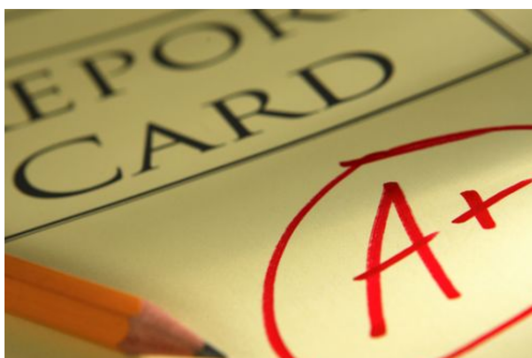
WEEK 34

FNArena
FINANCIAL NEWS, ANALYSIS & DATA

STORIES TO READ FROM FNArena

Friday, 23 August 2024

Near-Term Uncertainty Clouds Reece's Outlook



Rudi's View: August Paints A Bifurcated Picture

PWR Holdings Revs Up For FY26 Growth

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AUSTRALIA

The Market In Numbers - 17 Aug 2024

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

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

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

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

Australia & NZ

Index	17 Aug 2024	Week To Date	Month To Date (Aug)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
NZ50	12727.750	3.96%	2.60%	8.62%	8.13%	8.62%
All Ordinaries	8189.90	2.49%	-1.57%	2.20%	4.60%	2.20%
S&P ASX 200	7971.10	2.49%	-1.50%	2.62%	5.01%	2.62%
S&P ASX 300	7904.10	2.49%	-1.52%	2.54%	4.89%	2.54%
Communication Services	1601.60	3.72%	1.34%	6.69%	0.84%	6.69%
Consumer Discretionary	3856.00	5.28%	0.67%	9.81%	19.00%	9.81%
Consumer Staples	12900.00	2.21%	0.41%	4.22%	4.79%	4.22%
Energy	9530.20	1.57%	-4.64%	-5.00%	-10.29%	-5.00%
Financials	8061.10	4.77%	-0.93%	5.28%	19.99%	5.28%
Health Care	45596.80	-0.13%	-1.57%	3.03%	7.69%	3.03%
Industrials	7214.40	3.72%	0.25%	5.91%	5.08%	5.91%
Info Technology	2368.90	6.02%	0.95%	1.17%	29.24%	1.17%
Materials	16099.00	-1.26%	-4.51%	-4.62%	-17.40%	-4.62%
Real Estate	3763.70	2.27%	-0.92%	5.63%	12.43%	5.63%
Utilities	8863.20	-2.31%	-1.74%	-4.54%	8.36%	-4.54%
A-REITs	1718.10	2.28%	-0.95%	5.77%	14.36%	5.77%
All Technology Index	3232.80	6.43%	1.69%	3.02%	20.00%	3.02%
Banks	3393.20	5.30%	-0.80%	6.20%	22.08%	6.20%
Gold Index	8107.70	4.65%	1.67%	10.20%	10.04%	10.20%
Metals & Mining	5227.20	-1.57%	-4.69%	-5.82%	-19.17%	-5.82%

The World

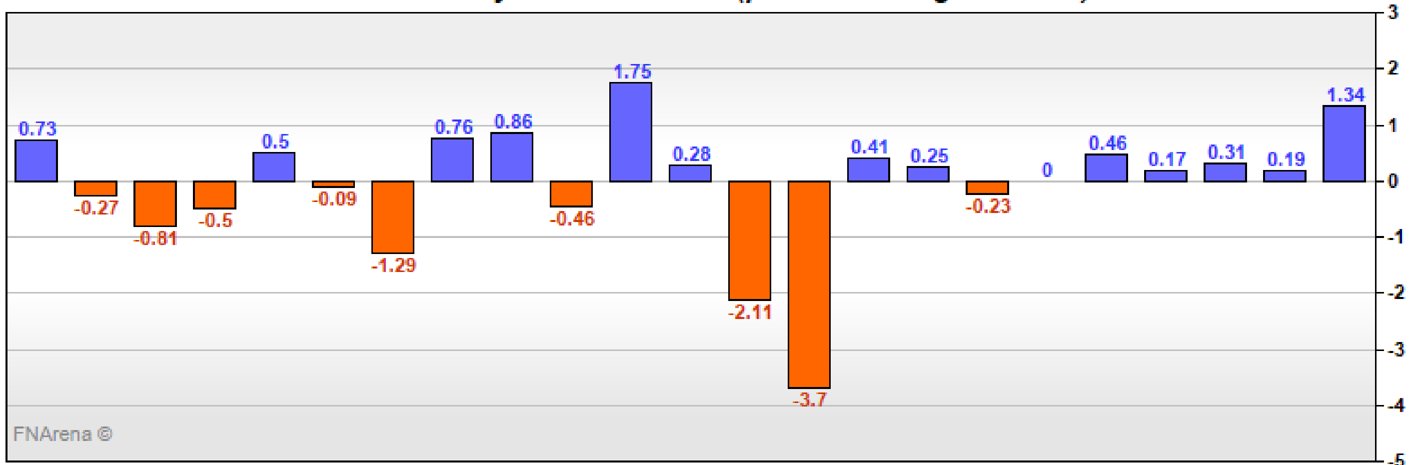
Index	17 Aug 2024	Week To Date	Month To Date (Aug)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
FTSE100	8311.41	1.75%	-0.68%	1.80%	7.48%	1.80%
DAX30	18322.40	3.38%	-1.01%	0.48%	9.38%	0.48%
Hang Seng	17430.16	1.99%	0.49%	-1.63%	2.25%	-1.63%
Nikkei 225	38062.67	8.67%	-2.66%	-3.84%	13.74%	-3.84%
DJIA	40659.76	2.94%	-0.45%	3.94%	7.88%	3.94%
S&P500	5554.25	3.93%	0.58%	1.72%	16.45%	1.72%
Nasdaq Comp	17631.72	5.29%	0.18%	-0.57%	17.46%	-0.57%

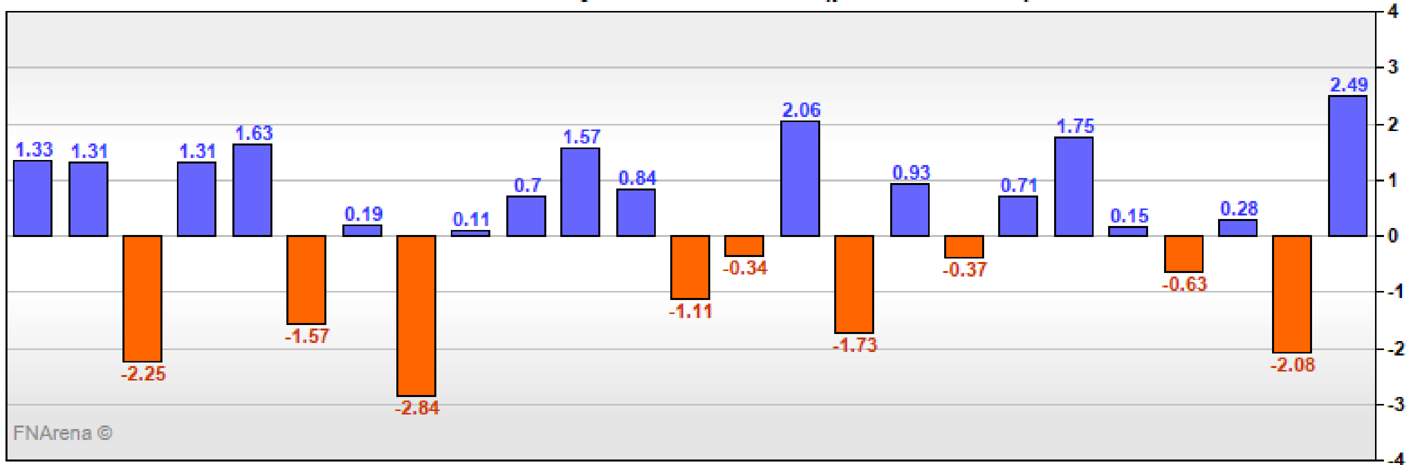
Metals & Minerals

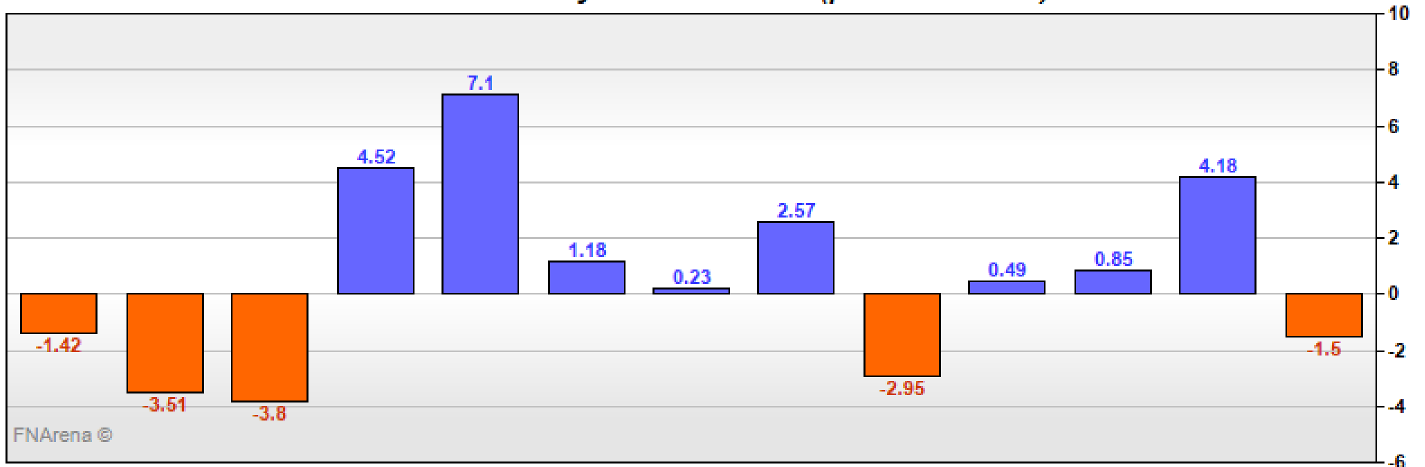
Index	17 Aug 2024	Week To Date	Month To Date (Aug)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
Gold (oz)	2494.10	1.08%	1.55%	6.68%	21.99%	6.68%
Silver (oz)	28.41	2.82%	-0.42%	-2.87%	16.53%	-2.87%
Copper (lb)	4.1418	4.00%	1.22%	-4.42%	8.77%	-4.42%
Aluminium (lb)	1.0611	3.20%	5.40%	-5.64%	9.13%	-5.64%
Nickel (lb)	7.3517	0.23%	1.57%	-5.48%	-1.15%	-5.48%
Zinc (lb)	1.2537	5.29%	5.01%	-5.46%	11.48%	-5.46%
Uranium (lb) weekly	82.	-0.61%	-0.61%	-2.10%	-5.23%	-2.10%
Iron Ore (t)	98.55	-2.18%	-7.25%	-7.47%	-28.71%	-7.47%

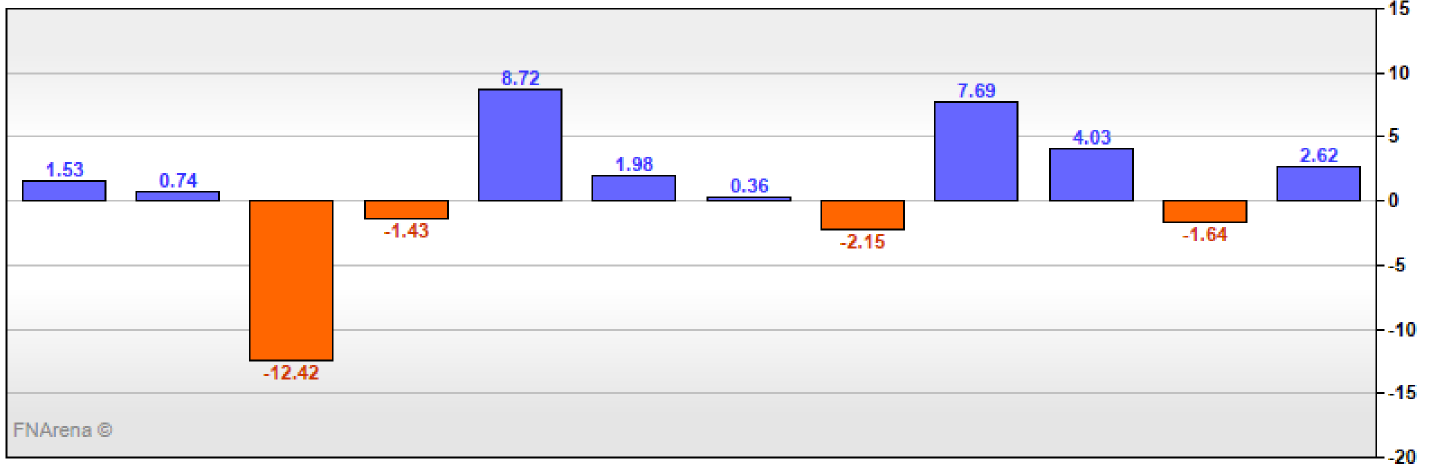
Energy

Index	17 Aug 2024	Week To Date	Month To Date (Aug)	Quarter To Date (Jul-Sep)	Year To Date (2024)	Financial Year To Date (FY25)
West Texas Crude	78.10	2.64%	3.79%	-4.59%	5.81%	-4.59%
Brent Crude	80.92	2.47%	3.03%	-5.29%	2.09%	-5.29%









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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AUSTRALIA

REA Group: A Tale Of Two Cities

As house price rises in Sydney and Melbourne begin to wane, can REA Group's solid momentum continue through FY25?

-REA Group posted a largely in-line FY24
-Sydney/Melbourne listings the key FY25 swing factor
-Opex guidance lower, but capex and D&A higher
-Buy ratings dominate

By Greg Peel

It has surprised most that in the face of thirteen RBA rate hikes to fight inflation since May 2022, and the cost of living crisis that inflation has wrought, Australian average house prices have continued to March ever higher.

In the early stages, price rises were driven by the two biggest cities of Sydney and Melbourne, but recent data show the pace of growth in both has slowed more so in Melbourne as other cities have taken the baton. A lack of affordability has sparked an exodus to large towns, such as Adelaide and Perth.

As market leader in property classifieds, REA Group ((REA)), wrapped up a solid FY24 with a strong June quarter performance, the question of the trajectory of property listings into FY25 has become the big issue for analysts. The result was largely in line with forecasts but "Market listing volumes are difficult to predict with accuracy," says Jarden, "and they are set to be the key swing factor to FY25's outcome".

REA's revenue growth of 24% year on year for Australian residential, and 31% for REA India, were the standouts among the company's FY24 financial results. Australian residential property listings grew by 7% over the year. The crux is that included 21% in Sydney and 22% in Melbourne.

Management is guiding to flat listing growth in FY25. Analysts note REA is typically conservative in its guidance, but management has specifically called out Sydney/Melbourne uncertainty as the driver of conservatism. Analysts are mostly a little more positive, but see management's point. The two biggest cities offer the highest yield.

<u>Headwinds</u>

In recent months it has become apparent Sydney and Melbourne may have reached a peak of affordability, keeping buyers at bay or, as noted, driving them to look elsewhere. Earlier in 2024, an easing of growth in inflation had economists forecasting the first RBA rate cut as early as this month.

Well, that bird's flown.

Rate cut expectations soon began to be shifted out to early 2025. Most recently, and despite as good as a promise from the Fed to start cutting in September, the RBA has remained doggedly hawkish. Australian inflation is no longer playing ball, and "higher for longer" expectations have been rekindled.

The RBA has warned yet another rate *hike* is not totally out of the question.

If home buyers and investors were happy to pay up on the expectation rate cuts were just around the corner, they must now be rather disappointed.

Another issue for REA listings is the next federal election, due by May next year. The uncertainty of election outcomes tends to lead to a quietening of real estate activity until the winner, and subsequent policies, are known.

Nevertheless, investor selling activity in Victoria is continuing given recent land tax changes and tenancy protection laws. REA's July listings saw Melbourne volumes rise 15% versus Sydney's 12%, despite house prices moderating faster in Melbourne.

<u>Costs</u>

REA achieved 19% buy yield growth in FY24, in line with guidance, driven by an average 13% contracted price rise for FY24 on top of the year-on-year growth in depth penetration and a 3% positive geographical mix impact from the strong Sydney/Melbourne listings for the year.

Looking to FY25 guidance, operating expenditure is forecast to be in the high single digits, which is better than the low double-digits analysts had been expecting. Lower opex is reflective of management's more conservative expectations around Sydney and Melbourne listings.

On the flipside, capital expenditure guidance is higher than expected as REA looks to **ongoing investment in operations and products**. Depreciation & amortisation is also much higher than forecast, given REA's significant investments since FY22.

Combining opex and capex guidance, Macquarie calculates total costs will be up 11% in FY25, including a 20%

lift in capex.

Some Mixed Views

Despite uncertainty over the two big markets, Macquarie suggests if the current pace of listings continues through 2024, including the usual bump up in spring activity, listings could be up by 2% in FY25.

The broker notes the September and December quarters of FY25 will be cycling easier comparables to FY24 but March and June will be tougher.

The fundamental outlook in the next 6-12 months should remain solid, Macquarie believes, underpinning incremental earnings upgrades. Valuation support is limited but relative valuation among digital marketplaces is starting to look supportive for REA.

Macquarie retains Outperform, lifting its target to $219 from $210 to take account of a greater contribution from REA India.

REA continues to entrench its market leadership position, notes Bell Potter, through a "virtuous cycle" of free cash flow generation and platform reinvestment, which is returning in excess of 30% on invested capital. Management has flagged a return to top end of its 7-9% targeted range for capex to revenue, signalling positive expectations of underlying operating conditions during FY25 at this stage.

Bell Potter retains Buy, lifting its target to $223 from $218 after increasing its FY25 earnings forecast and its applied PE multiple.

UBS continues to maintain a view of slightly higher volume growth into FY25, despite the company reiterating its base case of flat growth. UBS has trimmed slightly its residential yield growth forecast for FY25 to 14% from 15%.

The key components of forecast yield growth include a price increase of 11%, depth penetration growth of 3%, and a geographical mix drag of -1%. The biggest risk to the yield forecast for FY25 is geographical mix, UBS warns, assuming Sydney/Melbourne's strong growth starts to moderate relative to the rest of the capital cities.

On Proptrack data, the listings growth difference between Sydney/Melbourne and the rest of the capital cities had begun to moderate in the June quarter to 18%, UBS notes, compared to 20% in the March quarter, with the month of June narrowing to 9%. The broker warns downside risk to geographical mix could be as much as -5% should Sydney/Melbourne start to slow faster than expected.

In this scenario, UBS would expect REA to pull back on discretionary costs to manage "jaws".

Brokers are pleased REA has guided to ongoing positive "jaws" -- the difference between the growth rate of operating income and the growth rate of operating expenses.

UBS retains a Buy rating but has ticked down its target to $232.20 from $233.60.

Citi believes REA's 7% share price increase post result was overdone when considering uncertainty on geographical mix in FY25, which was offset by lower cost guidance. But Citi reiterates its Buy call, increasing its target by 4% to $230, expecting REA to deliver double-digit growth in its core residential business as it continues to evolve and get closer to the transaction by leveraging data and through new products.

Morgan Stanley's Overweight thesis remains, and target of $220, based on FY25 being another double-digit year for compounding price increases and yield. History also suggests owning REA shares leading up to an RBA rate cut cycle is beneficial, notes this broker.

REA remains one of the highest quality franchises in its coverage, says Morgans, and while the medium term may exhibit some volatility, particularly around new listings volumes, Morgans believes management has levers to potentially pull in such an environment that should help offset this to a degree.

This broker's price target of $197 has it retaining a Hold recommendation on the stock, but Morgans also acknowledges the strong market position and growth opportunities for the company (both domestic and offshore) and continues to look for an attractive entry point.

The seven brokers monitored daily by FNArena covering REA Group show five Buy or equivalent ratings and two Holds between them. One of those Holds is Ord Minnett (target $185), which has not yet updated on the result. The consensus target is $215.17.

Goldman Sachs believes 10% buy yield growth is achievable in FY25 even with a -2% geographical mix headwind. This broker notes REA remains confident on delivering double-digit earnings growth through the cycle.

Goldman has a Buy rating with a target of $221.

The outlier, with a target of $164, is Jarden.

REA assumes a flat outcome in FY25, with a small drag from geographic mix. If consensus follows this guide, along with larger associate losses and higher D&A, this is likely to drive downgrades to consensus earnings, Jarden suggests.

This broker believes REA is a high-quality business with strong management, a strong track record and a favourable outlook structurally. However, trading at 48x FY25 forecast earnings with a 15% compound annual earnings growth rate over FY25-27, valuation appears stretched.

Therefore, Jarden lowers its rating to an outright Sell from Underweight.

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AUSTRALIA

Origin Energy Surprises To The Downside

Origin Energy posted surprisingly weak FY24 numbers and FY25 guidance, but most brokers feel value is clear after a rebasing.

-Origin Energy's FY24 results disappoint
-FY25 guidance disappoints more
-The company is still trying to reduce costs
-Kraken provides growth opportunity
-Most brokers retain positive views

By Greg Peel

Origin Energy's ((ORG)) profit grew 58% year on year in FY24 but fell significantly short of market expectations. The final dividend, and FY25 guidance, also fell short.

The key down-driver was Origin failing to meet its targeted reduction in cost-to-serve of -$200-$250m by the end of FY24 due to cost of living pressures driving higher retail call volumes, in turn seeing higher labour costs, bad debts expenses and growing regulatory and compliance costs creep into the business, UBS notes.

Looking forward, Origin has a clear plan to realise targeted cost to serve reduction by -$100-$150m by FY26, via reducing headcount, compliance costs and improving debt collection.

The rebound in Energy Markets disappointed by being in the lower half of $1.6-$1.8bn guidance, arguably caused by Eraring generation issues in the June quarter, Macquarie suggests. Asia Pacific LNG (APLNG) earnings were in line with expectation, with a higher cash cost in the second half that's been flagged to continue into FY25.

Earnings from Origin's strategic UK partner Octopus were lower, with UK retailing renewable certificate costs higher along with product development costs. Core to the value are customer numbers, Macquarie notes, which continue to grow, and rollout of the new customer service platform, Kraken, for which commitments remain well ahead of licence revenue.

Cost-serve pressures are industry-wide headwinds, but Morgan Stanley suggests AGL Energy ((AGL)) and Energy Australia look better placed to manage the challenges this cycle, and believes investors had anticipated Origin having Kraken-based savings, which are taking longer than anticipated, as well as more leverage to pool volatility.

FY25 Guidance

FY25 guidance disappointed, with expected operating earnings of $1.11.4bn from Origin's key energy markets business being lower than the FY24 result, Ord Minnett notes, as the division grapples with higher coal costs, narrower margins from gas, and regulatory pressure on electricity prices.

The broker also notes FY25 operating earnings guidance for the Octopus business is a wide range of $100m-200m, largely due to a time lag in converting new users of the Kraken platform to paying subscribers and as British regulatory costs have proved a drag.

The reduced rate of earnings growth over FY25 and FY26 from the Octopus business is the key driver of cuts to Ord Minnett's group earnings and dividend forecasts over FY25-27.

Citi anticipated FY25 guidance being below consensus which could present a buying opportunity before medium term earnings growth. The trough now looks deeper than expected, but on the conference call management quite explicitly confirmed Citi's thesis that Origin can outperform its own gross profit forecasts as wholesale volatility flows through into retail margins via the regulated tariff.

Origin's energy costs rise more slowly than the industry's. The -$100m downgrade to targeted reductions in cost-to-serve by FY26 is also more likely around a -$70m impact to earnings, the broker suggests, because bad debts and some of the compliance costs that dragged the target down can be recovered in future tariff determinations.

The regulator has little public data to work with on treating bad debts in the industry's cost stack when determining the regulated tariff, Citi explains. Origin's disclosures form a key component. Because the FY24 data will feed into the next determination in May 2025, Origin will recover the higher bad debt costs via FY26 revenue.

Compliance costs may have some partial recovery, though since some of this cost is Origin-specific, Citi doesn't think all of it will be recoverable.

Green Machine

UBS forecasts margins towards the top end of Origin's "base" medium-term electricity and gas portfolio margin targets, supported by earnings contributions from new batteries and renewables. By the end of FY27, this broker forecasts more than $300m on additional earnings via commissioning batteries across NSW, Victoria and Queensland, as output at Eraring power station begins to wind down out to December 2028.

UBS expects gas portfolio margins to expand as the supply contract to Gladstone LNG expires, allowing it to sell that gas into higher priced demand. A potential development of the Golden Beach storage asset could allow Origin also unlock a valuable option on some 35PJ of new gas supply and storage capacity, potentially adding margin upside.

All is not Lost

Citi saw nothing in the FY24 report that suggests its thesis on Origin Energy is incorrect, which is to say volatility in the National Energy Market is increasing and Origin is the best placed player in the market to capture this.

Because Origin's costs in electricity procurement rise more slowly than the industry's, and the industry's costs determine the retail tariff, the difference in cost growth is margin in Origin's retail book. The broker thinks wholesale volatility leading to retail margins is the missing link in consensus assuming flat earnings in the medium term.

The result nonetheless shows this is perhaps off a lower base, with FY25 guidance being -$100m lower than expected. Citi retains a Buy rating, lowering its target to $11.00 from $11.50.

UBS's revised outlook anticipates a 16% compound annual earnings growth rate for energy markets over FY25-27, supported by Origin's unique leverage to the growing value of firm capacity due to operating the largest fleet of peaking gas-powered plants in the country.

Origin also has a competitive advantage on gas supply and a strong free cash flow profile supported by APLNG, this broker notes, altogether providing a clear path to strong capital returns including dividend yields of 5-6% over the period.

UBS retains Buy, cutting its target to $11.70 from $12.10.

Goldman Sachs retains Buy on strong cash flow and returns, with free cash flow yield improving to 8% in FY26, supporting a 6% dividend yield. Goldman also highlights a standout gas portfolio with supply costs over -30% below current contract prices which could support market share gain or margin expansion over the next five years, and a growth opportunity through Octopus and Kraken as contracted accounts trend to target doubling over the next three years.

This broker's target falls -4% to $10.75.

The disappointment of the FY24 performance and FY25 guidance notwithstanding, Origin Energy has quality assets in its portfolio and is a very good business, Ord Minnett insists, and even on downgraded dividend forecasts offers a strong dividend yield of 6-7% over FY25-FY27 following the steep fall in the share price post the results.

Given this robust level of income, the attractive prospects for earnings growth in the medium term from Origin's role in the energy transition and the further development of its Octopus business, along with the upside to an $11.60 target price, increased from $11.20, Ord Minnett raises its recommendation to Buy from Hold.

But some is

Macquarie points out the second half FY25 is likely to see a change to the oil-linked pricing slope at APLNG through the contract reopening, with recent pricing suggesting a reduction of -13%, below APLNG's current level. The cash flow impact of any change is principally expected in FY26.

Disappointing FY25 guidance affects confidence in the Energy Market growth outlook, Macquarie suggests, and there will also be uncertainty around APLNG slope repricing. The positive is a 6% dividend yield, which the broker sees as holding, and the balance sheet is under-geared, providing flexibility for transition growth.

Macquarie downgrades to Neutral from Outperform, dropping its target to $10.12 from $10.74.

On Morgan Stanley's estimates, Origin Energy offers a one-year total shareholder return of -3%, including a 5% fully franked yield, in the lower half of both the broker's Australia Infrastructure & Utilities coverage and Australia Energy coverage. On Morgan Stanley's numbers, Origin's free cash flow yield of 6% is attractive (AGL Energy's is 8%), but harder to predict versus peers.

The broker sees better leverage to data centre and renewables development via AGL, owing to project timing (not owing to any major difference in project quality). Origin could surprise to the upside by capturing electricity volatility by accelerating the Kraken benefits, and by turning around bad debts.

Morgan Stanley downgrades to Underweight from Equal-weight, on a target reduced to $8.86 from $10.00.

That implies a significant dispersion in price targets among brokers monitored daily by FNArena, which does not include Goldman Sachs. Consensus is $10.66, but on a range from Morgan Stanley's $8.86 to UBS's $11.70.

These brokers are split three Buy or equivalent ratings, one Hold and one Sell, with Goldman Sachs on Buy.

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AUSTRALIA

Near-Term Uncertainty Clouds Reece's Outlook

Premium-priced Reece released merely in-line FY24 results with an uncertain near-term outlook.

-Reece's in-line FY24 result carried by US outperformance
-Second half earnings for the A&NZ region decline
-Management sees near-term challenges for both regions
-Brokers agree shares are currently overvalued

By Mark Woodruff

Even a "well-managed, high-quality business," as stockbroking analysts describe plumbing products supplier Reece ((REH)), will struggle to hold back the tide of upcoming cyclical forces.

Potentially adding further downward pressure on the share price, in-line unaudited FY24 results for the company did little to dissuade previously held views of "overvaluation". Reece shares tend to trade on a notable valuation premium and thus the stock is virtually never Buy-rated.

For the near-term, management expects macroeconomic headwinds will weigh for both the A&NZ region and the USA, despite a standout FY24 performance in the latter.

The company had benefited from record levels of pull-forward spending during covid, notes UBS, but this backlog has been worked through.

Now, activity remains depressed in the Australian residential market as affordability issues persist, explains Goldman Sachs. Unfortunately, the A&NZ region accounts for around 65% of group earnings with the balance derived from the US.

As longer-term fundamentals in the sector remain positive, with demand for housing and infrastructure supported by long-term structural factors, management intends to keep investing in both businesses via bolt-on opportunities, especially in the US.

Reece reported a 3% increase in FY24 profit to $416m, while FY24 adjusted earnings of $1,007m slightly missed the consensus forecast. The US performed broadly in line, whilst A&NZ margins of 14.6% were weaker-than-anticipated due to a softening housing market.

Key positives, according to Morgans, include a 30bps rise in the group earnings margin to 11.1%, due to good cost control, despite the weaker second half A&NZ housing market, as well as a 20bps increase in the return on capital employed (ROCE) metric to 15.5%.

While people-related expenses remain a headwind, it appears to Macquarie management is confident around relying upon price adjustments to recoup costs. Reece has around 8,000 employees and more than 650 branches in Australia and over 240 branches in the US.

In A&NZ, Reece is a distributor of products for plumbing, bathrooms & kitchens, waterworks, irrigation & pools, along with heating, ventilation, air conditioning and refrigeration (HVAC-R) products. Apart from irrigation & pools, the company distributes the same products in the US.

Customers include SME trade plumbers, large home builders, end consumers, commercial trade, commercial developers, civil projects, and government bodies.

Reece entered the US market in 2018 with the acquisition of Morsco, a top-five supplier (at the time) of Plumbing and Waterworks and then made further acquisitions as recently explained: https://fnarena.com/index.php/2024/07/01/reece-stellar-business-priced-for-perfection/

A&NZ region

In a tale of two halves for the A&NZ region, first half earnings rose by 7%, supported by moderate price inflation and a healthy backlog of activity, explains Morgans.

However, second half earnings declined by -7% as the backlog of activity was largely worked through, and volumes declined by -3% due to softer housing conditions.

While RBA interest rate cuts continue to get pushed out, Citi notes housing permits are beginning to flatten, implying a potentially shallower dip.

The standout US performance

In the US, demand conditions are "mixed," according to management, with "green shoots" in new single-family housing construction.

Second half revenue rose by 6% versus 1% growth in the first half with the business experiencing some moderate price deflation. Earnings from US operations also rose by 15% in the second half.

In light of those "mixed" demand conditions, a 7% increase in second half volumes marks a "solid" performance, in Morgans view.

While there are some signs of life in R&R plumbing, with Home Depot recently noting positive momentum, Citi points out Reece has a larger New Housing (relative to A&NZ) exposure in the US.

The US footprint continues to strengthen, notes Macquarie, with the opening of an additional three branches in the second half, totalling 15 for FY24.

The less cyclical repair & renovation (R&R) market currently represents only around 20% of Reece's US revenue, so earnings are likely to be more volatile in the short-term than for the A&NZ business, which has a much higher exposure to R&R, explains Morgans.

Margins in A&NZ and the US

Falling -20bps short of forecasts by Goldman Sachs and consensus, Reece's adjusted earnings margin for FY24 came in at 11.1% for the A&NZ region.

As the second half base now reflects wage increases and early-stage labour cost reduction, UBS believes the margin should find some support.

In the US, this broker forecasts a broadly flat margin profile over the next two years given the store rollout remains a mix of M&A and organic additions, which presents a margin headwind in the preliminary stages.

Reece maintains a strong balance sheet, highlights Ord Minnett, with net debt down to $518m from $725m in FY23.

The board declared a final fully franked dividend of 17.75 cents bringing the total FY24 dividend to 25.75 cents.

<u>Valuation concerns and the outlook</u>

Trading on a 42.3x FY25 price earnings multiple and a 1.0% yield Morgans (Reduce) believes Reece's stock price is overvalued in the short-term.

Citing the same valuation multiple, Morgan Stanley (Underweight) agrees the current share price is unsustainable, while Sell-rated Goldman Sachs refers to a demanding valuation, with shares trading in excess of their historical average premium to the ASX200.

While Morgans (Reduce) admires management's progress on re-branding and expanding the network, investing in digital capabilities, and increasing exposure to the more stable R&R market, this broker's modest near-term earnings growth forecast also suggests an overvalued stock price.

Citi (Neutral) suggests a slowing A&NZ market will be troublesome given Reece's market share here locally.

This broker cites limited visibility around the timing of RBA interest rate cuts, how deep the cycle will be, as well as management's plan for cost-out.

Citi has a Neutral rating for Reece, but five other brokers covered daily in the FNArena database are on Sell or equivalent.

Following FY24 results, the average target increased to $22.28 from $21.45, still well beloe where the shares are trading.

Outside of daily coverage, Goldman Sachs is also Sell rated, with a target of 23.25.

FY24 results including audited financials will be unveiled tomorrow, August 22.

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AUSTRALIA

Ansell: Green Shoots In A Cost Tangled Forest

Ansell's turnaround story involves many moving parts, including macro headwinds and a post pandemic hangover.

-Is cost management a question of earnings quality?
-FY24 organic growth and cashflow conversion two positives
-FY25 a push/pull melange of factors

By Danielle Ecuyer

FY24 results come up trumps?

Ansell ((ANN)) was one of the walking wounded post pandemic, as demand for its healthcare products tapered with a subsidence in the worst impacts of covid.

This month, the company's reported FY24 earnings results were embraced with exuberance by the market as green shoots of recovery were evidenced in improving organic revenue growth from the core business units. Industrial sales grew 3.3% including some positive impacts from favourable pricing changes in FY23. Chemical and industrial expanded 2.7% and 4%, respectively.

The Healthcare division revealed improving trends in 2H24 as the "diminished" impacts of de-stocking started to flow through. Sales declined -8% in 2H24 versus the -15% decline in 1H24. The declining slowdown in surgical/examination helped mitigate the overall sales decline, but as management realigned inventories, earnings were impacted -29%.

Underlying, the relatively good news from organic growth and sales turnaround was the exclusion of US$66m in significant items, Morgans comments, which boosted the bottom line FY24 result, coming in above guidance. FY24 EPS also beat consensus estimates and the Morgans analyst's expectation.

Evans and Partners waives the "quality" of earnings red flag, pointing to the booking of US$66m in costs associated with the productivity program and the acquisition of the Personal Protective Equipment division from Kimberley-Clark, below the line.

Multiple moving parts in FY25

Turning to FY25, analysts observed the wide earnings guidance range which Citi interprets as the number of uncertainties the company is facing.

Citi describes driving factors for FY25 earnings as a "push/pull".

On one hand freight costs, while subsiding, could remain an issue. Ansell fell victim to the Red Sea closures and re-routing of shipping, which impacted on its surgical shipments to EMEA markets in FY24.

Input costs, having experienced some dis-inflation, seem to be on the rise again, with prices moving higher in recent times for inputs, nitrile latex and natural rubber latex.

Energy costs have stabilised at higher levels.

The Accelerated Productivity Investment Program which lays at the heart of the Ansell turnaround is a mixed bag of costs incurred to generate cost outs.

Management highlighted the program was making "good progress" which includes a -1330 reduction in head count.

Some US$20m in costs will be removed in FY25 at the pre-tax level, Citi asserts. Macquarie forecasts US$45 in pre-tax costs for the acquisition and the productivity program, offset by around an incremental -US$17m in savings from the productivity program.

By FY26 a target of -US$50m in annualised cost savings is anticipated at a total cost of the program at US$85-US$90m. Morgans believes the breadth of the program risks increasing the chance of disruptions to Ansell.

In any event, the magnitude of cost imposts versus savings, makes analysis (let alone forecasting) challenging.

FY25 estimates also include an estimated forex tailwind of US$6m; a one-off contribution benefit on exiting the household glove business in FY24 at around US$5m.

Importantly, margins are expected to improve. Ansell boosted the cash conversion to 131% in FY24 from 80% in FY23, with better working capital from lower inventories.

The company is also lowering capex, Citi highlights, to -US$60-US$70m in FY25 and falling to -US$60m in FY26. A new greenfields surgical plant in India is planned for FY25.

The Kimberley-Clark asset acquisition at a cost of -US$640m is trading in line with expectations, some six weeks in, but the earnings contribution in FY25 is expected to be "modest, almost immaterial" management noted.

This is due to the 12-month transitional services agreement. Scope for customer loss and disruptions remains a risk, Morgans stresses.

Brokers stay broadly on the sideline

The FNArena consensus price target was revised up by $2.82 to $28.708 post the FY24 results. The target is the average of targets set by brokers monitored daily by FNArena.

Macquarie and Citi have the highest target prices at $32 and $32.50, with an Outperform and Neutral rating, respectively.

Morgans joins in with Hold and a $27.10 target. Ord Minnett has upgraded to Hold from Lighten, with a $27.80 target.

Outside the daily monitor, Evans and Partners has a Negative rating with a $25 target price.

The latter analyst sums up the conundrum for investors, Ansell provided an FY24 earnings "beat, but at what cost?".

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

RUDI'S VIEWS

Rudi's View: August Paints A Bifurcated Picture

By Rudi Filapek-Vandyck, Editor

As per always, investors tend to experience reporting season through their own portfolio holdings.

Miss out on the few sharp punishments and own a number of positive surprises and we might feel chuffed about past choices and our predilection for selecting winners.

Own a few bombs and the game looks rigged against the small investor, with no surprise big enough to lighten the mood.

The share market can be a treacherous place, in particular during reporting season when one cannot be too certain in advance that whatever our companies share with the outside world will be liked and positively received.

And that's simply the financial performance over the six months or quarter past. What about management providing guidance on what is likely ahead?

Corporate results season in Australia is a slowly ramping up affair, and this means, broadly speaking and as has become the local standard, we still aint seen nothing just yet.

Today, on the 19th of August, the **FNArena Corporate Results Monitor** still only has reviewed 70 results.

That number will be closer to 400 in less than two weeks, so a lot can and will undoubtedly change as the numbers accumulate quickly from here onwards.

But we've had Rio Tinto ((RIO)), Goodman Group ((GMG)), CommBank ((CBA)) and CSL ((CSL)), ResMed ((RMD)) and Cochlear ((COH)), plus a whole series of smaller cap names and quarterly updates from the other Big Banks, so maybe looking at the early trends and observations might not be such a bad idea.

The first observation to highlight is the almost equal divide of those 70 reports over beats (23), meets (23) and misses (24). Before the season started, I had predicted notable polarisation because of ongoing inflation and other challenges, on the back of deteriorating economic momentum locally and globally, but this is almost a picture too perfect.

The FNArena Monitor combines financial outcome with forward guidance, if provided, and underlying those numbers is the fact many companies are able to meet analysts' forecasts for the past six months. It's the period ahead that is often the problem.

The dilemma investors are confronted with is whether management teams are too cautious when they look ahead?

Invariably, the share price receives a genuine shellacking as performance and guidance are measured against what analysts have embedded in their modeling. This is where things might get tricky because selling your shares into the instant punishment might not be the best decision to make.

I note, for example, CSL ((CSL)) shares were trading above $308 on August the 13th when FY24 was released with guidance that was lower than what was expected. The shares were punished for it, but today the share price is trading back above $308. And what to make of Audinate Group ((AD8)) first releasing a downbeat outlook for FY25 but then releasing a slightly better-than-flagged financial report which sees its shares rally by 20% on the day?

I mention both because both are owned by the **FNArena/Vested Equities All-Weather Model Portfolio** and I have been reminded by

another investor recently that often the smartest investment decision to make is to do absolutely nothing. Hold that thought.

Two key differences with the recent quarterly reporting season in the US are that Australian companies are equally meeting or beating forecasts, but not because costs are falling. In Australia, the story behind FY24 results thus far is more about lower taxes and lower interest costs.

Inflation through input materials and staff remains a problem and this is also where most disappointments stem from. The other key difference is forecasts post corporate releases in the US have trended upwards; in Australia the net balance is for further decline. Business leaders Down Under are simply not equally as confident when looking ahead.

How much of this gap relates to the differences in messaging from the Federal Reserve and the RBA?

On Macquarie's number crunching, analysts are downgrading twice as many times as they are upgrading forecasts.

The one stand-out reporter from the first two weeks is **contractor NRW Holdings** ((NWH)). Analysts had been optimistic in the lead-up to the FY24 release, and the company truly delivered with higher revenues, better margins and the promise of more contracts coming.

As is usually the case under such circumstances, forecasts and valuations have made a leap upwards, as can be seen from the notable jump in price targets, and the share price has responded accordingly.

Other strong performers include multiple companies that have enjoyed strong performances for a long while, including Life360 ((36)), Car Group ((CAR)), JB Hi-Fi ((JBH)), Light & Wonder ((LNW)), Pinnacle Investment Management ((PNI)), Pro Medicus ((PME)), REA Group ((REA)) and smaller caps Aspen Group ((APZ)), Temple & Webster ((TPW)), Vista International ((VGL)) and Viva Leisure ((VVA)).

In many cases, delivering a "strong performance" has become but the middle name of those companies, in particular the larger cap names with the public debate centred mostly around 'value' and what price?

As per always, some of the long-time struggling companies are simply still struggling, including the ASX ((ASX)), Aurizon Holdings ((AZJ)), Beach Energy ((BPT)), Seek ((SEK)) and Seven West Media ((SWM)).

In some cases, or so it appears, financial performances and management insights are providing early optimism about a better-looking future.

Companies in the latter category include AGL Energy ((AGL)), Amcor ((AMC)), AMP Ltd ((AMP)), Amotiv ((AOV)), Challenger ((CGF)), maybe even Magellan Financial ((MFG)).

Thus far, medium sized and smaller cap companies are doing better than the large caps. If healthcare is making a comeback in 2024, it's not happening with a Big Bang.

One sticky point in Australia is always: what about dividends for shareholders?

Here, the banks have surprised in a positive sense, with CommBank yet again showing one should never assume last year's dividend cannot be raised, no matter what the circumstances. But most REITs have confirmed the tough challenges that are weighing on cash flows and distributions.

Analysts have spotted early signs of improvement, but every investor's best friend remains careful stock selection, and patience.

While distributions to date seem to have disappointed, there have been multiple positive surprises, also because that's what Australian boards do when profits encounter a set-back. See, for example, BlueScope Steel ((BSL)) and Suncorp Group ((SUN)) on Monday.

On my observation, your typical cyclical, outside of retailers, is very much prone to reveal its fragility this month. Apart from BlueScope Steel on Monday and Sims Group ((SGM)) earlier, this also includes Nufarm ((NUF)), Evolution Mining ((EVN)) and the earlier mentioned Beach Energy. Origin Energy's ((ORG)) update equally fell well short of expectations.

One company that deserves a special mentioning is **Telstra** ((TLS)). A little over one month ago, sentiment quickly soured when management decided to abandon the telco's automatic annual price increase for mobiles. Shareholders, rightfully or otherwise, might have worried about future dividends not keeping up with inflation.

Last week's FY24 release has completely reversed that dynamic. Confidence is now strengthened about Telstra lifting its annual dividends by 1c each year, in multiple consecutive years ahead.

One cent doesn't sound like much, but when the starting base is the 18c from FY24, this 1c increase is relatively something that in comparison remains out of reach for most REITs and other dividend payers, including the banks.

This is why Telstra is making a comeback as the most preferred dividend/income stock on the ASX for many.

My personal story is that Telstra is part of the specific dividend paying segment in the All-Weather Model Portfolio, but I too had become worried it was probably better to move onto greener pastures elsewhere. The wise decision I made was not to hurry and wait until the August result before deciding upon making any changes.

Similar as in the case of CSL, Telstra's share price is now back to where it was before that announcement was made. And herein lays a lesson for all of us: sometimes the best decision truly is to not make any changes at all.

One disappointment and a weaker share price in the here and now does not automatically spell disappointment and a bad outcome longer term. It's good to be reminded about these things, assuming we can trust our judgment and the companies we choose.

P.S. in case anyone wondered: 1c in addition for the next three years for Telstra's 18c dividend translates into an increase of 5.56%, 5.26% and 5% respectively. The implied forward-looking dividend at today's share price (ex-franking) is 4.8%.

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Paying subscribers have 24/7 access to my curated lists via the **All-Weathers section** on the website: https://fnarena.com/index.php/analysis-data/all-weather-stocks/

More reading:

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

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

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

FNArena Talks

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

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

FNARENA VIDEO

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

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

SPECIAL REPORT

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

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

Model Portfolios, Best Buys & Conviction Calls

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

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

(This story was written on Monday, 19th August, 2024. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

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

SMALL CAPS

PWR Holdings Revs Up For FY26 Growth

Cooling parts manufacturer and small cap investor favourite, PWR Holdings shocked the market with an earnings re-set, as management invest across the board for future growth.

-Labour costs drive PWR Holdings' FY24 disappointment
-Aerospace and defence in the drivers seat
-Is FY25 simply a transition year?

By Danielle Ecuyer

FY24 results set the stage for growth

PWR Holdings ((PWH)) reported an unexpected disappointing FY24 result. The share price of the investment darling in the automotive cooling market has succumbed to the challenges of investing for growth in the future, where short-termism collides with longer-term growth aspirations.

Stripping down the latest results, group revenue came in broadly in line with expectations with the burgeoning aerospace and defence division growing a sharp 100%. While impressive, revenue of $21m against group revenue of $139m is yet to reach it incremental growth potential.

Analyst homed in on the 21.5% increase in employee costs on the back of a 13% lift in the head count.

Management has been transparent in its desire to opportunistically recruit favourable talent which comes at a financial cost in a competitive marketplace. Securing longer-term tenure also requires more financial incentives which are reflected in the latest update on employee costs.

"Moving ahead of the curve" roles, is how PWR described the boost in employees as the company accelerates the transition to its new Queensland factory at a cost of -$37.6m (-$24.6m for factory upgrades and -$13m in new equipment). that will double manufacturing capacity with a 100% increase in floor space.

Some $21.7m cash on hand at June end will be used to help fund the investment, with management negotiating a new $30m facility to fund the residual and boost working capital capacity.

Early access to the new facility has been granted on August 1 with the transition in place by November 2025.

Accordingly, associated costs, including higher rent of -$3.5m by FY26, plus increased net interest costs alongside higher depreciation/amortisation charges are the culprits for analysts downgrading FY25 earnings estimates.

In FY25, the near-term costs will weigh on margins with a decline of -390 basis points to 13.9%, according to the Bell Potter analyst.

Operationally, a slowdown in OEM growth is on the cards in FY25-FY27 following the completion of the Aston Martin Valkyrie and Mercedes AMG X1 projects.

But emerging technologies in motorsports offer a good opportunity management believes, as increased battery cooling needs for the new Formula One regulations will commence in 2026.

Transitions take time and investment

Analysts tip a hat to PWR's track record since listing in 2015, but FY25 is highlighted as the "transition" year for the company (a phrase also used by company management).

Higher costs across the board in the face of potentially softer organic growth in OEMs, have resulted in a more downbeat earnings outlook.

Management has offered FY25 guidance of flat earnings pre-one-off cost on FY24 at $24.8m.

UBS moves to the knub of the issue for investors, as PWR invests for the future over FY25, the market will be seeking out indications of growth into FY26 and beyond.

Moelis assesses the valuation of 35x price-to-earnings as leaving little room for disappointment. Admittedly, this broker highlights the technology is great, but expansion into new markets requires new contract wins which can be "lumpy".

At some point investors having sent the stock price down for the rebasing of earnings will be looking for the "show me the money" moment for the return on capital invested for growth.

The aerospace and defence division is very much highlighted as the new growth engine.

UBS believes aerospace and defence will be the key diver of incremental revenue growth driver for PWR from FY24 to FY26.

In aerospace and defence the number of programs where the company is a "nominated supplier" or "in discussions" rose to 47 from 45 and is stable at 38 in FY26 from 39 six months ago, respectively. For FY27, there are an estimated 34 program opportunities.

While all eyes are on the touted aerospace and defence, the new facility is aimed at driving growth across all divisions, including improved production efficiencies and increased applications of automation.

Growth doesn't come without investment and with that comes uncertainty. Management has reset expectations as it puts in place the infrastructure for the company's next growth phase.

In contrast investors like certainty, which leaves the less patient hanging out in the winds of change.

What are the brokers saying?

Even with an average -$1.54 decline in the FNArena consensus price target to $10.638, daily monitored brokers, on average, expect some 12% upside for the stock.

Morgans is the only broker to rate PWR as a Buy with the highest target at $11.00, compared to Bell Potter, Citi and UBS at Neutral/Hold ratings.

Not daily monitored Goldman Sachs is equally upbeat on the company's long-term growth potential, maintaining a Buy rating and a reduced target of $11.50.

Moelis is looking for future earnings certainty and more transparency; Hold with a $10.97 target price.

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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SMALL CAPS

Monadelphous Shakes Off Lithium

Resource sector contractor Monadelphous has suffered from lithium weakness and the closure of a major project, but management is upbeat about the outlook.

-Lithium weakness and Albemarle closure hit Monadelphous
-FY24 results surprise to the upside
-New contract wins a highlight
-Opportunities across the spread of commodities and renewables

By Greg Peel

Monadelphous Group ((MND)) is a contractor to the mining and energy sectors, providing engineering & construction and maintenance services. The company's share price took a -12% hit at the end of July when Albemarle elected to close down its Kemerton lithium operation in Western Australia, leading to a loss of -$75-80m in revenues for Monadelphous as contractor.

The share price had already been gradually trending down all year, due to ongoing weakness in the lithium price feeding into weakness in sentiment, given Monadelphous' lithium exposure.

The market was relatively downbeat on the company heading into its FY24 result. The share price had decoupled from earnings correlation, Macquarie notes, and was pricing in downgrades.

Monadelphous delivered FY24 revenue growth in line with expectations, but an increased margin led to better than expected earnings. The higher margin segment of Engineering & Construction (E&C) beat consensus by 6%, with lower-margin Maintenance & Industrial (M&I) falling short by -2%, despite posting record revenues.

The final dividend of 33c came in well above forecasts, compared to 25c in the first half. The dividend beat is a positive signal in Macquarie's view.

Who Needs Kemerton?

The termination of the Kemerton project appears to be a distant memory for Monadelphous, suggests Citi, with recent contract awards more than offsetting its impact. Management appears optimistic around the near-term growth profile, particularly in E&C, noting project awards in the coming months are key to maintaining second revenue momentum.

Monadelphous has been awarded more than $3bn in contracts since the beginning of FY24, with major contracts in the energy, lithium, iron ore and renewable energy sectors.

No FY25 guidance was provided, which never pleases analysts, but for a company that is typically conservative, Citi finds outlook commentaries to be upbeat.

UBS was of the same mind, noting Monadelphous' upbeat outlook commentary points to a significant pipeline of opportunities across the resources and energy sectors, along with increasing expenditure related to decarbonisation.

Recent awards in iron ore, oil & gas and renewable energy should offset headwinds from lithium, UBS suggests, including Kemerton. Maintenance segment earnings should continue to be supported by high levels of production across commodities.

As at 30 June, the work-in-hand for E&C was $375m. Positively, says Morgans, Talison Lithium's CGP3 project is the only outstanding lithium project and with works well underway (20% completion) this seems unlikely to be cancelled. Over the last five years, the average revenue delivered in excess of the E&C work-in-hand at the start the year is $470m, Morgans notes, which implies some $850m revenue in FY25.

Since 30 June, another $540m of E&C awards have been announced. Some of these contracts are long-dated, Morgans notes, particularly at Woodside Energy's ((WDS)) Pluto LNG plant and Zenviron's Lotus Creek Wind farm, but they should help set E&C up for FY25 and FY26.

These contracts take E&C work awarded since the start of FY24 to $1.1bn, which is well above the $0.7bn revenue delivered in FY24.

An upcoming catalyst for the stock, Morgans notes, is further E&C awards which are "expected in the coming months". Thereafter, the catalysts will be further iron ore awards, with Monadelphous now confirming it has been involved as an early contractor on some of these projects. This may trigger some excitement, however, the broker's industry feedback suggests the major iron ore awards are some ten months away.

Additionally, gas & wind projects form part of the pipeline. On M&I, given the dominant market position in iron ore & energy (more than 70% share), revenue is expected to grow low single digit. Jarden notes the resources mix of maintenance work has shifted to oil & gas.

Jarden further notes that while management is no longer calling out "skilled labour shortages remain a challenge" as a headwind in its outlook statement, headcount disclosure appears broadly flat relative to the first half result.

While labour availability continues to remain a headwind, Monadelphous noted this has eased. This, in conjunction with increasing E&C topline contribution and easing inflationary pressure, should lead to sequential margin improvement, Citi suggests.

Meanwhile, high levels of construction activity have been flagged with momentum across a wide range of commodity groups all contributing to a robust pipeline of opportunities. This enables the company to be selective around opportunities it targets, meaning new work is likely to meet or exceed management's return and risk appetite thresholds, in Citi's view.

At the Margin

Due to the bumper FY24, earnings growth fades in FY25 before accelerating again in FY26, Morgans estimates, as iron ore work is expected to gather pace. The broker maintains Hold given its conscious of overzealous margin assumptions in FY25, awaiting the large iron ore work packages which are ten months away.

Given E&C accounts for most of the change in earnings from year-to-year, the stock moves with E&C and specifically major E&C awards, Morgans notes. Industry feedback suggests limited major E&C awards are on the horizon.

Morgans has a $13.80 target, up from $13.20.

Sustaining the FY24 E&C exit-rate is highly dependent on near-term contract wins in the iron ore and energy sectors. Bell Potter remains positive on the short-term activity outlook for maintenance and sustaining capital works, with opportunities reinforced by the latest wave of resources and energy developments, and expanded sustaining capital expenditure programs by iron ore miners.

Bell Potter also has a Hold rating and $13.80 target, up from $13.60.

In UBS' view, elevated resources sector demand will continue to support Monadelphous' order intake.
This broker looks to the upcoming AGM in November for first half revenue growth guidance, as it currently has a flat forecast. With the stock trading at a one-year forward enterprise value to earnings ratio of 7.9x, against a long-term average of 8.4x, UBS maintains Neutral, cutting its target to $14.00 from $15.00.

Jarden retains Overweight, with a target of $13.80.

The stock has been hit hard in last couple of months post the Albemarle lithium cancellation and negative resources sector sentiment, Macquarie notes. FY24 saw a solid result in that context with a dividend and margin beat.

Macquarie lifts its target to $14.50 from $14.15 and retains Outperform.

Citi notes Monadelphous has a healthy cash balance in excess of $200m which could potentially be deployed in the near-term to deliver geographical footprint expansion and/or diversification of capabilities.

Citi continues to be bullish and remains on Buy with its target price unchanged at a standout $16.20.

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SMALL CAPS

Is Judo Capital Too Ambitious?

While the Judo Bank share price rose following FY24 results, some analysts challenge management's upbeat outlook on asset quality.

-A strong second half for Judo Bank in FY24
-Some brokers harbour doubts around asset quality
-Management expects 15% profit growth in FY25
-Upcoming return on equity step-change, says Morgan Stanley

By Mark Woodruff

Due to the substantial share price re-rating of Australian banks this year, which generate only a fraction of the expected growth of Judo Capital Holdings, better known as Judo Bank ((JDO)), Macquarie has decided to upgrade its rating from Underweight.

The broker's new Neutral rating balances the bank's future growth prospects against potential credit quality and competition risks, which FNArena explores further below.

Judo modestly beat profit expectations in FY24, but the second half showed improvement, and the market was clearly happy with a greater level of detail underpinning unchanged guidance for around 15% profit growth in FY25, suggests Citi, as the share price jumped by around 10% in reaction.

Improving asset quality and the likelihood of more sustainable interest margins buoyed investor sentiment, suggests Ord Minnett. Also, second half profit came in 5.3% ahead of the consensus forecast.

The worst has now likely passed, according to Barrenjoey, which suspects the market was relieved partly because earnings have been in a consistent downgrade cycle since listing in November 2021.

Agreeing with Ord Minnett, this broker also points out competitive threats had raised concerns over the sustainability of Judo's net interest margin (NIM).

Contributing the most to Judo's results, net interest income (NII) is derived from the difference between interest earned on lending and investment assets and interest incurred on customer deposits and wholesale debt raised to fund these assets.

In the second half of FY24, total income was around 1% ahead of consensus and the NIM slightly improved to 2.85%, offset by slightly smaller Average Interest Earning Assets (AIEA).

Prioritising relationship-led lending, supported by a cloud-based digital technology architecture, Judo is a small-to-medium enterprise (SME) banking specialist and a challenger bank to the big four banks in Australia in this space.

Investors should be aware of heightened credit risk in SME business lending compared to home mortgage lending.

Costs arise from running the business such as staff, occupancy, and technology related expenses.

Listing on the ASX in November 2021 at $2.10, the shares quickly peaked at $2.48 before grinding lower over the following two years to 80c, and then staging a comeback to $1.54 at the time of writing.

Following the release of FY24 results, the average 12-month target price in the FNArena database has surpassed this share price after rising by 31.2% to $1.64.

After hitting an earnings nadir in the second half of FY24, Morgans believes the base is now set for management to attain guidance for 15% profit growth in FY25.

In the second half, pre-provision profit declined by -9% (ex-recurring items) but exceeded forecasts by the analysts and consensus by 4%. The profit decline of -37% and no dividend were both as expected.

In upgrading to Overweight from Equal-weight, Morgan Stanley cites second half trends and management commentary on key drivers as providing greater confidence in the potential for operating leverage to drive a step change in return on equity (ROE) over the next two-to-three years.

The common equity tier-one (CET1) ratio fell by -1.5 percentage points (ppt) to 14.7% in FY24, mainly due to an increased loan portfolio, explains Ord Minnett.

Loan growth, lending risk weights and higher operating risk continue to weigh on Judo's capital position, notes Barrenjoey, but as Judo's loan book continues to expand towards its target $20bn metrics-at-scale in around FY27, the CET1 ratio is expected to slide down towards 10.5-11.0%.

Evans and Partners remains uneasy about the downward CET1 trajectory to an at-scale loan book and remain similarly uncomfortable around the asset quality outlook.

Asset quality

After a poor March quarter, notes Ord Minnett, non-performing loans as a proportion of gross loans and advances (GLA) fell to 2.31% from 2.63% from the prior quarter.

While management is guiding to improved impairment charges in the near-term relative to the second half of FY24, Macquarie believes this may be a difficult act to pull-off given a rapidly growing lending book.

This broker still envisages impairments will improve over the next few periods as the book grows to full scale.

A potential soft-landing scenario for the Australian economy is a key positive for the bank, as it removes the credit cycle risk. Deposit spreads may normalise as rates decline, providing an upside to Judo's longer-term margins.

Like Macquarie, Citi is dubious around the "brave call" by management which implies guidance the bad and doubtful debt (BDD) expense will fall to just 60bps of loans in FY25, as it is inconsistent with the experience of peer banks at this point of the cycle.

Certainly, Evans and Partners has observed notable deterioration in SME asset quality elsewhere this reporting season.

Improving margins

Apart from an improving margin on new loans and positive recent deposit pricing trends, Morgan Stanley's increased confidence also stems from management guidance for a second half FY25 margin recovery.

The recent and expected net interest margin (NIM) journey is instructive.

The average NIM declined by -17 bps in the second half and exited FY24 at a trough rate of 263 bps. Now, guidance is for a lift to 275-285bps in the first half of FY25 before trending up to 290-300bps in the second half and exiting FY25 at around 300bps.

Term Funding Facility

Also raising Morgan Stanley's recovery hopes is better-than-forecast progress on the funding mix and the end of Term Funding Facility (TTF) refinancing.

Indeed, Macquarie suggests the key highlight from the FY24 results is management's confidence in the FY25 earnings growth trajectory without the TTF.

The TTF is a program introduced by the Reserve Bank of Australia (RBA) during the covid pandemic to provide low-cost funding to banks. Management believes this program masked the underlying improvement in pre-provision profit and that a "significant operating profit trajectory" will emerge in the second half of FY25 and beyond.

Loan growth and capital management

FY25 loan growth is guided to be between $2.0-2.3bn, an adjustment of the range from $2.0-2.5bn previously, but up from $1.8bn in FY24. This new guidance is still below the average $2.7bn/year achieved across FY22-23, notes Morgans.

Driving this loan growth, suggests management, will be new regional locations, additional bankers, new SME product segments, expanded SME product offerings, and increasing banker productivity.

Management does not intend paying dividends as it retains capital to support its significant loan growth aspirations.

Outlook

Judo's balance sheet growth and pipeline remain strong, highlights Macquarie, and management seems confident about near-term lending spreads. As the franchise is de-risked and returns improve, Judo should justify a higher multiple, in the broker's opinion.

Citi highlights there are still risks around costs and asset quality, which are potentially not factored in given the re-rating of the stock price.

The average target price of five covering brokers updated daily in the FNArena database of $1.64 following FY24 results suggests just over 6% upside to the latest share price.

Of the five brokers, there are four Buy (or equivalent) ratings, while Citi remains at a Sell.

Outside of daily coverage, Barrenjoey and Evans and Partners have respective Overweight and Neutral ratings and targets of $1.80 and $1.30.

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WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 16-08-24

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday August 12 to Friday August 16, 2024
Total Upgrades: 17
Total Downgrades: 10
Net Ratings Breakdown: Buy 59.51%; Hold 32.11%; Sell 8.38%

A quickening pace of August reporting during the week ending Friday August 16, 2024 saw FNArena record seventeen ratings upgrades and ten downgrades for ASX-listed companies by brokers monitored daily.

Positive and negative percentage changes to average earnings forecasts and average target prices were remarkably even, as can be seen in the tables below.

The positive change tables highlight some well-established reporting season outperformers such as JB Hi-Fi, Life360, Pro Medicus and Temple & Webster, which all beat brokers' earnings forecasts.

On the other hand, Nufarm experienced a -29% fall in average earnings forecast, and the average target prices for Beach Energy and Aurizon Holdings decreased by -13% and -10%, respectively.

Regarding Aurizon Holdings, brokers questioned the sustainability of Bulk earnings and a lower-than-expected interim dividend disappointed investors. For a more detailed account see https://fnarena.com/index.php/2024/08/14/aurizon-a-dividend-downer-for-investors/.

FNArena also compiled an article on JB Hi-Fi: https://fnarena.com/index.php/2024/08/13/jb-hi-fi-does-it-again/. This company not only exceeded FY24 expectations, but also trading for the first month of FY25 showed sales for JB Hi-Fi Australia, New Zealand, and the Good Guys rising year-on-year by 5.6%,12.2% and 2.7%, respectively.

An 80c special dividend was declared on top of the 261c ordinary dividend for FY24.

Reflecting **contrasting FY24 reporting fortunes in the Utilities sector**, AGL Energy and Origin Energy last week received two broker ratings upgrades and two downgrades, respectively.

AGL Energy's performance was buoyed by improved electricity prices, greater thermal power plant reliability, and a nine-month contribution from the Torrens Island battery in South Australia, noted Ord Minnett. Guidance for FY25 underlying profit also surprised to the upside.

The broker upgraded its rating to Buy from Accumulate after noting improved quality of generation and a growing pipeline of renewable capacity and investments in retail platforms. It's felt the energy producer has laid the foundations for a stronger and more sustainable business.

Morgan Stanley upgraded to Overweight from Equal-weight noting past hard work on plant and the customer is paying off, and prospects for energy prices and demand are favourable.

By contrast, Origin Energy's FY25 earnings guidance surprised to the downside, and Morgan Stanley (downgrade to Underweight from Equal-weight) noted better leverage to data centre and renewables development could be gained via an exposure to AGL Energy. The analysts were at pains to explain this preference owed to respective timing of projects rather than any major difference in project quality.

Macquarie also downgraded Origin to Neutral from Outperform on the disappointing outlook for the Energy Markets division, which owns the Eraring coal fired power station (due to shut in FY26) and a portfolio of gas and hydro power plants.

In the Online Classifieds sector, Seek's FY24 result missed management's guidance and analysts' expectations and FY25 profit guidance fell -28% short of the consensus expectation as explained in https://fnarena.com/index.php/2024/08/15/the-seek-conundrum/.

Elsewhere in the sector, earnings for Domain Holdings Group proved broadly in line, while REA Group beat FY24 expectations and CAR Group's FY25 guidance surprised to the upside as explained in https://fnarena.com/index.php/2024/08/16/resilient-car-group-motors-on/.

Patriot Battery Metals headed up both the negative change to earnings and target price tables after Bell Potter initiated research coverage with one of the lower targets of five covering brokers in the FNArena database.

Macquarie also updated its forecasts for capital costs, operating costs, ramp-up profile, and production forecasts for the 100%-owned Shaakichiuwaanaan lithium project in northern Quebec on the back of an updated mineral resource estimate (MRE).

This updated estimate makes the project the largest hard rock lithium Resource in North America and the eighth largest globally, points out Bell Potter.

The average target price in the database is $1.05, suggesting 94% upside to the latest share price.

ARN Media stands second on the negative change to average target price table after Macquarie reviewed its coverage of Australian traditional media companies.

The broker noted ongoing softness for radio advertising markets and forecasts first half results due on August 22 will fall short of consensus expectations due to softer market share.

For a summary of strong earnings beats for Challenger and NRW Holdings and misses for Nufarm and Lifestyle Communities, along with other companies that reported last week, please refer to https://fnarena.com/index.php/reporting_season/ which also has FNArena's calendar of upcoming results.

Total Buy ratings in the database comprise 59.51% of the total, versus 32.11% on Neutral/Hold, while Sell ratings account for the remaining 8.38%.

Upgrade

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

Macquarie lowers EPS forecasts for junior lithium miners under research coverage, noting resilient lithium supply by producers using lepidolite and African ores have pushed Li2O3 prices below US$11k/t.

As the lithium market downturn reduces funding opportunities, the market is especially tough for small cap lithium producers and developers, highlights the analyst. Production start dates and output ramp-up profiles are also reviewed by the broker.

While Atlantic Lithium's target falls to 40c from 42c, the rating is upgraded to Outperform from Neutral as the analyst believes the share price fall is overdone and the market has failed to recognise recent positive exploration results.

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

AGL Energy's FY24 underlying profit was ahead of market expectations but in line with Ord Minnett's forecast.

The performance was buoyed by improved electricity prices, particularly in May and June, greater thermal power plant reliability, and a nine-month contribution from the Torrens Island battery in South Australia.

An unfranked final dividend of 35c modestly beat estimates. Guidance for FY25 underlying profit surprised to the upside, coming in

well above prior estimates, while AGL also forecasts higher electricity prices in FY26 on FY25.

Target rises to $13.70 from $11.10, upgrade to Buy from Accumulate.

Following FY24 results, Morgan Stanley raises its target for AGL Energy to $12.88 from $10.00 and upgrades to Overweight from Equal-weight. It's felt prospects for energy prices and demand are favourable. Industry view: Cautious.

FY24 profit of $812m came in above management guidance of $760-810m, while FY25 earnings guidance was higher than the broker's estimates, and slightly ahead of consensus.

The final dividend was 35cps unfranked and management intends to begin paying partially franked dividends from interim FY25.

ANZ GROUP HOLDINGS LIMITED ((ANZ)) Upgrade to Buy from Neutral by UBS .B/H/S: 1/2/3

UBS originally underestimated the excess capital of Australian banks and now highlights the potential to recycle capital and return it to shareholders, supporting the investment case.

The broker also raises its lending growth forecasts for each of the banks under coverage by 1ppts (on average) on the back of the recently stronger APRA lending growth numbers.

For ANZ Bank, UBS lifts its target to $32 from $30 and upgrades to Buy from Neutral.

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

Macquarie upgrades Arena REIT to Outperform post research restrictions and its $140m July capital raising.

The REIT raised more funds than currently required for acquisitions which, the broker surmises, provides future funding flexibilty to grow earnings.

Management offered a better-than-expected FY25 dividend guidance with a "solid" earnings outlook the broker states.

The target price is $4.02 with an Outperform rating.

AVITA MEDICAL INC ((AVH)) Upgrade to Speculative Buy from Hold by Bell Potter .B/H/S: 3/0/0

Bell Potter likes the 2Q24 revenue of US$15.2m up 37% on the previous quarter for Avita Medical.

Losses declined by US$1.6m with a cash burn of US$14m, while 89 new hospital accounts opened and 85 additional accounts are in stages of negotiation, the analyst highlights.

Management guided to 3Q24 revenue of US$19m-US$20m, another 30% forecast growth, quarter-on-quarter.

The stock is upgraded to Speculative Buy from Hold as the broker believes the company is on the "cusp" of sustainable growth.

Target price is revised to $3.60 from $3.20.

AURIZON HOLDINGS LIMITED ((AZJ)) Upgrade to Equal-weight from Underweight by Morgan Stanley .B/H/S: 0/6/0

Following FY24 results for Aurizon Holdings, Morgan Stanley lowers its target to $3.55 from $3.77 and upgrades to Equal-weight from Underweight on a less demanding valuation. Industry view: Cautious.

The broker also feels the coal market risk skew is now more balanced, and progress is being made on non-Coal growth with the One Rail acquisition completed and Containerised Freight capacity in place.

FY24 earnings (EBITDA) of $1,624m missed forecasts by the broker and consensus by -2% and -7%, respectively, while FY25 underlying earnings guidance missed the consensus expectation by -3%.

See also AZJ downgrade.

CHALLENGER LIMITED ((CGF)) Upgrade to Buy from Neutral by Citi .B/H/S: 4/2/0

An unexpected but most welcome improvement in the capital position for Challenger has Citi all fired up about the outlook and increased optionality to grow, with more protection on asset price declines.

The broker emphasises the improvement to 1.67x on the protection capital account coincides with momentum in the Life business and the ability to improve the return on equity via efficiency gains.

Management has not revealed the earnings accretion from the Accenture deal but the broker expects a

$8m-$10m benefit in FY25.

Notably, life product margins increased 15 basis points over FY24 and 9 basis points in the 2H24.

The stock is upgraded to Buy from Neutral. Target price lifts to $8.30 from $6.95.

CSL LIMITED ((CSL)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 6/0/0

CSL reported FY24 earnings which were 2% above Ord Minnett's estimates and ahead of guidance.

Behring recorded results which met expectations, with Seqiris and Vifor ahead of the broker's forecasts.

FY25 net profit guidance of 10%-13% growth was lower than expectations of 15%-16%, but the analyst notes guidance is normally conservative.

Ord Minnett adjusts EPS forecasts by 2% for FY25-FY8 and expects CSL can generate compound average earnings growth of 13% between FY25-FY28.

Rating upgraded to Accumulate. Target price revised to $319 from $317.30.

DEXUS INDUSTRIA REIT ((DXI)) Upgrade to Hold from Sell by Bell Potter .B/H/S: 2/1/0

Dexus Industria REIT delivered earnings which were a touch higher than Bell Potter and consensus expected.

The REIT improved gearing to 20%, notably below the target of 30%-40%.

Lower debt and a 6.25% yield on capital across the group's portfolio allows for $70m in confirmed developments and around $180m in planning, the broker highlights.

Management's guidance placed earnings at 17.8c and a 16.4c dividend for share.

Bell Potter upgrades the stock to a Hold rating from Sell, due to the relative price under-performance.

Target price unchanged at $2.80.

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

Citi observes Fortescue's share price has fallen -38% in the last six months, versus -14%/-12% for BHP Group ((BHP)) and Rio Tinto ((RIO)), respectively.

Citi is cautious on iron ore pricing for the 2H2024 but a consensus iron ore forecast of US$100t is viewed as reasonable for 2025, as higher cost producers reduce volumes. Simandou is expected to ramp up in 2026.

After adjusting for a potentially higher carbon price forecast of US$100t, Citi believes Fortescue shares are trading at too deep a discount.

A $21 target price is retained; rating lifted to Buy from Neutral on valuation grounds, rather than a still cautious view on iron ore.

NETWEALTH GROUP LIMITED ((NWL)) Upgrade to Accumulate from Hold by Ord Minnett and Upgrade to Neutral from Underperform by Macquarie and Upgrade to Neutral from Sell by Citi .B/H/S: 3/3/0

Ord Minnett acknowledges the marginally lower than forecast FY24 result for Netwealth Group but the resilience of the net flow into FY25 is viewed as "excellent" by the broker.

Operating cash flow increased 14% and the final dividend rose 8% on the previous year to 14c (fully franked).

Ord Minnett highlights Netwealth Group is expected to generate compound average EPS growth of 20% p.a. over the next three years.

The retracement in the share price post the softer results is viewed a buying opportunity.

The stock is upgraded to Accumulate from Hold. Target price $22.

Netwealth Group's FY24 result missed expectations, primarily on the back of lower revenue. Management had flagged revenue margins would be lower, but the -1.6bp year on year decline was larger than the consensus estimate of -1bp reduction, Macquarie notes.

Pipeline commentary remains encouraging, the broker suggests, however this was largely factored into expectations given recent share-price performance and the elevated multiple.

Macquarie believes Netwealth can hold its elevated multiple for the upcoming quarterlies with upside risk to net flow expectations. It remains to be seen if the current level of flows can be sustained beyond FY25, but

the broker upgrades to Neutral from Underperform.

Target rises to $21.00 from $16.75.

Citi upgrades its Netwealth Group target price by 8% to $20.45 and the rating to Neutral due to what the analyst believes is a relatively fully valued stock.

The broker expects consensus earnings to be revised down on the back of guidance for lower margins and higher costs, but does retain a very upbeat view on the strong pipeline.

Market share is forecast to increase and a 20% compound average growth rate in EPS is forecast for the next three years.

FY25 net inflows are forecast to rise 17% and the Xeppo purchase assists with 3%-5% revenue growth increases for FY25/FY26, respectively.

In spite of guided higher costs, Citi still envisage margins to increase by 100 basis point to around 49.9% in FY25.

QBE INSURANCE GROUP LIMITED ((QBE)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 5/2/0

Bell Potter observes overall 1H profitability for QBE Insurance was below the consensus expectation and below H2 of FY23.

Results were dominated by the closure and portfolio transfer of previous poor risks from the US mid-market business, explain the analysts, which ultimately places the business on a better footing.

Management is now aiming for gross written premium (GWP) growth of around 3%, down from 5% due to portfolio exits, notes the broker.

The interim dividend rose to 24cps from 14cps in the previous corresponding period.

The target falls to $18.27 from $18.47 and the rating is upgraded to Buy from Hold after recent share price weakness.

SEEK LIMITED ((SEK)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 5/0/0

Seek's FY24 earnings were down -14% year on year and -4% below consensus and the bottom end of guidance. FY25 profit guidance is -28% below consensus due to the cycle, Macquarie notes.

All of this is largely attributed to a more negative outlook for job ads than originally anticipated.

With further softening in labour markets expected, the broker thinks a mid teens decline in job ads is a more sensible outcome as it would take the group back towards a 'mid cycle' number of listings.

Importantly, Macquarie's analysis suggests job ad growth follows rate changes with a 12-month lag. Factoring in a cycle recovery in FY26, the broker upgrades to Outperform from Neutral on an unchanged $23 target.

WESTPAC BANKING CORPORATION ((WBC)) Upgrade to Neutral from Sell by UBS .B/H/S: 0/3/3

UBS originally underestimated the excess capital of Australian banks and now highlights the potential to recycle capital and return it to shareholders, supporting the investment case.

The broker also raises its lending growth forecasts for each of the banks under coverage by 1ppts (on average) on the back of the recently stronger APRA lending growth numbers.

For Westpac, UBS lifts its target to $30 from $25 and upgrades to Neutral from Sell.

Downgrade

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

According to Ord Minnett, AMP reported much better than forecast FY24 interim earnings results and a 2c dividend.

The analyst believes the result showed much higher cost savings as well as the announced sale of 16 AMP aligned planning firms which will raise $82.2m.

Ord Minnett increases net profit forecasts by 6% for FY24 through to FY26. Accounting for the rise in the share price, the broker revises the rating to Accumulate from Buy.

Target price is lifted to $1.40 from $1.25.

AURIZON HOLDINGS LIMITED ((AZJ)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 0/6/0

Ord Minnett can't hide the disappointment over the Aurizon Holdings' FY24 earnings report.

The broker points to weaker than expected results for all segments of network, coal and bulk, resulting in EPS downgrades for FY25/FY26 of -17% and -15%, respectively.

In FY25, the analyst forecasts coal to generate strong earnings before interest and tax (32% in FY24) and network (58% in FY24) to be the mainstay of earnings.

Bulk generated $101m post the -$2bn investment since FY22. The broker awaits higher earnings, stating bulk needs to contribute to convince the market the strategy is working.

Ord Minnett downgrades the stock to Hold from Accumulate and cuts the target price to $3.60 from $4.10.

See also AZJ upgrade.

BEACH ENERGY LIMITED ((BPT)) Downgrade to Underweight from Equal-weight by Morgan Stanley .B/H/S: 4/1/2

Due to development challenges and ongoing reserve headwinds, Morgan Stanley lowers its target for Beach Energy to $1.18 from $1.45 and downgrades to Underweight from Equal-weight. Industry view: Attractive.

The broker is worried by potential for further downgrades after a further -12.5MMboe of reserve downgrades (5% of total) following management's June 18 strategic review which also downgraded reserves by -19MMboe.

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

LIFESTYLE COMMUNITIES LIMITED ((LIC)) Downgrade to Neutral from Buy by Citi .B/H/S: 1/2/1

After a further review of Lifestyle Communities' FY24 result, Citi lowers its target to $9.50 from $11.70 and downgrades to Neutral from Buy.

Due to a portion of home cancellations, the analysts point to very limited or no sales in the first six weeks of FY25, with ongoing potential for more cancellations among pre-sales.

Additionally, the Melbourne residential market remains weak with days on market remaining at elevated levels in various catchments where Lifestyle Communities is attempting to sell, explains the broker.

The broker's first impressions yesterday were summarised by FNArena as follows:

With Lifestyle Communities having updated the market on July 18, Citi's first take on the FY24 earnings report is in line with guidance, representing a -26% decline year-on-year.

Management remained tight lipped on forward guidance, which was previously withdrawn, the broker highlights.

On a brighter note: the company settled 27 homes from July 1 to August 12, indicating to Citi sales have not stalled.

With concerns over the VCAT decision on Lifestyle Communities' business model, the market remains uncertain over the earnings future, with the broker describing sentiment at "peak fear".

LATIN RESOURCES LIMITED ((LRS)) Downgrade to Speculative Hold from Speculative Buy by Bell Potter .B/H/S: 0/1/0

Bell Potter lowers its target to 23c from 40c and downgrades Latin Resources to Speculative Hold from Speculative Buy due to minimal downside risk to the proposed scrip deal with Hold-rated Pilbara Minerals. It's felt shares should trade in lock-step.

The broker's target for Pilbara Minerals of $3.15 implies a 23c target for Latin Resources. The latter has announced it has entered into a binding Scheme Implementation Agreement for Pilbara Minerals to acquire 100% of its shares by way of a Scheme of Arrangement.

MAGELLAN FINANCIAL GROUP LIMITED ((MFG)) Downgrade to Neutral from Buy by UBS .B/H/S: 0/3/3

Following FY24 results, UBS raises its target for Magellan Financial to $10.80 from $10.50 and downgrades to Neutral from Buy on valuation.

The broker suggests the positive share price reaction on the day reflects a reassessment of associates (stronger contribution from Barrenjoey in FY24) where carrying values are understated, and the Vinva Investment

Management transaction.

The Vinva deal signals a shift to growth in adjacencies from stabilisation, suggests the analyst.

The FY24 core Funds Management business delivered broadly in line with consensus, with the 4% adjusted profit beat driven
by a stronger contribution from Barrenjoey, explains UBS.

ORIGIN ENERGY LIMITED ((ORG)) Downgrade to Neutral from Outperform by Macquarie and Downgrade to Underweight from Equal-weight by Morgan Stanley.B/H/S: 2/2/1

Origin Energy reported 58% earnings growth in FY24, some -10%/-14% below consensus and Macquarie's forecasts, respectively.

The 55c dividend, flat on 1H24, was also a 'miss'.

Generation problems at Eraring underpinned lower electricity market earnings, while overhead costs came in higher. The electricity market recovery has been pushed out by the broker to FY26.

Octopus reported lower earnings. APLNG could experience -13% lower pricing from current levels in 2H25 with the reopening of contract oil-price links, based on current differentials.

Macquarie revises EPS forecasts by -16% in FY25 and -10% in FY26, with a lower target price of $10.12 from $10.74.

Rating dowgraded to Neutral from Outperform.

Following FY24 results for Origin Energy, and FY25 guidance which surprised to the downside, Morgan Stanley decides to lower its target to $8.86 from $10.00 and downgrade to Underweight from Equal-weight. Industry view: Cautious.

The Energy Markets division is experiencing negative gas and electricity jaws, explains the broker, compounded by opex headwinds including higher bad debts, labour costs and compliance costs.

For FY24, earnings (EBITDA) rose by 14% on the previous corresponding period but missed forecasts by the analyst and consensus by -5% and -7%, respectively.

A final fully franked dividend of 27.5cps was declared.

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

Macquarie lowers EPS forecasts for junior lithium miners under research coverage, noting resilient lithium supply by producers using lepidolite and African ores have pushed Li2O3 prices below US$11k/t.

As the lithium market downturn reduces funding opportunities, the market is especially tough for small cap lithium producers and developers, highlights the analyst. Production start dates and output ramp-up profiles are also reviewed by the broker.

Piedmont Lithium's target falls to 15c from 25c and the rating is downgraded to Neutral from Outperform given uncertainties in spodumene concentrate produced by the North American Lithium (NAL) project in Quebec (operated by Sayona Mining ((SYA)).

SAYONA MINING LIMITED ((SYA)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 0/0/1

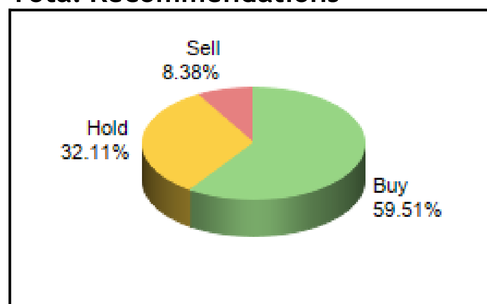
Macquarie lowers EPS forecasts for junior lithium miners under research coverage, noting resilient lithium supply by producers using lepidolite and African ores have pushed Li2O3 prices below US$11k/t.

As the lithium market downturn reduces funding opportunities, the market is especially tough for small cap lithium producers and developers, highlights the analyst. Production start dates and output ramp-up profiles are also reviewed by the broker.

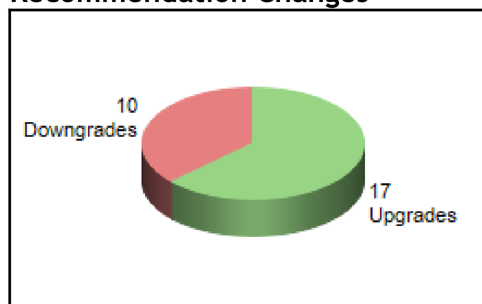
For Sayona Mining, Macquarie lowers its target to 3c from 4c and downgrades to Underperform from Neutral in the belief the company may face near-term liquidity issues.

The broker highlights uncertainties in spodumene concentrate produced by the North American Lithium (NAL) project in Quebec, operated by Sayona Mining.

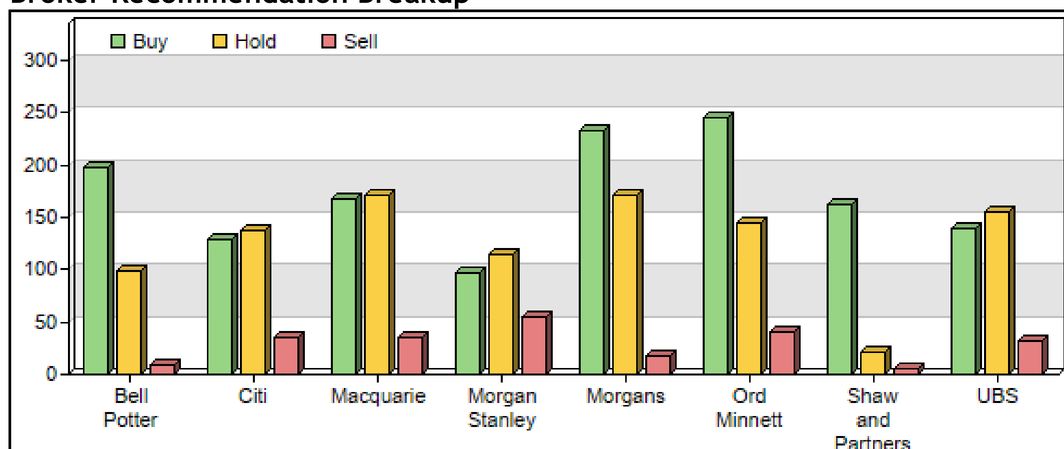
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	AGL ENERGY LIMITED	Buy	Buy	Ord Minnett
2	AGL ENERGY LIMITED	Buy	Neutral	Morgan Stanley
3	ANZ GROUP HOLDINGS LIMITED	Buy	Neutral	UBS
4	ARENA REIT	Buy	Neutral	Macquarie
5	ATLANTIC LITHIUM LIMITED.	Buy	Neutral	Macquarie
6	AURIZON HOLDINGS LIMITED	Neutral	Sell	Morgan Stanley
7	AVITA MEDICAL INC	Buy	Neutral	Bell Potter
8	CHALLENGER LIMITED	Buy	Neutral	Citi
9	CSL LIMITED	Buy	Neutral	Ord Minnett
10	DEXUS INDUSTRIA REIT	Neutral	Sell	Bell Potter
11	FORTESCUE LIMITED	Buy	Neutral	Citi
12	NETWEALTH GROUP LIMITED	Neutral	Sell	Macquarie
13	NETWEALTH GROUP LIMITED	Neutral	Sell	Citi
14	NETWEALTH GROUP LIMITED	Buy	Neutral	Ord Minnett
15	QBE INSURANCE GROUP LIMITED	Buy	Neutral	Bell Potter
16	SEEK LIMITED	Buy	Neutral	Macquarie
17	WESTPAC BANKING CORPORATION	Neutral	Sell	UBS
Downgrade				
18	AMP LIMITED	Buy	Buy	Ord Minnett
19	AURIZON HOLDINGS LIMITED	Neutral	Buy	Ord Minnett
20	BEACH ENERGY LIMITED	Sell	Neutral	Morgan Stanley
21	LATIN RESOURCES LIMITED	Neutral	Buy	Bell Potter
22	LIFESTYLE COMMUNITIES LIMITED	Neutral	Buy	Citi
23	MAGELLAN FINANCIAL GROUP LIMITED	Neutral	Buy	UBS
24	ORIGIN ENERGY LIMITED	Neutral	Buy	Macquarie
25	ORIGIN ENERGY LIMITED	Sell	Neutral	Morgan Stanley
26	PIEDMONT LITHIUM INC	Neutral	Buy	Macquarie
27	SAYONA MINING LIMITED	Sell	Neutral	Macquarie

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	NWH	NRW HOLDINGS LIMITED	3.740	3.117	19.99%	3
2	PME	PRO MEDICUS LIMITED	128.500	108.500	18.43%	5
3	JBH	JB HI-FI LIMITED	69.617	60.017	16.00%	6
4	AGL	AGL ENERGY LIMITED	12.215	10.908	11.98%	4
5	360	LIFE360 INC	20.093	18.140	10.77%	4
6	ORA	ORORA LIMITED	2.600	2.382	9.15%	4
7	NWL	NETWEALTH GROUP LIMITED	21.908	20.642	6.13%	6
8	TPW	TEMPLE & WEBSTER GROUP LIMITED	12.090	11.450	5.59%	5
9	MFG	MAGELLAN FINANCIAL GROUP LIMITED	9.648	9.148	5.47%	6
10	CGF	CHALLENGER LIMITED	7.877	7.568	4.08%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	PMT	PATRIOT BATTERY METALS INC	1.050	1.263	-16.86%	5
2	A1N	ARN MEDIA LIMITED	0.687	0.823	-16.52%	3
3	BPT	BEACH ENERGY LIMITED	1.483	1.700	-12.76%	7
4	AZJ	AURIZON HOLDINGS LIMITED	3.520	3.945	-10.77%	6
5	LIC	LIFESTYLE COMMUNITIES LIMITED	10.393	11.525	-9.82%	4
6	SXL	SOUTHERN CROSS MEDIA GROUP LIMITED	0.810	0.893	-9.29%	4
7	SWM	SEVEN WEST MEDIA LIMITED	0.233	0.255	-8.63%	4
8	NUF	NUFARM LIMITED	5.239	5.689	-7.91%	7
9	BGL	BELLEVUE GOLD LIMITED	1.933	2.067	-6.48%	3
10	ORG	ORIGIN ENERGY LIMITED	10.576	11.108	-4.79%	5

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	TPW	TEMPLE & WEBSTER GROUP LIMITED	6.780	3.820	77.49%	5
2	EVN	EVOLUTION MINING LIMITED	33.100	22.600	46.46%	5
3	CGF	CHALLENGER LIMITED	58.460	40.900	42.93%	6
4	PME	PRO MEDICUS LIMITED	102.720	76.180	34.84%	5
5	NWL	NETWEALTH GROUP LIMITED	43.560	33.860	28.65%	6
6	PWH	PWR HOLDINGS LIMITED	31.780	26.840	18.41%	5
7	TWE	TREASURY WINE ESTATES LIMITED	61.740	54.340	13.62%	6
8	GMG	GOODMAN GROUP	120.717	106.700	13.14%	6
9	WDS	WOODSIDE ENERGY GROUP LIMITED	223.951	199.908	12.03%	6
10	NEM	NEWMONT CORPORATION REGISTERED	409.186	368.378	11.08%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	PMT	PATRIOT BATTERY METALS INC	-17.942	-9.425	-90.37%	5
2	360	LIFE360 INC	19.680	31.945	-38.39%	4
3	NUF	NUFARM LIMITED	10.986	15.543	-29.32%	7
4	MFG	MAGELLAN FINANCIAL GROUP LIMITED	71.450	94.950	-24.75%	6
5	AGL	AGL ENERGY LIMITED	93.150	117.575	-20.77%	4
6	SWM	SEVEN WEST MEDIA LIMITED	4.700	5.625	-16.44%	4
7	NCK	NICK SCALI LIMITED	89.400	105.000	-14.86%	3
8	AVH	AVITA MEDICAL INC	-140.676	-125.556	-12.04%	3
9	QBE	QBE INSURANCE GROUP LIMITED	161.124	180.140	-10.56%	7
10	GYG	GUZMAN Y GOMEZ LIMITED	3.767	4.150	-9.23%	3

Technical limitations

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

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WEEKLY REPORTS

Uranium Week: ASX Short Positions On The Rise

Share prices are weak and short positions on the rise ahead of Kazatomprom's market update.

-Spot uranium relatively quiet
-Ai and semiconductors add to positive industry outlook
-Short positions on the rise for Aussie uranium stocks

By Danielle Ecuyer

August is proving to be a quiet market for the spot uranium market, with industry consultants TradeTech describing it as "exceptionally quiet" but not bereft of activity.

Six spot price transactions took place last week which brought forth some U308 price volatility. The TradeTech spot price indicator fell below US$80.90lb from US$81.50lb on Wednesday, before recovering to US$81lb by Thursday.

According to the industry consultants, sellers were keen to capitalise on any buying opportunities.

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

The longer-term prospects for nuclear generation power remain robust, with TradeTech pointing to the hyperscalers, Amazon, Google and Microsoft continuing to evaluate and consider using nuclear energy.

Japan is also looking at re-starting its nuclear reactors in a move intended to support the development of its involvement in artificial intelligence and semi-conductors.

Despite the attractive longer-term demand drivers for nuclear energy and uranium, the shorters have continued to raise their short positions in some of Australia most traded uranium stocks. It would appear they are taking the lead from the near-term weakness in the U308 spot price.

From July 12 to August 12, short positions as a percentage of issued capital have advanced to 8.93% from 4.58% for Paladin Energy ((PDN)); to 8.48% from 7.4% for Boss Energy ((BOE)); 5.12% from 3.06% for Lotus Resources ((LOT)) and 7.93% from 5.74% for Deep Yellow ((DYL)).

Share prices remain under pressure with Paladin ascribed an average target price of $16.088 from FNArena's daily monitored brokers, some 62.5% above current level ($9.995) backed by four positive ratings.

Boss's average target price sits 72% higher at $5.013 backed by two positive ratings and two on Neutral/Hold.

FNArena's The Short Report: https://fnarena.com/index.php/analysis-data/the-short-report/

The market looks to be positioning ahead of Kazatomprom's FY25 guidance update which is expected on August 23. The company reported better-than-feared results on August 1 and upgraded its FY24 outlook because of improved sulfuric acid supplies.

All eyes will be focused on the world's largest uranium producer for supply side indicators and any potential U308 price impacts.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	16/08/2024	0.0600	0.00%	$0.19	$0.06			
AEE	16/08/2024	0.1300	0.00%	$0.36	$0.12			
AGE	16/08/2024	0.0400	▲13.51%	$0.08	$0.03		$0.100	▲150.0%
AKN	16/08/2024	0.0100	0.00%	$0.07	$0.01			

ASN	16/08/2024	0.1000	▼- 4.00%	$0.20	$0.07			
BKY	16/08/2024	0.3250	▲ 8.33%	$0.46	$0.26			
BMN	16/08/2024	2.3700	0.00%	$4.87	$1.86		$7.400	▲212.2%
BOE	16/08/2024	2.9100	▲ 4.08%	$6.12	$2.87	31.7	$5.013	▲72.3%
BSN	16/08/2024	0.0390	▼- 2.50%	$0.21	$0.04			
C29	16/08/2024	0.0800	0.00%	$0.12	$0.06			
CXO	16/08/2024	0.0930	▲ 3.33%	$0.45	$0.08		$0.093	▲0.4%
CXU	16/08/2024	0.0200	0.00%	$0.06	$0.01			
DEV	16/08/2024	0.2000	▼- 7.14%	$0.45	$0.19			
DYL	16/08/2024	1.0100	▲ 7.65%	$1.83	$0.85	-75.4	$1.770	▲75.2%
EL8	16/08/2024	0.3100	▲ 6.67%	$0.68	$0.26			
ERA	16/08/2024	0.0200	▼-15.00%	$0.08	$0.01			
GLA	16/08/2024	0.0100	0.00%	$0.04	$0.01			
GTR	16/08/2024	0.0030	0.00%	$0.02	$0.00			
GUE	16/08/2024	0.0500	0.00%	$0.18	$0.05			
HAR	16/08/2024	0.0500	▼-16.67%	$0.28	$0.05			
I88	16/08/2024	0.6200	▲10.34%	$1.03	$0.14			
KOB	16/08/2024	0.1400	▲27.27%	$0.17	$0.06			
LAM	16/08/2024	0.5600	0.00%	$1.04	$0.51			
LOT	16/08/2024	0.2400	▲ 4.17%	$0.49	$0.20		$0.685	▲185.4%
MEU	16/08/2024	0.0400	0.00%	$0.06	$0.03			
NXG	16/08/2024	8.9900	▲ 5.41%	$13.66	$7.78		$16.200	▲80.2%
ORP	16/08/2024	0.0500	0.00%	$0.12	$0.05			
PDN	16/08/2024	9.9000	▲ 4.06%	$17.98	$8.10	-82.7	$16.088	▲62.5%
PEN	16/08/2024	0.0900	▲ 1.11%	$0.15	$0.08	30.0	$0.260	▲188.9%
PNX	16/08/2024	0.0040	0.00%	$0.01	$0.00			
SLX	16/08/2024	3.8800	▼- 1.16%	$6.74	$2.93		$7.600	▲95.9%
TOE	16/08/2024	0.2800	▲ 3.57%	$0.70	$0.01			
WCN	16/08/2024	0.0200	▲17.65%	$0.02	$0.01			

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

WEEKLY REPORTS

The Short Report - 22 Aug 2024

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

Summary:

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

10%+

PLS 22.65
IEL 13.09
LTR 12.09
SYR 12.07
LYC 11.27
CHN 11.14
STX 10.67
CTT 10.27

9.0-9.9%

SYA
PDN

Out: FLT, WGX

8.0-8.9%

BOE
WBT
DYL

In: DYL Out: GMD

7.0-7.9%

SFR
WGX
FLT
HLS
GMD
BGL

In: BGL, FLT, GMD, WGX Out: DYL, MIN

6.0-6.9%

OBL
SEK
CUV
ADT
NUF
WEB
LIC

In: ADT, LIC, NUF Out: BGL

5.0-5.9%

CXO
RIO
NAN
IFL
LOT
NVX
VUL
BOQ

Out: DXS, LIC, NUF

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.6	0.5	NAB	0.6	0.6
ANZ	0.5	0.5	QBE	0.3	0.2
BHP	0.4	0.5	RIO	5.7	5.8
CBA	1.5	1.5	STO	1.1	1.1
COL	0.8	0.8	TCL	0.8	0.8
CSL	0.4	0.4	TLS	0.3	0.4
FMG	0.9	0.8	WBC	0.7	0.8
GMG	0.5	0.4	WDS	1.1	1.1
JHX	1.0	1.1	WES	1.2	1.2
MQG	0.6	0.6	WOW	0.4	0.4

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

Often large short positions can be attributable to a listed hybrid security on the same stock where traders look to "strip out" the option value of the hybrid with offsetting listed option and stock positions. Short positions may form part of a short stock portfolio offsetting a long share price index (SPI) futures portfolio a popular trade which seeks to exploit windows of opportunity when the SPI price trades at an overextended discount to fair value. Short positions may be held as a hedge by a broking house providing dividend

reinvestment plan (DRP) underwriting services or other similar services. Short positions will occasionally need to be adopted by market makers in listed equity exchange traded fund products (EFT). All of the above are just some of the reasons why a short position may be held in a stock but can be considered benign in share price direction terms due to offsets.

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

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

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

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

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

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WEEKLY REPORTS

In Brief: Audinate, BlueScope & Nuix For Gen.Ai

Weekly Broker Wrap: The results season continues to throw up the hits, misses and misunderstood. Focus on Audinate, BlueScope Steel and Nuix.

-FY25 a consolidation year for Audinate
-Bottom of the earnings cycle for BlueScope Steel
-Nuix, the best Ai play on the ASX?

By Danielle Ecuyer

Quote of the week from John Authers from Bloomberg, a great read if you haven't caught up with John's work.

"*Friday, Powell can tie the recent employment and inflation data to the concerns expressed in these minutes. He will be self-congratulatory, note the risks ahead, and assure everyone the Fed will follow the data. No pushback to the market pricing in 100 basis points of ease between now and year-end says that, like a duck on the pond, there is more going on than what they are portraying on the surface.*"

*[*Steven Blitz of TS Lombard]

Setting the stage for a return to growth

Audinate Group ((AD8)) shocked the market with its August 6 FY25 guidance downgrade, only to pull what looks to be an earnings rabbit out of the hat at the scheduled release of FY24 results.

The 20% rally in the share price might reflect a short squeeze, but on balance the brokers came away from the announcement with an upbeat tune on the audio/video software company.

Ultimately, the FY24 results presented no surprises, with expected flat FY25 guidance outlook discounted in the share price.

The company is cycling a challenging year-on-year comparison in the 1H25 compared to 51% growth a year earlier, because of normalised supply chains.

Canaccord Genuity raises an important question: are the issues which resulted in the FY25 guidance downgrade "structural or cyclical?"

The broker believes it's the latter, pointing to ongoing strengthening of Audinate's market positioning and increasing network effects.

UBS concurs, highlighting the underlying business has sustained momentum with its Dante-enabled products, including growth in the cloud-based Dante Director. This is believed to offer additional revenues of $120m-$140m p.a. or 5% of group revenue in FY28, Canaccord believes.

Some "choppiness" in FY25 sales might be recorded for Dante products as customers transition through inventory, Macquarie highlights, with new AVIO adapters boosting growth in 2Q & 3Q25.

Management stated earnings growth will return to a "more predictable pattern in FY26" as the company unwinds inventories. Importantly, Audinate expects it can grow at 2-4x market growth in FY26 and beyond which equates to 12%-24% at the gross profit level, UBS notes.

The transition to software is expected to boost the gross margin to 80% with a longer term 85% target remaining in place.

Having overlooked M&A opportunities in the past, the appointment of a new Chief Strategy Officer, who is ex Pro Medicus, is guiding opportunities with $110m available.

In upgrading earnings forecasts, UBS stresses the momentum in video products, 18 added in the 2H24; ongoing audio ecosystem leadership at 4,176 products, which is 12x more than the nearest competitor.

Other positive metrics include 22% growth in trained professionals and 15% growth in OEM (original equipment manufacturers) shipping of developing Dante products.

Canaccord sees the 1H25 as a trough in earnings for one of the ASX's top quality small cap companies with Audinate setting the stage for growth re-emerging in the 2H25 and accelerating into FY26. (Buy rated, $12 target price).

Daily monitored broker UBS queries the valuation and downgrades the stock to Neutral from Buy. (Target price $12.20).

Of the other daily monitored brokers, Macquarie has an Outperform ($14.60 target price) and Morgan Stanley an Overweight rating ($10 target price).

Best in class manages the cyclical

BlueScope Steel's ((BSL)) FY24 results presented a mixed reaction from brokers with Macquarie claiming the company announced better than expected results. Morgan Stanley, on the other end of the spectrum viewed results as a miss on forecasts from both itself and consensus.

The brokers do concur on the lower than anticipated 1H25 guidance from BlueScope with much of the miss emanating from North America, because of an expected -50% decline in the results on 2H24. North Star might come in at around one-third of 2H24 and building & coated products around two-thirds of 2H24.

US spreads remain -14% below late July and -32% below the April highs. Demand is relatively subdued with uncertainty in the lead up to the US election.

The brokers highlight the debottlenecking project at North Star to 300ktpa from 500ktpa at a cost of -US$130m.

Domestically, volumes into the dwelling segment are down -11% year-on-year with management guiding to flat volumes in 1H24 on 2H24. Notably, dwelling approvals have declined -30% from the peak.

On balance, the FNArena daily monitored brokers are looking through the cycle on BlueScope. Dwelling activity has bottomed out in Australia and while a recovery might be slow, there has already been a "meaningful

pullback", Macquarie notes.

In North America, capital expenditure has been rejigged, allowing for a more phased approach. Some 275ktpa at an -US$800m cost are being added instead of around 550ktpa at a cost of -US$1.3bn.

Management surprised with a higher than expected 2H24 dividend and a full year payout of 60c from 50c, alongside an $270m buyback extension over the next year.

Net debt has moved to $400m-$800m due to what Macquarie points to as "increased scale and resilience of the portfolio".

The FNArena average target price has come down -$1.16 from the FY24 results announcement to $21.10, including Macquarie (Outperform $24); Citi (Buy, $23), UBS (Buy, $23.50) and Morgan Stanley (Underweight $18.50).

Goldman Sachs reiterates its Buy rating and $25.30 target price, stressing BlueScope is one "one of the highest value add steel businesses in the world" because of its strengths in metal coating and painted steel.

At current levels, the valuation is seen as "compelling". The company retains a strong balance sheet.

Nuix rises from the ashes

The FY24 earnings report will have some investors questioning whether Nuix ((NXL)) has left its travails in the rear vision mirror.

The company reported better than expected annualised contract values of 12% growth against 10% guidance with revenues up 18%.

Petra Capital sees the beat as a combination of lower churn, upselling and higher Neo sales.

Gross free cashflow of $22.5m was better than forecast for Shaw and Partners, resulting from lower R&D, higher margins and improved working capital.

The Nuix Neo, a "solution-based data intelligence platform" powered by Nuix, came up as the growth lever for the business.

Neo added some 46% of the incremental growth in annualised contract volumes or $12.1m from a FY24 start, generating $4.1m in 1H24. Interestingly, a Neo sale is worth around two to three times a non-Neo sale, Petra points out.

Some 23 out of a total 1000 Nuix customers have adopted Neo, which means it is in the very early adopter phase. Management highlighted the product is particularly attractive to government and enterprise customers.

Shaw and Partners believe with its global reach there is potential to scale it rapidly, possibly turning Nuix into one of the best exposures on the ASX to the Gen.Ai thematic.

The company has an Investor Day in Sydney on September 4 and might be attracting some more interest post these results.

Shaw and Partners is Buy rated (reiterated, High risk) with an upgraded target price of $5.20 from $3. Petra is not monitored daily, and is Buy rated with a $4.75 target.

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WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 23-08-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

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

BWP Trust delivered FY24 earnings and distribution in line with Moelis' expectations. BWP has successfully integrated the Newmark Property REIT portfolio following the transaction completing late June.

While the transaction is marginally dilutive to earnings, strategically it increases portfolio quality given NPR's assets are younger and in modern format, and it provides scale benefits to BWP, the broker notes.

It also has a positive impact on BWP's weighted average lease expiry. BWP was more active in acquiring and divesting assets than has been the case in recent years, Moelis notes.

Given demand for Bunnings ((WES)) assets, the broker believes we're nearing the end of the asset devaluation cycle. Upgrade to Hold from Sell, target rises to $3.74 from $3.61.

CHARTER HALL SOCIAL INFRASTRUCTURE REIT ((CQE)) Upgrade to Buy from Hold by Moelis and Upgrade to Buy from Hold by Canaccord Genuity.B/H/S: 0/0/0

Charter Hall Social Infrastructure REIT reported results which met Moelis' expectations. Average daily fees rose 9.5% year-on-year and gearing rose to 33.7% from 33.25%.

Management revised the hedging structure which results in higher interest rates in the short term, the analyst states.

Target price unchanged at $3.02. The REIT is upgraded to Buy from Hold.

Charter Hall Social Infrastructure REIT delivered FY24 results that were in line with expectations. The FY25 distribution guidance was -9% below Canaccord Genuity's forecasts.

This stemmed from a hedging reset, which the broker believes will increase the level of growth over the medium to longer term as it essentially brings forward debt costs.

The valuation is also becoming more attractive on a yield spread basis and, with the ongoing recycling of portfolio assets, in turn could support a narrowing of the discount to NTA. The broker upgrades to Buy from Hold and reduces the target to $2.84 from $2.95.

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

Wilsons upgrades Hub24 to Overweight from Market Weight following a strong start to FY25. The broker considers the upgraded guidance, that signals more than $11bn in net flows per annum, highlights the opportunities ahead.

The broker also emphasises the balance sheet is in an "intriguing position", which signals the company may be readying for further M&A.

With the ongoing momentum and positive earnings upgrades, Wilsons expects the shares will close the PE gap

relative to Netwealth Group ((NWL)) over the next 12 months. Target is raised to $56.20 from $49.00.

See also HUB downgrade.

SIMS LIMITED ((SGM)) Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

In a better-than-expected price outcome, according to Jarden, Sims has sold its underperforming UK Metals business for around $385m. Also, management announced plans to sell its residual -12.4% stake in Circular Services for around US$30m.

At a time of US steel capacity increases, arguably these transactions improve the likelihood of a takeover/merger, suggests the broker, given the company's lagging share price.

Jarden lowers its target for Sims to $11.90 from $12.10 but upgrades to Overweight from Neutral on greater valuation certainty.

Downgrade

HUB24 LIMITED ((HUB)) Downgrade to Underweight from Neutral by Jarden.B/H/S: 0/0/0

Jarden observes the Hub24 platform revenue came in lower than expected in FY24 with EBITDA meeting forecasts.

The broker believes the FY26 funds under administration guidance is conservative but some "moderation" is expected in margins.

EPS forecasts are revised by -1% for FY25 and -3.5% for FY26. Target price trimmed to $44.20 from $44.45.

Due to the valuation with much of the good news/earnings forecasts discounted in the stock price, Jarden downgrades Hub24 to Underweight from Neutral

See also HUB upgrade.

LATIN RESOURCES LIMITED ((LRS)) Downgrade to Hold from Speculative Buy by Canaccord Genuity.B/H/S: 0/0/0

Pilbara Minerals ((PLS)) has entered a binding agreement to acquire Latin Resources, securing the flagship Salinas lithium project in Brazil, which represents an opportunity to diversify its upstream lithium business.

Canaccord Genuity envisages a low probability of a competing takeover bid.

Latin Resources shareholders will receive seven new Pilbara Minerals shares for each share held, implying an acquisition value of $563m. Rating is downgraded to Hold from Speculative Buy and the target reduced to $0.19 from $0.60.

TELSTRA GROUP LIMITED ((TLS)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

Telstra Group's FY24 result met consensus forecasts but Jarden considers it to be a lower-quality result, highlighting a reversal of a provision relating to the Digicel acquisition.

Management tightened FY25 guidance, confirming the broker's view that previous FY25 guidance was conservative.

FY25 EPS forecasts rise 3% (to reflect lower depreciation and amortisation, net interest costs and a lower tax rate); and FY26 EPS forecasts fall -3%.

All up, key businesses revealed strong momentum, observes the broker.

Rating is downgraded to Overweight from Buy. Target price is steady at $4.20.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	BWP TRUST	Neutral	Sell	Moelis
2	CHARTER HALL SOCIAL INFRASTRUCTURE REIT	Buy	Buy	Moelis
3	CHARTER HALL SOCIAL INFRASTRUCTURE REIT	Buy	Neutral	Canaccord Genuity
4	HUB24 LIMITED	Buy	Neutral	Wilsons
5	SIMS LIMITED	Buy	Neutral	Jarden
Downgrade				
6	HUB24 LIMITED	Sell	Neutral	Jarden
7	LATIN RESOURCES LIMITED	Neutral	Buy	Canaccord Genuity
8	TELSTRA GROUP LIMITED	Buy	Buy	Jarden

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
AD8	Audinate Group	$10.08	Canaccord Genuity	12.00	20.00	-40.00%
ANZ	ANZ Bank	$29.95	Jarden	29.50	29.00	1.72%
AOV	Amotiv	$10.45	Goldman Sachs	13.00	14.70	-11.56%
			Wilsons	12.69	13.06	-2.83%
APZ	Aspen Group	$2.17	Moelis	2.53	2.48	2.02%
ARB	ARB Corp	$41.92	Wilsons	47.52	44.39	7.05%
ARF	Arena REIT	$3.99	Moelis	3.89	3.76	3.46%
BBN	Baby Bunting	$1.59	Wilsons	2.10	1.80	16.67%
BSL	BlueScope Steel	$20.42	Jarden	22.90	23.50	-2.55%
BVS	Bravura Solutions	$1.38	Wilsons	1.47	N/A	-
BWP	BWP Trust	$3.68	Moelis	3.74	3.61	3.60%
CBA	CommBank	$136.46	Goldman Sachs	94.80	91.75	3.32%
			Jarden	106.00	105.00	0.95%
CGF	Challenger	$7.35	Goldman Sachs	8.00	7.50	6.67%
			Jarden	7.80	7.50	4.00%
COH	Cochlear	$304.00	Jarden	266.22	237.17	12.25%
			Wilsons	345.00	365.00	-5.48%
CPU	Computershare	$28.29	Goldman Sachs	31.00	28.00	10.71%
			Jarden	30.10	29.20	3.08%
CQE	Charter Hall Social Infrastructure REIT	$2.69	Canaccord Genuity	2.84	2.95	-3.73%
			Moelis	3.02	3.29	-8.21%
CSL	CSL	$308.10	Jarden	329.62	305.34	7.95%
DHG	Domain Holdings Australia	$2.86	Jarden	3.40	3.55	-4.23%
DXI	Dexus Industria REIT	$2.82	Moelis	3.32	3.21	3.43%
EBR	EBR Systems	$1.10	Wilsons	1.50	1.32	13.64%
EGG	Enero Group	$1.18	Canaccord Genuity	2.00	3.25	-38.46%
EVN	Evolution Mining	$4.36	Goldman Sachs	4.05	4.15	-2.41%
			Jarden	3.13	3.19	-1.88%
EVS	EnviroSuite	$0.04	Moelis	0.06	0.09	-33.33%
			Wilsons	0.04	0.11	-63.64%
GQG	GQG Partners	$2.71	Goldman Sachs	3.05	3.00	1.67%
HUB	Hub24	$54.31	Jarden	44.20	44.45	-0.56%
			Moelis	53.85	49.85	8.02%
			Wilsons	56.20	49.00	14.69%
IMM	Immutep	$0.37	Canaccord Genuity	0.95	1.00	-5.00%
JHX	James Hardie Industries	$50.73	Goldman Sachs	55.85	61.65	-9.41%
			Jarden	54.00	55.00	-1.82%
LIC	Lifestyle Communities	$8.20	Goldman Sachs	11.30	12.00	-5.83%
			Moelis	13.10	18.90	-30.69%
LRS	Latin Resources	$0.21	Canaccord Genuity	0.19	0.60	-68.33%
MAD	Mader Group	$5.30	Moelis	6.52	7.41	-12.01%
MAH	Macmahon	$0.34	Jarden	0.32	0.28	14.29%
MFG	Magellan Financial	$9.48	Goldman Sachs	10.00	9.10	9.89%
			Jarden	9.70	9.50	2.11%
MND	Monadelphous Group	$13.11	Jarden	13.50	13.80	-2.17%
NAB	National Australia Bank	$36.90	Goldman Sachs	34.24	34.04	0.59%
			Jarden	36.00	34.00	5.88%
NDO	Nido Education	$0.83	Moelis	1.26	1.33	-5.26%
			Wilsons	1.13	1.27	-11.02%
NUF	Nufarm	$4.00	Wilsons	3.97	4.86	-18.31%
NWH	NRW Holdings	$3.57	Canaccord Genuity	3.82	3.47	10.09%
			Jarden	3.85	3.20	20.31%
			Moelis	3.91	3.56	9.83%

Company		Last Price	Broker	New Target	Old Target	Change
NWL	Netwealth Group	$23.25	Jarden	17.20	17.75	-3.10%
ORA	Orora	$2.42	Goldman Sachs	2.75	2.70	1.85%
ORG	Origin Energy	$9.99	Goldman Sachs	10.75	6.50	65.38%
			Jarden	10.00	10.70	-6.54%
PLS	Pilbara Minerals	$3.00	Jarden	3.70	3.80	-2.63%
PME	Pro Medicus	$150.80	Goldman Sachs	149.00	148.00	0.68%
			Moelis	148.05	99.57	48.69%
			Wilsons	145.00	93.00	55.91%
PRN	Perenti	$0.98	Moelis	1.29	1.25	3.20%
PWH	PWR Holdings	$9.54	Moelis	10.97	12.61	-13.01%
REH	Reece	$26.01	Goldman Sachs	23.70	23.35	1.50%
RWC	Reliance Worldwide	$5.20	Jarden	5.60	5.25	6.67%
SEK	Seek	$21.72	Goldman Sachs	19.50	20.60	-5.34%
			Jarden	26.60	28.00	-5.00%
SGM	Sims	$10.97	Jarden	11.90	12.10	-1.65%
SUN	Suncorp Group	$17.32	Jarden	17.35	17.17	1.05%
SVW	Seven Group	$39.22	Goldman Sachs	43.90	41.80	5.02%
TLS	Telstra Group	$3.98	Goldman Sachs	4.35	4.30	1.16%
TPW	Temple & Webster	$11.31	Canaccord Genuity	13.00	8.00	62.50%
			Jarden	14.30	12.67	12.87%
			Petra Capital	13.10	12.20	7.38%
TRJ	Trajan Group	$1.23	Canaccord Genuity	1.20	1.40	-14.29%
TWE	Treasury Wine Estates	$11.81	Goldman Sachs	15.20	14.70	3.40%
			Jarden	14.60	14.50	0.69%
VVA	Viva Leisure	$1.36	Petra Capital	2.44	2.60	-6.15%
WBC	Westpac	$30.05	Goldman Sachs	25.84	24.10	7.22%
			Jarden	28.60	26.20	9.16%
WDS	Woodside Energy	$25.97	Goldman Sachs	33.50	33.00	1.52%
WGX	Westgold Resources	$3.07	Petra Capital	3.10	2.79	11.11%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

APZ ASPEN GROUP LIMITED

Real Estate Overnight Price: $2.15

Moelis rates ((APZ)) as Buy (1)

Aspen Group delivered FY24 operating earnings above guidance and FY25 guidance was similarly upgraded. Residential rental income was up 36% year on year.

This was a function, Moelis notes, of strong organic growth, the completion of refurb projects, most notably across the Perth apartment portfolio, and the acquisition of apartment buildings in Sydney and Melbourne.

The estimated market rent for Aspen's assets at reporting date was 12% higher than the FY24 average. Aspen's current share price remains attractive in Moelis' view, amidst an under-supplied housing market.

Target rises to $2.53 from $2.48, Buy retained.

This report was published on August 19, 2024.

Target price is **$2.53** Current Price is **$2.15** Difference: **$0.38**
If **APZ** meets the Moelis target it will return approximately **18%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **9.50** cents and EPS of **15.20** cents.
At the last closing share price the estimated dividend yield is **4.42%**.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **14.14**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **10.10** cents and EPS of **16.10** cents.
At the last closing share price the estimated dividend yield is **4.70%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **13.35**.

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

AD8 AUDINATE GROUP LIMITED

Hardware & Equipment Overnight Price: $10.46

Canaccord Genuity rates ((AD8)) as Buy (1)

Canaccord Genuity highlights Audinate Group pre-released most of its FY24 results which left no notable surprises at the FY24 earnings report.

Management reiterated a slightly weaker FY25 gross profit with earnings returning to a "more predictable order pattern in FY26" as inventories unwind and discounting of older stock flows through.

The broker believes much of the FY25 disruption is cyclical and not structural.

Buy rating with $12 target unchanged.

This report was published on August 19, 2024.

Target price is **$12.00** Current Price is **$10.46** Difference: **$1.54**
If **AD8** meets the Canaccord Genuity target it will return approximately **15%** (excluding dividends, fees and charges).
Current consensus price target is **$11.53**, suggesting upside of **10.2%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **4.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **261.50**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **1.2**, implying annual growth of **-90.4%**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **871.7**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **9.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **116.22**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **7.8**, implying annual growth of **550.0%**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **134.1**.

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

PRN PERENTI LIMITED

Mining Sector Contracting Overnight Price: $1.00

Moelis rates ((PRN)) as Buy (1)

Free cash flow in FY25 stood out with Perenti reporting $185m, that Moelis notes was a function of improved conversion, cash generating drilling and working capital. A new target for free cash flow for FY25 implies topline growth and margin expansion.

The broker comments the company has demonstrated momentum in converting a growing pipeline with cash generation and progressive de-gearing underpinning a payout policy of 30-40% of net profit.

Estimates for FY25 are revised down by -7% and FY26 revised up by 2% to reflect guidance as well as rebase interest and tax. A Buy rating is maintained, the target lifted to $1.29 from $1.25.

This report was published on August 20, 2024.

Target price is **$1.29** Current Price is **$1.00** Difference: **$0.29**
If **PRN** meets the Moelis target it will return approximately **29%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Moelis forecasts a full year **FY25** dividend of **6.00** cents and EPS of **17.20** cents.
> At the last closing share price the estimated dividend yield is **6.00%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **5.81**.

Forecast for FY26:

> Moelis forecasts a full year **FY26** dividend of **6.00** cents and EPS of **19.20** cents.
> At the last closing share price the estimated dividend yield is **6.00%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **5.21**.

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

TPW TEMPLE & WEBSTER GROUP LIMITED

Furniture & Renovation Overnight Price: $11.65

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

Canaccord Genuity raises its target for Temple & Webster to $13 from $12 after modest earnings upgrades following FY24 results.

Despite the current investment-for-growth period for the company, FY24 revenue, adjusted earnings and free cash flow (FCF) all slightly exceeded the broker's forecasts. Material market share gains were also evident in a softer macroeconomic environment.

Enhancing the competitive moat, suggest the analysts, the company is moving towards exclusive products via private label and direct supplier relationships. Buy.

This report was published on August 15, 2024.

Target price is **$13.00** Current Price is **$11.65** Difference: **$1.35**
If **TPW** meets the Canaccord Genuity target it will return approximately **12%** (excluding dividends, fees and charges).
Current consensus price target is **$12.09**, suggesting upside of **3.8%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **3.00** cents and EPS of **7.00** cents.
> At the last closing share price the estimated dividend yield is **0.26%**.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **166.43**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **6.8**, implying annual growth of **353.3%**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **171.3**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **3.00** cents and EPS of **15.00** cents.
At the last closing share price the estimated dividend yield is **0.26%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **77.67**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **18.0**, implying annual growth of **164.7%**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **64.7**.

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

VVA VIVA LEISURE LIMITED

Travel, Leisure & Tourism Overnight Price: $1.34

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

Viva Leisure's FY24 results met guidance, leading the broker to tinker with forecasts while maintaining a positive view on the company, highlighting an FY24 margin increase to 21.6% from 10.7% in FY23 (22.7% in the June quarter suggesting FY25 momentum).

The broker expects the company to post a strong 32% rise in FY25 earnings (EBITDA) thanks to Viva Pay's contributions; recently settled purchases in WA; and more Plus Fitness and ClubLime openings and initiatives.

Buy recommendation retained. Target price falls to $2.44 from $2.60.

This report was published on August 15, 2024.

Target price is **$2.44** Current Price is **$1.34** Difference: **$1.1**
If **VVA** meets the Petra Capital target it will return approximately **82%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** dividend of **0.00** cents and EPS of **15.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.93**.

Forecast for FY26:

Petra Capital forecasts a full year **FY26** dividend of **0.00** cents and EPS of **17.90** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.49**.

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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