividend of **0.00** cents and EPS of **4.30** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.14**.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **5.30** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **6.60**.

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

DXB DIMERIX LIMITED

Pharmaceuticals & Biotech/Lifesciences - Overnight Price: $0.57

Petra Capital rates ((DXB)) as Initiation of coverage with Buy (1) -

Petra Capital initiates coverage of Dimerix with a Buy rating and $1.36 target price.

The broker says the company's late stage Phase 3 trial for DMX-200, which targets a rare kidney disease, Focal Segmental Glomerular Sclerosis) is set "to deliver".

Petra Capital observes there are no approved treatments for the disease and high unmet need and that positive results from the company's trial suggest the company may apply for accelerated approval.

The broker estimates the addressable market at US$10bn. The company held $35.2m cash at March 2024 and the broker says it is fully funded for the Phase 3 trial through its key analysis stages.

Dimerix expects to complete dosing of last patient for its Part 2 interim analysis in September-October 2024; finalising licensing deals for US and China markets; and get Part 2 ACTION3 results for the product mid 2025.

This report was published on May 31, 2024.

Target price is **$1.36** Current Price is **$0.57** Difference: **$0.785**
If **DXB** meets the Petra Capital target it will return approximately **137%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

> Petra Capital forecasts a full year **FY24** dividend of **0.00** cents and EPS of **minus 2.40** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 23.96**.

Forecast for FY25:

> Petra Capital forecasts a full year **FY25** dividend of **0.00** cents and EPS of **2.60** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **22.12**.

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

EMR EMERALD RESOURCES NL

Gold & Silver - Overnight Price: $3.66

Canaccord Genuity rates ((EMR)) as Initiation of coverage with Buy (1) -

Canaccord Genuity initiates coverage of Emerald Resources with a Buy rating and $4.60 target price.

The broker observes the company is an established single-asset, low-cost, mid-tier producer but is set to become a three-mine 300koz a year producer by 2026, yielding a 10% dividend yield.

The company owns the Okvau gold mine in Cambodia and is developing its Memot gold deposit nearby, and the North Laverton Bullseye asset in WA.

The broker expects Memot will include a low capex (-$80m funded by cash flow) concentrator and the concentrate would be shipped to Okvau for final processing.

This report was published on June 11, 2024.

Target price is **$4.60** Current Price is **$3.66** Difference: **$0.94**
If **EMR** meets the Canaccord Genuity target it will return approximately **26%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

> Canaccord Genuity forecasts a full year **FY24** dividend of **0.00** cents and EPS of **17.00** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **21.53**.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **24.00** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.25**.

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

LIN LINDIAN RESOURCES LIMITED

Aluminium, Bauxite & Alumina - Overnight Price: $0.10

Petra Capital rates ((LIN)) as Buy (1) -

Petra Capital expects the capital expenditure component of Lindian Resources' updated resource estimate for its Kangankunde Rare Earths Project in Malawi will prove a positive surprise.

The broker estimates a figure in the region of -$60m, which it compares with normal pre-production figures in the region of half a billion dollars.

While weak prices remain a challenge, the broker expects the study outcomes will lead to "renewed interest in one of the world's largest and highest grade REO projects".

Buy rating and 69c target price retained.

This report was published on June 11, 2024.

Target price is **$0.69** Current Price is **$0.10** Difference: **$0.585**
If **LIN** meets the Petra Capital target it will return approximately **557%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Petra Capital forecasts a full year **FY24** dividend of **0.00** cents and EPS of **minus 0.30** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 35.00**.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 2.20** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 4.77**.

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

MAC METALS ACQUISITION LIMITED

Copper - Overnight Price: $21.46

Moelis rates ((MAC)) as Initiation of coverage with Buy (1) -

Moelis initiates coverage on Metals Acquisition, an Australian (listed early 2024) and New York-listed copper producer, with a Buy rating and $27 target.

In 2023 the company formally completed a deal to acquire the CSA Cobar, NSW, mine from Glencore.

Going forward, the broker expects volume growth of 13% to FY26 and EBITDA growth of 31%, suggesting this is an attractive proposition for investors in the domestic market keen on copper exposure.

This report was published on June 3, 2024.

Target price is **$27.00** Current Price is **$21.46** Difference: **$5.54**
If **MAC** meets the Moelis target it will return approximately **26%** (excluding dividends, fees and charges).
The company's fiscal year ends in December.

Forecast for FY24:

Moelis forecasts a full year **FY24** EPS of **47.60** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **45.08**.

Forecast for FY25:

Moelis forecasts a full year **FY25** EPS of **124.20** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **17.28**.

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

MMC MITRE MINING CORPORATION LIMITED

Gold & Silver - Overnight Price: $0.66

Canaccord Genuity rates ((MMC)) as Initiation of coverage with Speculative Buy (1) -

Canaccord Genuity initiates coverage of Chilean silver-gold developer Mitre Mining with a Speculative Buy and $2.30 target price.

The broker expects the company to post rapid resource growth, the company pegging an aspirational target of 100Moz. Drilling is scheduled to start in June.

The company has a 300 square kilometre holding in the Laguna Verde district and a well-funded exploration program observes the broker and expects the company could prove an attractive takeover target as its resource grows.

Canaccord Genuity cites the Silver Institute's forecast of a silver deficit for the foreseeable future, which is expected to grow 17% year on year in 2024.

This report was published on June 6, 2024.

Target price is **$2.30** Current Price is **$0.66** Difference: **$1.645**
If **MMC** meets the Canaccord Genuity target it will return approximately **251%** (excluding dividends, fees and charges).

NWC   NEW WORLD RESOURCES LIMITED

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

Wilsons rates ((NWC)) as Initiation of coverage with Overweight (1) -

Wilsons initiates coverage of New World Resources (roughly $100m market cap) with an Overweight rating and 6c target price.

The company's main asset is its 100% owned Antler Copper/Base Metals project in Arizona which Wilsons says is one of the highest grade copper projects it has observed globally.

The company's scoping study last year outlined a 13-year 1.3Mt to 1.5Mt operation, producing 16.4ktpa copper but is still a few years away from production.

The mine's prefeasibility test is due by the end of this month.

The broker also appreciates the geological prospectivity of the adjacent areas and expects an "upsizing" of the resource (and possibly operational scale) over time.

This report was published on June 3, 2024.

Target price is **$0.06** Current Price is **$0.04** Difference: **$0.023**
If **NWC** meets the Wilsons target it will return approximately **62%** (excluding dividends, fees and charges).

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

OBM   ORA BANDA MINING LIMITED

Gold & Silver - Overnight Price: $0.34

Canaccord Genuity rates ((OBM)) as Initiation of coverage with Speculative Buy (1) -

Canaccord Genuity initiates coverage of gold producer Ora Banda Mining with a Speculative Buy rating and 50c target price.

The company owns the Davyhurst Gold project in WA, north of Kalgoorlie.

The broker believes the appointment of Northern Star Resources' ((NST)) chief operations officer as managing director proved a strategic watershed for the company, which now focuses on underground over open-pit development.

In FY26, the broker expects the company will boast the most compelling free cash flow yield of any Australian-based gold producer in its coverage (the broker estimates 32% in FY26 and 13% in FY25).

This report was published on June 11, 2024.

Target price is **$0.50** Current Price is **$0.34** Difference: **$0.165**
If **OBM** meets the Canaccord Genuity target it will return approximately **49%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

> Canaccord Genuity forecasts a full year **FY24** dividend of **0.00** cents and EPS of **1.00** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **33.50**.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **5.00** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **6.70**.

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

SDR SITEMINDER LIMITED

Travel, Leisure & Tourism – Overnight Price: $4.79

Wilsons rates ((SDR)) as Upgrade to Overweight from Market Weight (1) –

Wilsons believes consensus is underestimating the incremental gross profit contribution via Channels Plus and upgrades SiteMinder's rating to Overweight from Market Weight. It's felt the product is a game changer for the company's growth profile.

Channels Plus launches in the next two months, note the analysts, enabling Hoteliers to gain increased access to online travel agencies by directly connecting to SiteMinder, rather than Hoteliers managing each individual connection.

The product is a low touch “Free Option” bundled into base subscription fees, explains the broker.

The target is increased to $6.50 from $5.40.

This report was published on June 11, 2024.

Target price is **$6.50** Current Price is **$4.79** Difference: **$1.71**
If **SDR** meets the Wilsons target it will return approximately **36%** (excluding dividends, fees and charges).
Current consensus price target is **$6.52**, suggesting upside of **34.8%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY24:

> Wilsons forecasts a full year **FY24** dividend of **0.00** cents and EPS of **minus 8.10** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 59.14**.
>
> How do these forecasts compare to market consensus projections?
>
> Current consensus EPS estimate is **-8.3**, implying annual growth of **N/A**.
> Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
> Current consensus EPS estimate suggests the PER is **N/A**.

Forecast for FY25:

> Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 1.60** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 299.38**.
>
> How do these forecasts compare to market consensus projections?
>
> Current consensus EPS estimate is **-1.5**, implying annual growth of **N/A**.
> Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
> Current consensus EPS estimate suggests the PER is **N/A**.

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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