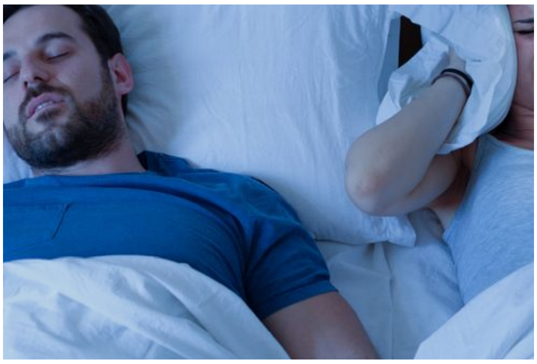
WEEK 5

STORIES TO READ FROM FNArena

Friday, 2 February 2024



ResMed Recovery Turns Into Hollywood Script

Tough Times For IGO

Spotlight On ASX-Listed Cannabis Companies

CONTENTS

AUSTRALIA

SMALL CAPS

TECHNICALS

WEEKLY REPORTS

FNArena
Financial News, Data & Analysis

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

Your editor:
Rudi Filapek-Vandyck

Your dedicated team of journos:
Greg Peel, Danielle Austin, Mark Woodruff & Sarah Mills

AUSTRALIA

ResMed Makes A Comeback

ResMed's December quarter showed long-awaited margin improvement and relieved market fears of the impact of weight-loss drugs.

-ResMed's Q2 result receives applause
-Gross margin expansion the highlight
-Efficiencies should lead to further improvement
-Weight loss drugs may actually help, not hinder

By Greg Peel

In August last year, global pharma companies Novo Nordisk and Eli Lilly each rallied over 15% after data from a cardiovascular study suggested that GPL-1 weight-loss drugs not only reduced weight, but also lowered the risk of cardiovascular disease in obese patients.

Given the connection between obesity and sleep apnoea, the market assumed the rise of GLP-1s would lead to a fall in demand for ResMed's ((RMD)) devices. The stocks subsequently lost over -25% of its value in a month.

The stock has since been quietly making a comeback as market panic subsided, and on a positive response to the company's December quarter earnings result released last Thursday, ResMed has all but recouped those losses.

<u>At the Margin</u>

Analysts have long been waiting to see improvement in ResMed's gross margin, which took a hit as a fallout from covid. As it was, the gross margin rose 90 basis points in the December quarter from the previous quarter to 57%, exceeding analyst forecast by 60-80 points or so depending on their forecasts.

While ResMed's device sales grew 11% in the quarter (constant currency), and mask sales 9%, it was margin expansion that had analysts cheering.

There were three clear drivers of the expansion.

Firstly, ResMed implemented low to mid single-digit price increases last October, which showed up in the December quarter but will progressively benefit in the next few quarters, analysts suggest, as customers roll off their current contracts.

Reduced freight costs were a big contributor to margin expansion as ResMed transitioned to sea freight from air freight during covid disruptions. While there could be further freight savings ahead, management is cautious given sea freight costs have recently increased due to the Red Sea conflict and “long way round” diversions.

If there is an impact, it will not impact the current quarter.

Finally, manufacturing efficiencies made a contribution. The availability of the newer AirSense 11 mask is increasing, which will allow ResMed to phase out the AirSense 10. Analysts note the shift to one manufacturing line should improve efficiency of the production process and provide an opportunity for manufacturing optimisation.

Furthermore, ResMed reduced its selling, general & administrative expenses in the quarter and its R&D expenses, largely as a result of reducing its global workforce by -5%, mostly in non-SG&A activities. The company is instead planning to invest more in product innovation and increased brand awareness.

Ord Minnett, for one, believes this is a sound strategy to help further penetrate the market.

Overblown Threat

When ResMed’s share price initially collapsed on the emergence of GLP-1s, analysts were quick to call the response overblown. One reason is the drugs are expensive, and not a once-only cure. Rather, weight will return if one stops taking them.

Fast-forward to now and there is more reason to believe the impact will be minimal. In fact, the drugs may even work in ResMed’s favour simply by increasing awareness of sleep apnoea among the obese.

UBS points to recent data showing patients with a GLP-1 script and an OSA (obstructive sleep apnoea) diagnosis are more likely to begin CPAP (continuous positive airway pressure) therapy than those with just the OSA diagnosis. This has attracted investor attention and the company plans to present more analyses later, although clinical trials are not planned.

However, Eli Lilly has been conducting its SURMOUNT-OSA trial to assess the weight-loss effectiveness of its drug. Results are expected in April. Importantly, the trial is broken into two groups of patients – those using CPAP now and those not.

ResMed emphasised at its conference call that a combination of GLP-1 and CPAP is expected to emerge as the best solution. Data have highlighted that patients on GLP-1s are more likely to initiate CPAP therapy, which would lead to higher rates of adherence and resupply, Macquarie notes.

The bottom line is a combination of GLP-1 and CPAP therapy is expected to bring better results than substitution of CPAP with GLP-1.

Management also noted that even when assuming the drugs will reduce sleep apnoea by -15%, there will still be over one billion people in the global addressable market by 2050.

Competition

Also hanging over ResMed’s outlook for some time now has been the anticipated return to market of Philip’s competing mask. Yet as time has gone on, that timeline seems to always move out further.

In the meantime, ResMed has improved market share. This is unlikely to be eroded by the return of Philips, most analysts believe, and at this stage the US FDA has requested supplementary testing on the recalled CPAP machines.

What’s more, ResMed has received regulatory and reimbursement approval for a new mask offering, with a market launch expected “soon”.

Citi nevertheless plays a cautious line, forecasting a rebasing of the CPAP device market over several years combined with Philips gradually regaining around 20% market share, stealing some 10% from ResMed.

Broker Views

ResMed’s result has seen brokers rush to upgrade their earnings forecasts, with increased revenues and margin expansion expected to continue.

There are six brokers monitored daily by FNArena covering the stock. Five already held Buy or equivalent ratings, although two are yet to update. UBS is the loner with a Neutral rating. The consensus price target has increased to $33.04 from $32.23.

(Note: UBS quotes a target in US dollars, and is thus not included in the consensus measure.)

Among brokers not monitored daily, Jarden has increased its target to $31.2 from $30.13 and retains Overweight.

Wilsons has increased its valuation by 4%, and set a target of $31.29 (last $30.00 in November). Wilsons retains Overweight.

Goldman Sachs has upgraded its forecasts and retains Buy, alongside a target of $33.50.

Elsewhere, RBC Capital has raised its price target by one dollar to US$182 while rating the US-listed shares as Sector Perform.

AUSTRALIA

ResMed Recovery Turns Into Hollywood Script

By Rudi Filapek-Vandyck

What a difference five months can make!

In August last year, global CPAP market leader ResMed ((RMD)) released a rather uninspiring financial update, showing yet again a gross margin under continued downward pressure. Healthcare post covid was in a struggle, globally, to rid itself of the post-pandemic negatives and ResMed's market update revealed the timing of the turnaround lay even further into the future.

Soon after the initial share market punishment, hedge funds started targeting the shares in a global quest to seek out the losers from ultra-successful GLP-1 diabetes/weight loss drugs developed by Novo Nordisk and Eli Lilly. As the world woke up to the fact these modern day 'wonder drugs' promised to eradicate obesity -exact timing unknown- the ResMed share price kept falling, and falling, and falling.

What had previously looked like a volatile journey in between $30-$40 post 2021 had now become a rapid descent into the low $20s. At least one analyst suggested the board should look into pulling up stumps and distribute all the liquidity it could muster to suffering shareholders (more on that below).

ResMed, one of the best performing stocks on Wall Street and locally throughout the prior decade, had met its Waterloo. At least such was the narrative dominating opinions and debates on social media. Add technical analysis-inspired forecasts and it now was pretty much guaranteed; the race to zero had begun.

What a shame! It had looked like such a great success story for such a long time. Every journey must come to an end, eventually.

Fast forward to this week, the release of December quarter financials suggests the death of ResMed's growth story had been grossly exaggerated. ResMed's quarterly financials (the shares are listed in the USA) showed a continuation of robust growth but, most importantly, this time growing sales and services came with a notable jump in the gross margin.

The negative trend that had persisted for six quarters in succession has now been broken. Analysts have been busy remodeling a higher gross margin and what it means for the quarters/years ahead. Company management is confident the gross margin will not only not return to last year's level, but it will further improve over the years ahead.

And the share price? The price is back to where the shares were trading when hedge funds initiated their attack. Yesterday's close just under $29 galvanises a great return for those who acted against the prevailing mood that depressed the shares into the low-$20s. It's not inconceivable at least some of those relatively fresh shareholders are now thinking about securing their windfall.

The return of margin confidence has led to upgraded EPS growth forecasts (in USD) of respectively 18.4% and 21.5% for this financial year and next. FNArena's consensus price target lifted to $33 from $32.22, suggesting, all else remaining equal, there's still plenty in the tank for those who stay put.

The one key factor that had gone missing, albeit temporarily, post August last year is the global sleep and respiratory care markets are huge, and penetration by the likes of ResMed remains benign. It is estimated no less than 424m people suffer from severe sleep apnoea, another 340m people battle with asthma and another 380m with chronic obstructive pulmonary disease, or COPD, a group of long-term lung conditions.

Diagnosis levels remain low with the most-developed sleep market, the US, only having a 20% diagnosis rate. This is why a company like ResMed should continue to enjoy an elongated runway of continued growth. In response to the freshly emerged GLP-1 threat, management has countered those anti-obesity drugs actually support an increase in awareness and diagnoses, which should only prove to the benefit of CPAP providers.

Reading through analysts' updates post this weeks market update, some are toying with the idea ResMed management might be onto something here. Maybe GLP-1s and CPAP are the combination made in heaven for new patients, at least in the initial phase of treatment?

The future will tell. Meanwhile, the vast size of the opportunity that resides with obseity and all its treatments and related devices remains a significant attraction for the pharma industry so don't expect any pause in the efforts from Novo Nordisk, Eli Lilly, and their peers, to command their share. But at least the market at large has come to the understanding this is a far more complex situation, not an instant winners-take-all set up.

And yet, this is not the full extent of this saga just yet...

ResMed's major competitor, Philips of the Netherlands, is in deep struggle street. Gone are the days when Philips and Sony battled for global domination in consumer electronics. Nowadays my former colleagues in the Dutch media are publishing in depth analyses with titles such as: Where did it all go wrong?

Philips' troubles extend into its healthcare operations, including CPAP and other medical devices. Philips has not been able to sell its Respironics competing devices in the lucrative US market since 2021. Oddly enough this too has weighed on the ResMed share price as investors worried Philips upon return would possibly start price discounting in order to regain lost market share.

That prospect has yet again been dealt a blow this week with Philips and regulatory authority FDA agreeing Philips will not sell any new CPAP or BiPAP devices in the US for longer. Respironics will only service and support existing patients. Most analysts had been incorporating the Philips market re-entrance in their modeling from early 2024 onwards.

Philips' announcement coincided with the decision to slim down its suite of products and services. CPAP machines have not been abandoned, and the company continues to sell them outside of the USA, but at least one team of analysts can see a scenario of Philips simply throwing in the towel and concentrating its efforts (and future investments) elsewhere.

Under the FDA agreement, any re-entrance into the US market will be spread out over multiple years.

Before problems started that led to the recall of millions of breathing devices and ventilators three years ago, Philips/Respironics had a market share in excess of 30% in the US. Analysts now assume the market share recovery will stop at 20%. ResMed should grab, and hold on to, the majority of the share permanently lost by the troubled Dutch-based competitor.

Incidentally, there's plenty of anecdotal evidence around the reputational damage done to Respironics' competing CPAP devices is large, and potentially permanent. New patients are overwhelmingly opting for ResMed, which, given the circumstances, should surprise no-one.

Analysts thus far have been hesitant to make bold statements about what this fresh development means for ResMed's outlook. Common logic dictates it can only be a positive, at least for the quarters ahead. Any additional positive, be it through an acceleration in sales or otherwise, has not yet been incorporated in current modeling.

The obvious observation to make from the sideline is that ResMed's fortune seems to have made a 180 degree turnaround incredibly quickly. As your stock standard Hollywood script writer would say: real life is much more surprising than human imagination.

And as far as that analyst advice from last year is concerned: clearly, there's more to share market research than doing the numbers and making numerical assumptions. In-depth knowledge about a company and its industry are simply a necessity.

Investors take note.

(Plus, I am sure, there are a number of lessons to be gained from this experience).

See also: https://fnarena.com/index.php/2024/01/29/resmed-makes-a-comeback/

ResMed is part of my research into All-Weather Performers on the ASX. Paying subscribers have 24/7 access to a dedicated section on the website:

https://fnarena.com/index.php/analysis-data/all-weather-stocks/

AUSTRALIA

Tough Times For IGO

Asset write-downs, production guidance cuts, processing issues – it's been tough time for IGO amidst falling lithium and nickel price falls.

-More impairments for IGO's nickel assets
-Cosmos into care & maintenance
-Lithium production downgrade
-No joint venture dividend

By Greg Peel

When IGO Ltd ((IGO)) acquired Western Areas in 2022 it brought together Australia's two largest pure-play nickel producers. If we add in the stamp duty on the deal, IGO forked out -$1263m, picking up Western Areas' Forrestania and Cosmos nickel projects to add to its Nova operation.

With the ambition of becoming a specialist in battery minerals, IGO had previously moved into the lithium space. In 2021, China's Tianqi Lithium Corporation (51%) and IGO (49%) incorporated a new joint venture called Tianqi Lithium Energy Australia (TLEA).

TLEA's assets in Western Australia are comprised of a 51% stake in the Talison Lithium Greenbushes Lithium Operation (49% owned by Albemarle Corporation) and 100% ownership of the Kwinana Lithium Hydroxide Refinery. This gave IGO a 24.99% stake in Greenbushes and 51% in Kwinana.

Note IGO changed its name from Independence Group.

2023 was a tough year in battery minerals land, with easing demand for EVs meeting raw mineral oversupply, as IGO was not the only kid on the block attempting to cash in on an anticipated EV explosion. Lithium prices, in particular, crashed, and things weren't much better for nickel.

December Update

IGO’s FY23 result revealed the company had taken a -$968.5m impairment on Forrestania and Cosmos. Yesterday’s December quarter update flagged another impairment of -$160-190m. Moreover, having spent $392m since a review of Cosmos, IGO has now decided to place the operation in care & maintenance.

But wait, it gets worse.

As the minor party in the Greenbushes operation, IGO receives dividends from the JV. But not last quarter. TLEA decided last quarter to wait for the finalisation of its 2024 budget and operating plan, taking into consideration pricing and volumes. Brokers assume dividends will resume for the March quarter, although this is a “bull case”.

The Kwinana operation was shut down in December in an attempt to debottleneck Train 1, and could only manage a daily peak of operation at 44% nameplate capacity. Still of the view Train 1 issues are standalone, the JV is pushing ahead with front-end engineering & design (FEED) for Train 2.

If you were the IGO CEO you’d be tearing your hair out. But fortunately the CEO is new, carries no legacy of past decisions, and as Citi puts it, can “clear the decks”.

Work To Do

Jarden nonetheless echoes the views of other brokers in suggesting “we take a somewhat more considered (and optimistic) view that IGO is exposed to arguably the best lithium hard-rock asset globally [Greenbushes], which to date has provided reasonable disclosure and demonstrated unimpeded cash flow to the business.”

Macquarie points out IGO retains a strong balance sheet with cash of $276.4m and no debt, in addition to an undrawn $720m revolving credit facility.

As for nickel, UBS suggests IGO's strategy of becoming a diversified battery raw materials producer leaves it with some work to do. On this broker’s forecasts, Nova could still generate some $600m of free cash flow (undiscounted) over its remaining 2.5-year mine life, but attributing value beyond and optionality for a potential Cosmos restart is a little more difficult at this stage.

Jarden muses that with Indonesia growing its nickel supply, and BHP Group ((BHP)) also considering what to do with its WA nickel assets, the door may be open for a third part with a positive longer term view on nickel prices to consolidate a complementary group of assets.

Where will lithium prices go from here? A readjusted price mechanism for Greenbushes, shifting spodumene pricing from a three-month lag to a one-month lag, should reduce volume uncertainty, Evans & Partners suggests. But UBS notes Tianqi has built up some 300kt of spodumene inventory, 50% at the mine UBS assumes, and TLEA's own downstream at Kwinana is not creating any demand so sales and production could continue to be crimped by on-site stockpile capacity of 250kt.

Production guidance at Greenbushes has been trimmed, but global inventories continue to build at the start of the supply chain and UBS is not seeing enough material supply cuts to anticipate a recovery in prices yet, despite forecasting a 24% increase in EV demand growth in 2024.

Ratings Still Positive

IGO’s share price has fallen more than -50% since July last year, when impairments were first flagged on Western Areas’ nickel assets. Lithium prices have fallen precipitously over the period, and nickel hasn’t fared much better.

Citi expects the bulk of asset earnings downgrades from the company for the financial year are now done. On Tuesday, the broker upgraded its rating to Buy from Hold, while yesterday cutting its target to $8.60 from $8.90.

Macquarie believes putting Cosmos into care & maintenance is a key positive as it reduces the uncertainty surrounding additional capital costs. This broker retains Outperform, cutting its target to $9.20 from $9.90.

Morgan Stanley notes the situation at IGO has gone “from bad to worse”, retaining an Equal-weight rating and cutting its target to $7.25 from $8.85.

UBS can’t yet see a reason to be more positive on lithium prices, and downgrades to Neutral from Buy, cutting its target to $8.30 from $9.50.

Bell Potter (Buy, target $8.50) is yet to update, otherwise the consensus target among the five brokers monitored daily by FNArena has fallen to $8.61 from $9.13.

Beyond brokers monitored daily, Jarden retains Buy, “but not ignoring weak macro can alter timing of deployment of growth capital". Jarden's target falls to $9.61 from $9.73.

Goldman Sachs retains Buy on valuation, cutting its target to $8.85 from $9.70.

Evans & Partners retains a Positive rating but has a preference for Mineral Resources ((MIN)) in the space. This broker values the company at $10.30, but does not offer a target price.

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

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

SMALL CAPS

Spotlight On ASX-Listed Cannabis Companies

Republished to correct ECS Botanics Holdings has facilities in Northern Victoria (no longer in Tasmania).

Some cannabis gems are sprouting in the ASX weed patch, but they are hard to find in the haze of hype.

By Tim Boreham, Editor, The New Criterion

What ASX sector has enjoyed a 20,000% surge in demand over the past five years but now languishes in penny-dreadful territory?

We're not talking about lithium, buy-now-pay-later operators or some of the more hopeful exponents of artificial intelligence. We're referring to the medicinal cannabis sector, which continues to show that extraordinary demand does not equate to prosperity for all.

Locally, Therapeutic Goods Administration data show that since mid 2016 close to 950,000 patients have been treated under its authorised prescriber scheme, by which suitably qualified GPs can provide scrips for unapproved products.

Except for two approved cannabis based drugs for epilepsy and multiple sclerosis, that's all of them. According to the Office of Drug Control, Australia produced 24,900 kilograms of marijuana in 2022, up from 16,700kg in 2021 and with a 'street value' of $244m.

But for most of the ASX pot plays, the 'grow it and they will come' approach isn't working.

A key problem is that the material is easily grown and obtained – or so we're told – and highly commoditised. The supply and demand dynamics are blurred by recreational usage, which is legal in Canada, many parts of the US and Europe.

Here, it's legal to possess a small stash for personal use – but only in the ACT. The aptly-named Greens are pushing for nationwide legalisation of rec usage and may well have their way if their crucial cross-bench votes are ever required to pass other laws.

In the meantime, the (understandably) tight regulations increase growing costs and the price of prescriptions, tempting many users to access the illicit market.

The funk emanating from the sector is such that most of the original crops of cannabis stocks have lost -90% or more of their value. Examples are the putative growers **Cann Group** ((CAN)), the suspended **Auscann Group Holdings** ((AC8)) and the trailblazing MMJ, now focused on the recreational Canadian cannabis market via its minority-owned Harvest One.

Sadly, the companies pursuing the alternative cosmeceutical or ‘wellness’ routes have not fared too well, either. The promising BOD Australia last November called in the administrators, despite having “evidence based” products on market.

Some companies have renounced the weed, so to speak. Having dabbled in cannabis treatments for ailments including acne, **Botanix Pharmaceuticals** ((BOT)) is now focussed on a non-cannabinoid treatment for excessive sweating.

Others have turned their gaze to the next big thing of psychedelic medication, including Incannex Healthcare.

So who are the promising players in a paddock full of weeds – literally and metaphorically?

Formerly Cronos Australia, **Vitura Health** ((VIT)) doesn’t grow a single plant itself and has focused on being an intermediary between prescribers, patients and product suppliers.

Vitura’s core Canview platform links more than 1000 authorised cannabis prescribers (mainly GPs), 4100-plus dispensing pharmacies and 8000 regular patients. The platform sources around 280 products from 39 local and Canadian suppliers.

Vitura also owns telehealth provider Cannabis Doctors Australia – a business supplemented by the $25m purchase of the non-cannabis focused Doctors on Demand.

Being profitable, Vitura is a sector unicorn: a net surplus of $13.8m in calendar 2023, up 129%, on revenue of $117.3m (up 75%). The company even distributed a fully franked dividend of one cent per share and – no – we’re not on something!

Valued at $250m, Vitura shares have lost half their value over the last 12 months, with a board spat clouding the picture.

Once the most successful ASX pot stick, **Elixinol Wellness** ((EXL)), previously Elixinol Global) had a decent hemp business in the US before regulatory road humps put paid to that.

Four years ago Elixinol commanded a peak valuation of more than $500m; today the company is worth less than $10m. It still sells branded nutraceutical and skincare lines, here and in the US

Althea Group ((AGH)) has adopted a dual strategy of developing and distributing medicinal cannabis. In October last year Irish regulators granted reimbursement to its THC-infused treatment for chemotherapy-induced nausea. The recreational cannabis is dealt with by its Canadian subsidiary Peak

Processing Solutions.

Althea's September quarterly report shows the $4.6m from the 'rec' side almost eclipsed the $4.9m from the medical side. Althea recorded its first quarter of net cash inflows of $35,000, partly the result of cost cutting effort that saw the CEO and the CFO accept a -10% pay cut.

ECS Botanics Holdings ((ECS)) in January reported record revenue of $7.3m for the December quarter, 58% higher than a year previously. The company also reported positive operating cash flow of $321,000.

ECS grows the stuff at its facilities in northern Victoria, with the outdoor cultivation areas expanded by 60% to meet demand from its white-label customers, including New Zealand's Nubu and Germany's Sante.

In October the company signed a $24m offtake agreement with Medicann Health, which took effect from last month.

Little Green Pharma ((LGP)) supplies the European market from its acquired facility in Denmark, which is yet to receive the 'by appointment to H.R.H.' seal from Queen Mary. We're sure management isn't holding its breath.

LGP also services the local market – its biggest revenue source - from a facility in WA.

LGP reported revenue of $12.8m in the second half (to September 30 2023), with adjusted underlying earnings of $700,000 compared with a -$5.9m loss previously. The reported loss declined to -$2.2m from -$7.8m previously.

Despite the traction, LGP shares have lost about -70% of their value since listing in February 2020 and the market values the company at a mere $40m.

In essence, the local cannabis sector remains in an early growth stage characterised by frequent mis-steps. While the ASX pot stock performance has made investors feel a bit dopey, it would be remiss to overlook a sector that is now trading at bargain-basement levels.

This column does not constitute financial product advice. You should consider obtaining independent financial advice before making any financial decisions.

TECHNICALS

A New Bull Market For The ASX 200?

By Daniel Goulding

Don't accept imitations!

Australia's benchmark share market index has carved out a new record high, prompting some experts to declare that the bull market remains alive and well. Before making any hasty investment decisions, however, make sure you read the fine print. The definition of a bull market can vary, and so can its implications for the future.

Although the term has been in the financial lexicon for more than 100 years, there is still no widely agreed-upon definition.[1] The one that is commonly cited is when a major share market index rises by 20% or more from a recent low. [2] While this definition is mathematically elegant, it does not necessarily capture the essence of what a bull market is.

Bull markets are characterised as a time when stocks have been rising, and there's an expectation that they'll continue to rise in the foreseeable future. There's a sense of confidence or optimism about the future, which arbitrary price changes cannot measure.

During the bear market of 1929 to 1932, the Dow Jones Industrial Average fell almost -90% in just three years. Throughout this decline, there were five rallies of more than 20%, each lasting only a few months. [3] These rallies were merely countertrend rallies within the context of a bear market, and it's difficult to categorise them as anything else. [4] Bull markets deliver higher returns with less volatility than bear market rallies.[5]

Qualitatively speaking, we can say that investors remain nervous and uncertain during a bear market rally, while they are confident, sometimes brazenly so, during a bull market.

It is also important to understand that a significant rise in a market index does not always equate to a rise in investor confidence. For example, Australia's benchmark share market index, the S&P/ASX200 Index, measures the performance of only the 200 largest stocks by market capitalisation, representing less than 10% of all listed companies. The larger the market capitalisation of a company, the greater its weighting in this index.

The ten largest companies, therefore, make up almost 50% of the ASX 200.[6] If this index is moving higher on the back of strength in the largest stocks, while investors are abandoning most other stocks, investors are anything but confident about the outlook.

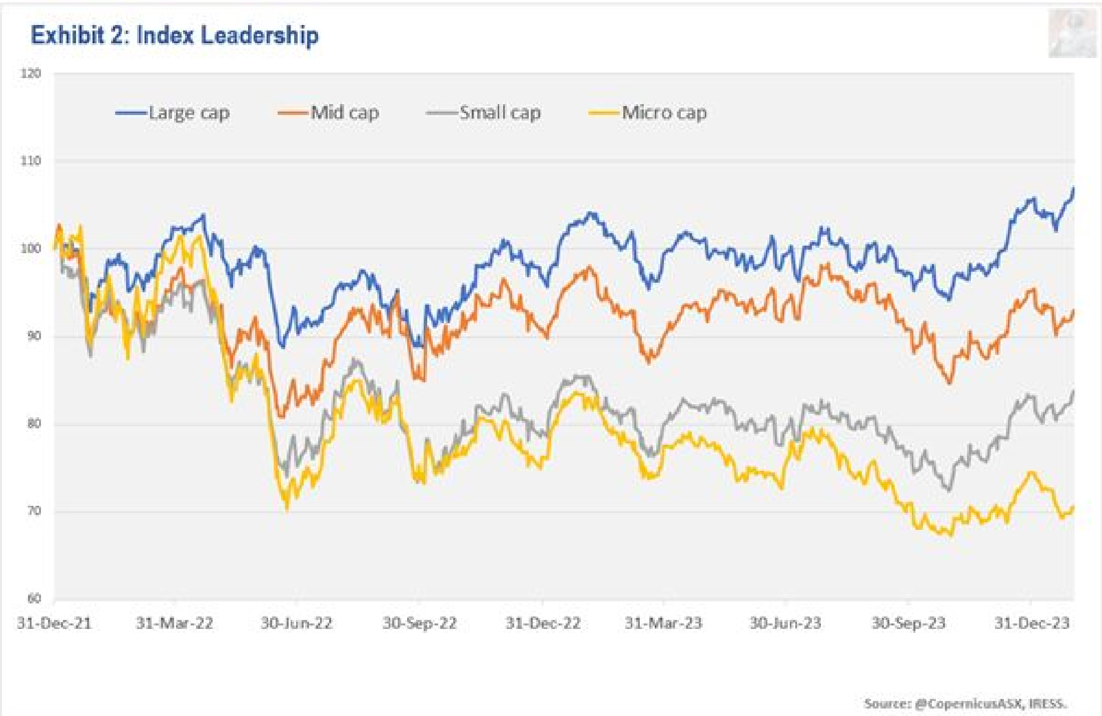
Exhibit 1 compares the performance of the ASX200 with the S&P/ASX Emerging Companies Index since 2022. The latter index measures the performance of up to 200 micro-cap companies.[7] As micro-caps are generally more sensitive to economic and liquidity considerations than the mid- to large-caps stocks that dominate the ASX200, they arguably provide a more accurate representation of the state of investor confidence. While the ASX200 may be sitting at all-time highs, microcaps are down -30% from their record high, telling a very different story.

Exhibit 2 compares the performance of large, mid, small and micro caps since 2022.[8] For the past two years, investors have increasingly avoided the riskier echelon of the market, instead preferring to invest in the largest and "safest" stocks. This suggests that while investors are not outright bearish enough to push the entire market lower, they are also not particularly bullish.

This type of extreme disparity between the various capitalisation indices is typically observed during choppy sideways markets or significant market tops. Fortunately for investors, my technical work suggests that it is the former environment.

Although the ASX200 will likely breach 8000 this year and could head as high as 8500 to 8700, it will be large-cap stocks doing the heavy lifting. Most other stocks will watch the rally from the sidelines or even decrease in value. Eventually, the large-cap stocks will also correct, and the index will return to current levels by late 2024 or 2025.

Call this a bull market if you wish. Just don't conflate this label with the idea that most stocks are bullish. Caveat emptor, let the buyer beware!



Daniel Goulding is a technical analyst with over 20 years of experience. He is the publisher of The Goulding Letter on Substack and, previously, The Sextant Market Letter. His Twitter handle is @CopernicusASX. He previously worked as an Authorised Representative of the Townsville branch of RBS Morgans, and later Grow Your Wealth Financial Services Townsville.

This material was prepared by Daniel Goulding and represents the views and opinions of the author. It does not constitute investment advice. My work is didactic in nature. You should consult a licenced financial adviser if you require professional assistance with your portfolio.

Footnotes

[1] The earliest known written use of the term "bull market" was in 1891, according to the Oxford English

Dictionary. The terms "bull" and "bear" have been used since at least 1720, when Alexander Pope used them to describe the South Sea frenzy.

[2] The convention is to use closing prices rather than intraday lows and highs for this calculation. I stay with convention unless otherwise stipulated.

[3] The average magnitude and duration of these rallies were 32% and 70 days, respectively. Rallies of this magnitude and duration are par for the course during nasty bear markets. During the 2000 through 2003 bear market for the S&P 500, there were 3 bear market rallies, averaging 21% and lasting 61 days on average. Australia's worst bear market occurred from 1970 through 1974. There were three bear market rallies, averaging 36% and lasting on average 4 months. I used monthly high and low figures for these calculations as there is scant/unreliable data for Australian shares before 1980.

[4] Some analysts designate these bear market rallies as "short-term" cyclical bull markets, as opposed to "long-term" secular bull markets. Theoretically, it does not make sense to associate these short-term moves with the psychology that is evident during a bull market.

[5] See, for example, John Maheu, Thomas McCurdy & Yong Song, "Components of Bull and Bear Markets: Bull Corrections and Bear Rallies," Journal of Business & Economic Statistics 30, no. 3 (2012): 391-403.

[6] Imagine constructing an economic survey of the average household in Australia but seeking responses only from the wealthiest suburbs and, in turn, giving extra weight to responses from the richest households.

[7] The S&P/ASX Emerging Companies Index is also capitalization-weighted, but it is less imbalanced than the ASX 200 because its top 10 companies only make up 15% of the index. Therefore, I consider it to be a more just representation of the Micro-cap universe.

[8] I use the S&P/ASX 50, S&P/ASX MidCap 50, and S&P/ASX Small Ordinaries Indices to depict the performance of large, mid and small caps.

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.

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 25-01-24

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 January 22 to Thursday January 25, 2024
Total Upgrades: 13
Total Downgrades: 14
Net Ratings Breakdown: Buy 56.87%; Hold 34.98%; Sell 8.15%

For the shortened week ending Thursday January 25, 2024 there were thirteen ratings upgrades and fourteen downgrades to ASX-listed companies by brokers covered daily by FNArena.

As has been the general trend for some time, percentage downgrades to average earnings forecasts were greater than for upgrades.

It was a bad start to the week for investors in Appen with management announcing the loss of one of its top-three customers in Google, which accounted for around 30% and 25% of FY23 revenue and gross profit, respectively.

Morgan Stanley's Underweight recommendation is based on the view Appen's technology is becoming less valuable to its traditional clients. It’s thought competition is intensifying with large customers now creating more sophisticated platforms and using more of their own AI, and relying less on human input.

The broker’s 12-month target was slashed to 60c from $1.94, resulting in the largest (-34%) fall in average target price across the FNArena database last week.

The average target for Liontown Resources also fell by circa -30% after both Bell Potter (Buy) and UBS reacted to news spending will be cut to preserve capital and near-term funding requirements, because a previously arranged $760m debt facility was terminated (by the banking syndicate) due to the risk of lower-for-longer lithium prices.

While UBS reduced its target to $1.25 from $1.30 on a reduced growth outlook, the share price fall in reaction to the announcement has created value, and the broker upgraded its rating to Buy from Neutral.

Looking through the current price cycle, the analyst can see value in the Kathleen Valley operation and expects management will execute a reduced ($300-400m) debt package with the lending syndicate.

Following the Allkem-Livent Scheme of Arrangement, existing brokers in the database began to provide earnings estimates for newly-named Arcadium Lithium. Citi (Buy) initiated research coverage with a $10.75 target, helping to lower the average target to $11.99 from $14.51 at the end of last week.

This broker felt there was limited downside to current spot lithium pricing, and pointed out Arcadium provides the only exposure on the ASX to a fully integrated lithium product suite. The quality, cost, and size of the upstream portfolio, along with the company's growth outlook, are considered standouts compared to peers.

Macquarie agrees, noting the company is well positioned for a potential re-rating in the medium term, given its diverse portfolio of lithium operations and projects.

The average target for Nanosonics also fell last week after management pre-announced a worse first half result than Sell-rated Citi was expecting, with sales declining by -2% year-on-year compared to the 17% uplift expected by consensus.

The company cited “softer-than-anticipated upgrade sales and hospitals delaying capital unit purchases due to hospital capital budgetary pressures”.

On the whole, broker commentary was fairly forgiving with both Ord Minnett (upgrade to Hold from Lighten) and Sell-rated Citi maintaining target prices.

Having begun with higher targets than Citi and Ord Minnett, both Morgans (Add) and Bell Potter materially reduced their targets. Morgans felt management would navigate the current environment by adjusting as needed.

While Bell Potter noted the damage was done for existing shareholders, and consequently retained a Hold Recommendation, major positives include a strong balance sheet (with around $112m cash on hand), and the ongoing upgrade cycle for the Trophon product, which is expected to underpin capital sales.

Nanosonics received a -32% downgrade to its average earnings forecast by brokers in a week when six of the top eight placings in the earnings downgrade table were filled by mining companies.

For these companies, brokers made average earnings forecast downgrades of between -92% and -16%, with Paladin Energy the largest, followed by Arcadian Lithium, Lynas Rare Earths, Coronado Global Resources, Pilbara Minerals and South32.

The downgrade for Paladin Energy should be ignored as forecasts numbers were so small, percentage moves were exaggerated. The news was theoretically good for investors in the company, with Shaw and Partners raising its target by 22%, after issuing new research on the uranium sector. Revised forecasts assume a multi-year spot price spike to US$150/lb, before settling to a long-term U3O8 realised price assumption of US$76/lb (2024 Real) in 2030.

The broker’s preferred exposures for stocks under research coverage are Paladin Energy, Silex Systems, Peninsula Energy, Lotus Resources and Bannerman Energy.

Despite a FY24 production upgrade by Lynas Rare Earths alongside second quarter results, brokers identified several concerns. Higher second quarter volumes were offset by weak average realised prices due to product mix changes, explained Macquarie.

UBS highlighted ongoing weakness in the neodymium and praseodymium (NdPr) price, suggesting downside risk to its US$80/kg forecast for the end-of-2024, as spot is currently around US$50/kg. A more robust price outlook is expected in China on demand growth, but Chinese rare earth producers are not yet showing signs of anticipated supply discipline.

On spot pricing, Citi forecasts Lynas will be loss making in FY25 given low demand in China and weaker-than-anticipated electric vehicle demand.The analyst remained constructive on long-term pricing.

Following fourth quarter results for Coronado Global Resources, Ord Minnett noted full year saleable production tonnes were a -7% miss against initial company guidance. The analyst lowered production forecasts by -2% for both FY24 and FY25 and downgraded its rating to Hold from Accumulate.

The quarterly result was materially weaker than Bell Potter had anticipated, partly on a lower hard coking coal mix. It was felt issues may continue into 2024 with weather and shipping delays expected to impact operations across the Bowen Basin and constrain supply.

Average broker earnings forecasts for both Pilbara Minerals and South32 were also reduced last week after weaker-than-expected second quarter results.

Production for Pilbara was 8% higher than Macquarie forecast but the average sales price was -21% lower.

The same broker noted "mixed" production results for South32, with strong Cannington volumes offset by weaker coal volumes at Illawarra. Management’s FY24 guidance for group copper equivalent production was reduced by circa -3%, with Brazil Alumina, Mozal, and molybdenum (Sierra Gorda) guidance volumes lowered.

By way of contrast within the mining sector, average broker earnings forecasts for Alumina Ltd and Copper Energy last week rose by around 35% and 22%, respectively.

Alumina Ltd's sole asset is a 40% stake in Alcoa World Alumina and Chemicals (AWAC), the world's largest alumina producer. Following an update by 60%-owner Alcoa, Ord Minnett marginally raised EPS forecasts for Alumina Ltd. In an already tight alumina market hit by Chinese production cuts, the analyst noted a 10% rise in alumina price, since AWAC announced it will be ceasing Kwinana production in WA in the second quarter of 2024, will present upside risk to the broker's forecasts for Alumina Ltd.

Following Cooper Energy's decommissioning update for the Basker Manta Gummy (BMG) wells, Macquarie suggested a blowout in costs, and subsequent share price fall, had created a buying opportunity for the company's shares, and upgraded its recommendation to Outperform from Neutral.

The broker's increased BMG decommissioning capex was offset by higher production rates and a higher exploration value for Otway.

In the financial space, earnings forecasts for Judo Capital and Zip Co also increased.

Judo provided a surprise trading and guidance update, leading to a material share price rally. See Judo Answers The Critics - FNArena.com for a full analysis.

At the start of last week, Ord Minnett raised its target for Zip Co target to 75c from 42c and upgraded its rating to Buy from Hold on valuation.

The next day, the broker further raised the target to 95c following strong first half results (indicated). Total transaction value (TTV) growth rose by 9.4% on the previous corresponding period, while fixed costs (such as overhead and marketing) came in under the analysts' expectations.

Revenue margins increased to 8.2% from 7.1% in the previous corresponding period, and bad debts once again performed well, on the broker's assessment

Zip Co headed up the table below for the largest percentage increase in average target price in the FNArena database last week.

The second largest target increase for Link Administration in the table below should be ignored due to a technical anomaly (with the increase relevant to the prior week), as there was no new broker research in the database last week.

Total Buy recommendations in the database comprise 56.87% of the total, versus 34.98% on Neutral/Hold, while Sell ratings account for the remaining 8.15%.

Upgrade

BABY BUNTING GROUP LIMITED ((BBN)) Upgrade to Buy from Neutral by Citi .B/H/S: 3/2/0

Citi found Baby Bunting's first half trading update disappointing, with both sales and margins missing expectations. While total sales of $248.5m were largely in line, like-for-like sales were a -7% miss to the broker's forecast.

According to the company, price competition had a -$6m impact on sales on the half, likely impacting on the 37.2% gross margin.

Citi expects this year will be seen as a transition year by the market. The broker expects the stock would benefit from demonstrating it can better leveraging its scale to drive higher gross margins.

The rating is upgraded to Buy from Neutral and the target price increases to $2.15 from $2.00.

BOSS ENERGY LIMITED ((BOE)) Upgrade to Hold from Sell by Shaw and Partners .B/H/S: 2/1/0

Shaw and Partners has lifted forecasts for the price of uranium and, to little surprise, continues to advocate investors have an overweight allocation to the uranium sector in equity portfolios.

Revised forecasts assume a multi-year price spike to US$150/lb, before settling to a long-term U3O8 realised price assumption of US$76/lb (2024 Real) in 2030.

Preferred exposures are Paladin Energy, Silex Systems, Peninsula Energy, Lotus Resources and Bannerman Energy.

Boss Energy is the sole Hold rating in the broker's Australian coverage, now upgraded from the prior Sell, with the broker's price target rising to $4.75 from $3.60 on higher price forecasts that benefit the industry at large.

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

Following yesterday's Basker Manta Gummy (BMG) wells decommissioning update, Macquarie suggests a blowout in costs, and subsequent share price fall, creates a buying opportunity for Cooper Energy shares.

The rating is upgraded to Outperform from Neutral on an improved risk/reward ratio.

In maintaining an 18c target price, the analyst explains the increased BMG decommissioning capex (-2cps) was offset by higher production rates (1cps) and a higher exploration value for Otway (1cps).

While higher debt levels post-BMG decommissioning increase risk, the broker also notes greater investor leverage to improving Orbost production.

DOMAIN HOLDINGS AUSTRALIA LIMITED ((DHG)) Upgrade to Neutral from Underperform by Macquarie .B/H/S: 0/3/0

Macquarie upgrades its rating for Domain Holdings Australia to Neutral from Underperform in anticipation of a solid 1H result and reiteration of FY24 guidance.

Since last August's results, the broker points out the company's share price has materially underperformed against the ASX200 and the spread between Domain and REA Group ((REA)) is at record highs.

The target rises to $3.49 from $2.87, largely reflecting a roll-forward of the broker's valuation model to FY25.

ENDEAVOUR GROUP LIMITED ((EDV)) Upgrade to Equal-weight from Underweight by Morgan Stanley .B/H/S: 3/2/0

Morgan Stanley upgrades its rating for Endeavour Group to Equal-weight from Underweight and raises its target to $5.80 from $5.60 as the focus should turn to operational performance now that conflicts have been resolved.

A mutually agreed board renewal has been agreed after issues between substantial shareholders and management, explains the broker.

The analysts also feels structural risks (i.e. gaming regulation and the long-term decline in alcohol consumption) are reflected in the current share price.

Morgan Stanley's Industry view is In-Line.

HARVEY NORMAN HOLDINGS LIMITED ((HVN)) Upgrade to Buy from Neutral by UBS .B/H/S: 2/2/1

After an investment thesis review, UBS upgrades its rating for Harvey Norman to Buy from Neutral and raises its target by $1.00 to $4.75.

The broker increases its FY24 EPS forecasts by 18% and 11%, respectively, on higher estimates for revenues and margins across the
Franchising Operations and International Retail segments.

Revenues in Franchising Operations are improving partly due to a more resilient consumer and leverage to the older and more affluent consumer, notes UBS.

Regarding International, the analysts expect significant store growth in Malaysia, while expansion in eastern Europe continues.

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

Liontown Resources has reviewed spend in a bid to preserve capital and near-term funding requirements, following the news that its previously arranged $760m debt facility would be terminated.

UBS is anticipating Liontown Resources will negotiate a reduced debt package between $300-400m, having already stated it is in talks with the lending syndicate.

The broker feels the company is sufficiently funded for the Kathleen Valley project to remain on time and budget for first production in mid-2024.

The rating is upgraded to Buy from Neutral and the target price decreases to $1.25 from $1.50.

MINERAL RESOURCES LIMITED ((MIN)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 5/1/1

Ord Minnett upgrades its rating for Mineral Resources to Accumulate from Hold on valuation following a recent share price slump.

The broker's forecasts are unchanged, as is the $67 target price.

NANOSONICS LIMITED ((NAN)) Upgrade to Hold from Lighten by Ord Minnett .B/H/S: 1/2/1

Nanosonics intends to downgrade 1H guidance when results are released on February 26, given sales have fallen by -4% on the previous corresponding period due to the impact on Trophon sales from budgetary pressures at hospitals.

Earnings (EBIT) for the 1H fell by -72% to $3m, with the company still investing in the Coris product. Trophon replacement sales were down by -23% year-on-year and new unit sales fell by -13%.

Despite these shorter-term negatives, Ord Minnett's longer-term assumptions are broadly unchanged. The $4.00 target and Hold rating are maintained.

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

Ord Minnett increases its target for Northern Star Resources to $13.90 from $12.40 following an 8% production beat versus the broker's forecast in the 2Q.

The broker attributes this performance to improved availability at the KCGM mill and early access to higher grades at Golden Pike. These positives combined to offset a slightly softer performance at Jundee, where grades were lower-than-expected.

The analysts increase the target by 12% to $13.90 and upgrade the rating for Northern Star to Accumulate from Hold.

PSC INSURANCE GROUP LIMITED ((PSI)) Upgrade to Buy from Neutral by UBS .B/H/S: 5/0/0

PSC Insurance has become a top domestic insurance broker pick for UBS, second only to AUB Group ((AUB)), amid industry leading margins in its Australian business and scope for margin improvement in its UK business.

The UK operations have operated at a 32.5% margin, lower relative to the broader group margin of 37%, but the company expects the amalgamation of its wholesale operations to drive improved margins. The broker points out sizing this opportunity is difficult, with consensus assuming a 33% margin.

The rating is upgraded to Buy from Neutral and the target price of $5.40 is retained.

WESTPAC BANKING CORPORATION ((WBC)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 2/2/2

Macquarie sees limited upside for Australian banks in FY24, with earnings forecast to decline by around -5-15%, and begins 2024 with an Underweight rating on the Bank sector.

Consensus pre-provision forecasts look reasonable to the analysts, but impairment charges are considered optimistic in light of current interest rate settings.

On the valuation front, the broker notes banks currently trade at an around 15% premium to their three-year relative price/PPOP (pre-provision operating profit) average.

The broker's preferred exposure is Westpac, followed by National Australia bank, ANZ Bank, CommBank, followed by the regionals Bendigo & Adelaide Bank and Bank of Queensland.

The analyst's rating for Westpac is upgraded to Outperform from Neutral on valuation, with scope for the discount to peers to narrow. The target rises to $24 from $20.50.

ZIP CO LIMITED ((ZIP)) Upgrade to Buy from Hold by Ord Minnett .B/H/S: 1/2/0

Zip Co' s business is now generating positive cash earnings, Ord Minnett notes, the balance sheet has been improved and simplified and the stock is trading at a significant discount to the broker's revised target of 75c, up from 42c.

The changes that the company has undergone over the last six months have greatly improved Zip Co's investment potential, Ord Minnett suggests.

The recent launch of the Zip Plus product will assist with driving revenue in the A&NZ business, and the broker expects this to be a higher yielding product than the Zip Pay offering.

Upgrade to Buy from Hold.

Downgrade

ACROW LIMITED ((ACF)) Downgrade to Accumulate from Buy by Ord Minnett .B/H/S: 3/0/0

Since Ord Minnett included Acrow in its Analyst Conviction List last November, the share price has risen 19%. As a result, the broker downgrades its rating to Accumulate from Buy.

The broker considers the company has strong organic growth opportunities, supported by a robust pipeline and M&A optionality, and expects a strong performance by the key Formwork division at upcoming 1H results.

The target price falls to $1.24 from $1.25.

COCHLEAR LIMITED ((COH)) Downgrade to Sell from Neutral by Citi .B/H/S: 1/1/3

In a review of Australian Healthcare prior to the February reporting season, Citi updates forecasts for stocks under coverage in the sector.

While the broker believes 2023 peaks for wage growth and inflation will provide margin relief for medical services providers, it will take several years for margins to approach pre-pandemic levels.

Following an an exceptionally strong 2023 share price performance, the analysts downgrade Cochlear to Sell from Neutral and keep the $255 target.

Citi forecasts 1H underlying profit of $186m, around 5% above the consensus estimate of $176m.

CORONADO GLOBAL RESOURCES INC ((CRN)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 4/1/0

With Ord Minnett having adjusted its expectations for weather, Coronado Global Resources' fourth quarter result was broadly in-line, although a miss to the company's recently revised guidance.

The company reported saleable production of 3.9m tonnes, amid excessive rainfall and operational issues at both Curragh and Buchanan, with Coronado Global Resources losing nine and ten operational days at these sites respectively.

Full year saleable production of 15.8m tonnes was down -1% year-on-year, and a -7% miss to initial company guidance. Ord Minnett has lowered its production expectations -2% each year for FY24 and FY25.

The rating is downgraded to Hold from Accumulate and the target price decreases to $1.80 from $1.90.

DOMINO'S PIZZA ENTERPRISES LIMITED ((DMP)) Downgrade to Hold from Add by Morgans .B/H/S: 4/1/1

Following a 1H trading update, Morgans assesses Domino's Pizza Enterprises is struggling to restore its position in the Japanese market, and downgrades its rating to Hold from Add.

While both A&NZ and Germany performed well, explains the broker, same store sales (SSS) in Asia and France are weighing on revenue and depressing profits.

The analyst originally forecast $100m profit (PBT) for the 1H (consensus $103m), and now management expects between $87-90m, a fall of between -14-17% on the previous corresponding period.

The target falls to $50 from $61.

IDP EDUCATION LIMITED ((IEL)) Downgrade to Hold from Add by Morgans .B/H/S: 3/3/0

Following Canada's announcement of a two-year cap on new International student visas, Morgans anticipates ongoing IDP Education share price uncertainty not only from this announcement but also potential policy changes going forward.

The new announcement is expected to see a cap of around 360,000 student study permits granted in 2024, down by -35% on 2023, explain the analysts.

While the broker considers the earnings impact on IDP Education is manageable, and the company still has strong long-term growth prospects, the rating is lowered to Hold from Add. The target is also reduced to $23.45 from $27.90.

JUDO CAPITAL HOLDINGS LIMITED ((JDO)) Downgrade to Sell from Buy by Citi .B/H/S: 1/3/1

Citi believes FY25 consensus earnings forecasts for Judo Capital are around 60% too high and suggests the nadir for earnings will occur in that financial year instead of FY24.

The broker's rating is downgraded by two notches to Sell from Buy and the target slashed to 87c from $1.35. Judo is now Citi's least preferred bank from among the regionals.

Revenue growth over the next year will be the main problem, according to the analysts, as higher cost of funds will push Judo toward relationship-based lending rather than competing with the major banks.

MAGELLAN FINANCIAL GROUP LIMITED ((MFG)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 2/1/3

Magellan Financial's remaining $50m option liability has been reduced by -$115m for a cost of $75m (to-date). Macquarie view's
this as a large cost for what appeared to be an unlikely scenario of the options being exercised.

Additionally, if the options were exercised this would have provided Magellan with up to $2bn of close-ended funds, which generates fee income.

This potentially suggests to Macquarie Magellan is planning to convert the close-ended fund to open-ended. This would likely see a
spike in outflows.

Positive market moves have nevertheless taken the target up to $7.60 from $7.00. Downgrade to Underperform.

PRO MEDICUS LIMITED ((PME)) Downgrade to Sell from Neutral by Citi .B/H/S: 0/2/2

In a review of Australian Healthcare prior to the February reporting season, Citi updates forecasts for stocks under coverage in the sector.

While the broker believes 2023 peaks for wage growth and inflation will provide margin relief for medical services providers, it will take several years for margins to approach pre-pandemic levels.

Following a more than 70% share price increase in 2023, the analysts downgrade Pro Medicus to Sell from Neutral and keep the $72 target.

Citi forecasts 1H EPS of 35.3cps, around 2% above the consensus estimate.

POLYNOVO LIMITED ((PNV)) Downgrade to Hold from Add by Morgans .B/H/S: 2/1/0

As PolyNovo's 1H trading update revealed profitability ahead of Morgans forecast, the broker's earnings forecasts for the period are increased to $3.8m from $2.8m, which is slightly in advance of the $3.6m forecast by consensus.

The broker's target rises to $1.95 from $1.88 and the rating is downgraded to Hold from Add following a 30% share price rally in the last month.

First half results are due on February 27.

SYNLAIT MILK LIMITED ((SM1)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 0/1/1

Back on December 22, Bell Potter lowered its rating for Synlait Milk to Hold from Buy and reduced its target to 95c from $1.50, due to a higher assumed risk profile.

In justifying these changes, the broker noted both the drawn out sale of the Dairyworks business (ahead of upcoming debt payments) and the ongoing dispute with a2 Milk Co ((A2M)).

The analysts felt a recapitalisation may be required to meet NZ$310m of debt obligations in 2024, unless the Dairyworks sale was executed.

SEVEN GROUP HOLDINGS LIMITED ((SVW)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 2/1/0

Bell Potter increases its target for Seven Group to $38 from $33 after assuming a higher terminal growth rate of 3.5%, up from 3% and a lower weighted average cost of capital (WACC) of 8.8%, down from 9.3%. Changes are driven by lower near-term risk-free rate expectations.

The broker has also initiated coverage of Boral (see in today's Broker Call Report) with only a minor impact on Bell Potter's Seven Group's EPS forecasts.

The rating is downgraded to Hold from Buy with no explanation given in the broker's research note.

LOTTERY CORPORATION LIMITED ((TLC)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 4/2/0

Macquarie upgrades FY24 foreacsts for Lottery Corp as Australian industry lottery volumes have fallen less than expected in the 1H and the 2H is off to a strong start, according to the broker's proprietary tracking data.

The analyst now forecasts 6% lottery volume growth in FY24, up from 4%, with 20% growth anticipated for the 2H.

The rating is downgraded to Neutral from Outperform after a recent share price rally, and the target price rises to $5.05 from $4.95.

WESFARMERS LIMITED ((WES)) Downgrade to Sell from Lighten by Ord Minnett .B/H/S: 2/2/2

Ord Minnett downgrades its rating for Wesfarmers to Sell from Lighten on valuation following a recent share price rally.

The broker's forecasts are unchanged, as is the $42 target price.

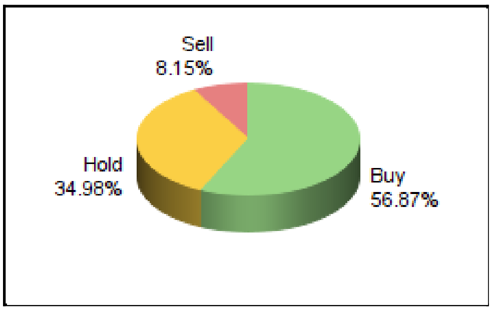
WHITEHAVEN COAL LIMITED ((WHC)) Downgrade to Hold from Add by Morgans .B/H/S: 3/2/1

Mixed 2Q production results for Whitehaven Coal didn't greatly change Morgans investment view. It's felt the acquisition of the BHP Mitsubishi Alliance's (BMA) assets is progressing strongly and can transform appeal of the company's shares due to superior scale, diversification and investor reach.

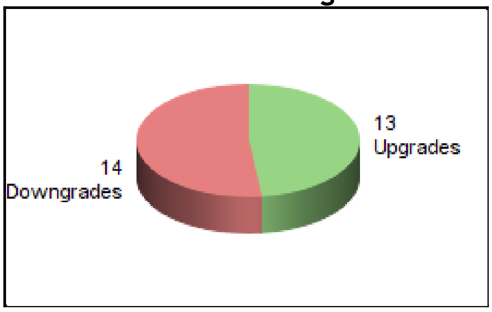
Sales in the Q2 were a 10% beat versus the broker's forecast, while achieved pricing was a -13% miss on lower-than-expected NEWC pricing, explains the analyst.

Given the share price has risen to within 10% of the new target of $8.50 (down from $8.60), Morgans downgrades its rating to Hold from Add.

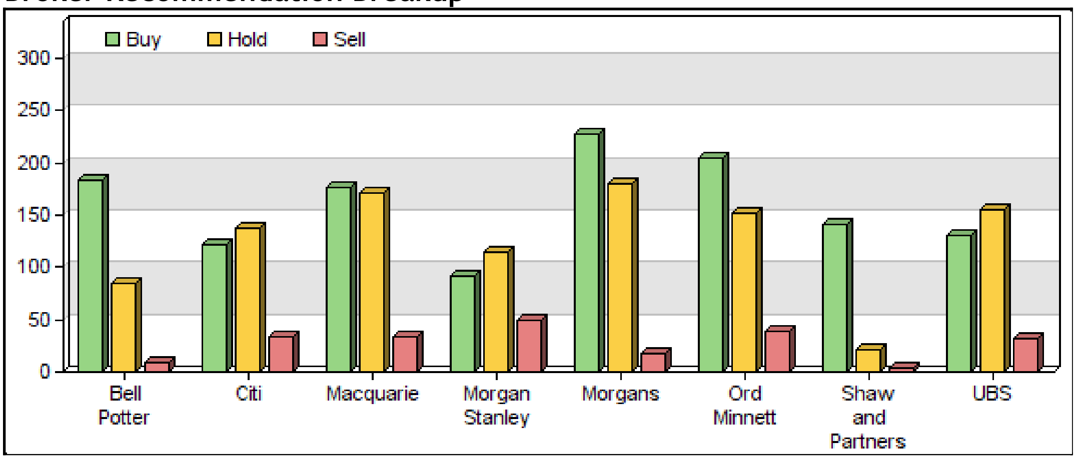
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	BABY BUNTING GROUP LIMITED	Buy	Neutral	Citi
2	BOSS ENERGY LIMITED	Neutral	Sell	Shaw and Partners
3	COOPER ENERGY LIMITED	Buy	Neutral	Macquarie
4	DOMAIN HOLDINGS AUSTRALIA LIMITED	Neutral	Sell	Macquarie
5	ENDEAVOUR GROUP LIMITED	Neutral	Sell	Morgan Stanley
6	HARVEY NORMAN HOLDINGS LIMITED	Buy	Neutral	UBS
7	LIONTOWN RESOURCES LIMITED	Buy	Neutral	UBS
8	MINERAL RESOURCES LIMITED	Buy	Neutral	Ord Minnett
9	NANOSONICS LIMITED	Neutral	Sell	Ord Minnett
10	NORTHERN STAR RESOURCES LIMITED	Buy	Neutral	Ord Minnett
11	PSC INSURANCE GROUP LIMITED	Buy	Neutral	UBS

12	WESTPAC BANKING CORPORATION	Buy	Neutral	Macquarie
13	ZIP CO LIMITED	Buy	Neutral	Ord Minnett
Downgrade				
14	ACROW LIMITED	Buy	Buy	Ord Minnett
15	COCHLEAR LIMITED	Sell	Neutral	Citi
16	CORONADO GLOBAL RESOURCES INC	Neutral	Buy	Ord Minnett
17	DOMINO'S PIZZA ENTERPRISES LIMITED	Neutral	Buy	Morgans
18	IDP EDUCATION LIMITED	Neutral	Buy	Morgans
19	JUDO CAPITAL HOLDINGS LIMITED	Sell	Buy	Citi
20	LOTTERY CORPORATION LIMITED	Neutral	Buy	Macquarie
21	MAGELLAN FINANCIAL GROUP LIMITED	Sell	Neutral	Macquarie
22	POLYNOVO LIMITED	Neutral	Buy	Morgans
23	PRO MEDICUS LIMITED	Sell	Neutral	Citi
24	SEVEN GROUP HOLDINGS LIMITED	Neutral	Buy	Bell Potter
25	SYNLAIT MILK LIMITED	Neutral	Buy	Bell Potter
26	WESFARMERS LIMITED	Sell	Sell	Ord Minnett
27	WHITEHAVEN COAL LIMITED	Neutral	Buy	Morgans

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	ZIP	ZIP CO LIMITED	0.697	0.430	62.09%	3
2	LNK	LINK ADMINISTRATION HOLDINGS LIMITED	1.850	1.583	16.87%	3
3	BOE	BOSS ENERGY LIMITED	5.147	4.763	8.06%	3
4	PDN	PALADIN ENERGY LIMITED	1.278	1.190	7.39%	4
5	ING	INGHAMS GROUP LIMITED	4.140	3.890	6.43%	5
6	WHC	WHITEHAVEN COAL LIMITED	8.267	7.814	5.80%	6
7	HVN	HARVEY NORMAN HOLDINGS LIMITED	4.110	3.910	5.12%	5
8	DHG	DOMAIN HOLDINGS AUSTRALIA LIMITED	3.373	3.213	4.98%	4
9	AWC	ALUMINA LIMITED	1.133	1.083	4.62%	4
10	NST	NORTHERN STAR RESOURCES LIMITED	13.560	12.980	4.47%	5

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	APX	APPEN LIMITED	0.867	1.313	-33.97%	3
2	LTR	LIONTOWN RESOURCES LIMITED	1.376	1.956	-29.65%	5
3	LTM	ARCADIUM LITHIUM PLC	11.988	14.513	-17.40%	4
4	NAN	NANOSONICS LIMITED	3.745	4.518	-17.11%	4
5	APM	APM HUMAN SERVICES INTERNATIONAL LIMITED	1.943	2.118	-8.26%	4
6	BBN	BABY BUNTING GROUP LIMITED	1.956	2.120	-7.74%	5
7	IEL	IDP EDUCATION LIMITED	26.292	27.842	-5.57%	6
8	LYC	LYNAS RARE EARTHS LIMITED	7.700	8.075	-4.64%	4
9	DMP	DOMINO'S PIZZA ENTERPRISES LIMITED	57.850	60.183	-3.88%	6
10	CRN	CORONADO GLOBAL RESOURCES INC	2.050	2.130	-3.76%	5

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	AWC	ALUMINA LIMITED	-1.360	-2.079	34.58%	4
2	JDO	JUDO CAPITAL HOLDINGS LIMITED	6.620	4.960	33.47%	5
3	ZIP	ZIP CO LIMITED	-8.133	-11.300	28.03%	3
4	COE	COOPER ENERGY LIMITED	0.733	0.600	22.17%	3
5	LTR	LIONTOWN RESOURCES LIMITED	-1.446	-1.820	20.55%	5
6	IFL	INSIGNIA FINANCIAL LIMITED	23.700	20.733	14.31%	4
7	KGN	KOGAN.COM LIMITED	13.800	12.300	12.20%	3
8	PNV	POLYNOVO LIMITED	0.525	0.475	10.53%	4
9	RHC	RAMSAY HEALTH CARE LIMITED	137.450	127.360	7.92%	6
10	ING	INGHAMS GROUP LIMITED	32.200	30.600	5.23%	5

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	PDN	PALADIN ENERGY LIMITED	0.050	0.642	-92.21%	4
2	LTM	ARCADIUM LITHIUM PLC	35.985	57.705	-37.64%	4
3	LYC	LYNAS RARE EARTHS LIMITED	13.500	20.100	-32.84%	4
4	NAN	NANOSONICS LIMITED	3.475	5.125	-32.20%	4
5	CRN	CORONADO GLOBAL RESOURCES INC	20.254	29.503	-31.35%	5
6	PLS	PILBARA MINERALS LIMITED	17.417	23.625	-26.28%	6
7	APM	APM HUMAN SERVICES INTERNATIONAL LIMITED	13.650	17.000	-19.71%	4
8	S32	SOUTH32 LIMITED	17.105	20.358	-15.98%	6
9	BBN	BABY BUNTING GROUP LIMITED	11.960	13.020	-8.14%	5
10	DMP	DOMINO'S PIZZA ENTERPRISES LIMITED	155.643	168.300	-7.52%	6

Technical limitations

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

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

WEEKLY REPORTS

Uranium Week: Reassessing Uranium Prices

Brokers have queued up to lift their longer-term uranium price forecasts just as the spot price sees its first weekly drop since November.

-Spot uranium price dips
-Longer-term price forecasts seeing widespread upgrades
-Australian-listed uranium stocks in the spotlight

By Greg Peel

Uranium buyers were dealt a reprieve last week when the spot price actually fell back for the first time since November. While prices heading into January were surging, reaching US$106/lb the week before last on industry consultant TradeTech's weekly spot price indicator, actual transactions were few.

Sellers kept backing off their prices and buyers became reluctant to chase. The impetus for most recent price strength had been the passage of a bill through the US House banning imports of Russian enriched uranium (with caveats), which was expected to then sail through the Senate.

It didn't, having been blocked by a Republican senator from Texas, so last week sellers moved swiftly to lower prices.

While the effect was a -US$6.00 drop in TradeTech's price indicator to US$100.00/lb, suddenly there was volume changing hands. A total of eight transactions were concluded in the week.

Meanwhile, the impact of the Red Sea conflict has extended to the uranium market. Australia's BHP Group ((BHP)) is now diverting nearly all of its shipments to Europe away from the Red Sea, with the long route around Africa adding nine days to the journey.

Time to Panic

The recent rise in the spot uranium price, along with the announcement by Kazatomprom it expects to adjust its production target, have caused sellers to consider how these developments may impact the long-term uranium price going forward, TradeTech reports.

Recent term offers are higher than those submitted only a few weeks ago, indicating the long-term price is experiencing upward price pressure.

Last week Australian stockbroker Shaw & Partners noted the recent spot price rise, through US$100/lb, has been larger and earlier than expected, although at this stage the market remains orderly, and the price increases do not appear to be driven by panic buying.

That may change, Shaw warns, if utilities believe they will have difficulty covering their fuel demands later this decade. Panic buying could drive the uranium price materially higher. There is a great saying in markets that "*he who panics first, panics best*", hence Shaw recommends uranium sector investors get ahead of potential panic buying.

Shaw is now assuming a multi-year price spike to US$150/lb in 2025-27. The forecast implies the previous all-time high of US$136-138/lb will be superceded. Thereafter the broker sees the price settling back to a long-term US$76/lb in 2030, in 2024 real dollar terms.

Shaw has also changed its approach to valuing undeveloped uranium resources by introducing different in-ground valuations for different quality of resources. The net effect is material upgrades to price targets and earnings forecasts within the Australian-listed uranium space.

Citi has also raised its uranium price forecasts, suggesting an average of US$101/lb in 2024 and US$110/lb in 2025, while Citi's long-term forecast is raised to US$115/lb from US$87/lb.

The rush is on. Australian stockbroker Bell Potter has lifted its short and mid-term uranium price forecasts, anticipating a peak of US$130/lb, while a more circumspect Macquarie has lifted its peak uranium price forecast to US$100/lb in 2025.

TradeTech's term price indicators (not forecasts) remain at US$93/lb (mid-term) and US$68/lb (long).

Ready, Steady, Go

This week and last have seen Australian-listed uranium companies providing quarterly updates.

Paladin Energy's ((PDN)) restart project at its Langer Heinrich mine in Namibia is now 93% complete, with restart still expected this quarter. This news, although not unexpected, combined with above uranium price forecast upgrades, has both Citi and Bell Potter upgrading Paladin to Buy ratings.

Macquarie, Citi, Shaw and Partners and Bell Potter are the four brokers monitored daily by FNArena that cover Paladin, and all now have Buy or equivalent ratings. Their consensus share price target has risen to $1.51 from 1.28.

Boss Energy ((BOE)) announced the restart of the Honeymoon project in South Australia is 96% complete, with first uranium also expected in the March quarter.

Macquarie retains an Outperform rating on Boss Energy, while Bell Potter, despite being positive on the stock, has pulled back to Hold on a too-high valuation. Shaw's uranium price upgrades last week led to a rating upgrade to Hold from Sell for Boss, equally with a too-expensive assessment.

The consensus target among these three covering brokers has risen to $5.72 from $5.15.

Among the brokers aforementioned, Shaw and Partners has the widest spread of Australian-listed uranium stocks in its coverage.

Bannerman Energy's ((BMN)) huge, but low grade, resource in Namibia is becoming increasingly more valuable as the uranium price increases, leading Shaw to lift its target to $7.04 from $3.20.

Peninsula Energy ((PEN)) is restarting production from the Lance project in the US and is likely to be a major beneficiary of US government support. Shaw's target has risen to 34c from 25c.

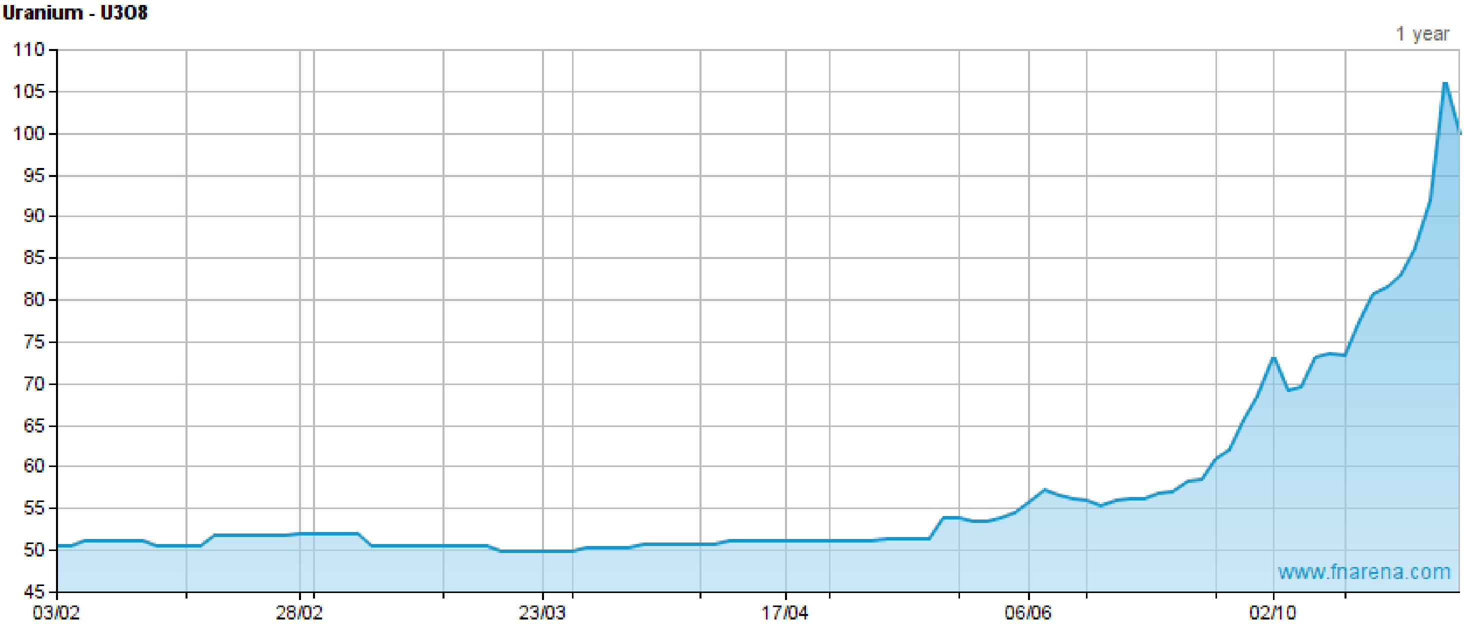
Lotus Energy ((LOT)) is close to a final investment decision on the Kayelekera project in Malawi and has growth options at Letlhakane in Botswana. Shaw's target has risen to 72c from 53c.

Moving slightly off-piste, Shaw believes Silex Systems' ((SLX)) third generation uranium enrichment technology will revolutionise the uranium enrichment industry. Target rises to $7.60 from $5.80.

All of the above stocks draw a Buy rating from Shaw and Partners, with the exception of Boss Energy, as noted.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	29/01/2024	0.1400	0.00%	$0.18	$0.05			
AGE	29/01/2024	0.0700	▼- 5.48%	$0.08	$0.03		$0.100	▲42.9%
BKY	29/01/2024	0.3200	▲ 8.47%	$0.80	$0.26			
BMN	29/01/2024	3.5100	▼- 2.02%	$3.77	$1.19		$7.040	▲100.6%
BOE	29/01/2024	5.4600	▼- 1.30%	$5.67	$2.02	187.9	$5.720	▲4.8%
DYL	29/01/2024	1.4000	▼- 3.60%	$1.59	$0.48		$1.640	▲17.1%
EL8	29/01/2024	0.5400	▲ 1.89%	$0.61	$0.27			
ERA	29/01/2024	0.0600	▲ 9.09%	$0.28	$0.03			
LOT	29/01/2024	0.3500	▲ 9.84%	$0.35	$0.15		$0.720	▲105.7%
NXG	29/01/2024	11.3500	▼- 3.34%	$12.35	$5.11			
PDN	29/01/2024	1.2400	▲ 0.41%	$1.33	$0.52	480.2	$1.513	▲22.0%
PEN	29/01/2024	0.1200	▼- 4.35%	$0.20	$0.08		$0.340	▲183.3%
SLX	29/01/2024	4.9600	▲ 5.30%	$5.39	$2.92		$7.600	▲53.2%



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

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

WEEKLY REPORTS

The Short Report - 01 Feb 2024

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

Summary:

By Greg Peel

Week Ending January 25, 2024.

Last week saw the ASX200 mark a January bottom before commencing a solid rally to yesterday hit a new high. Shame Jerome Powell killed the party last night.

To say that the sharp rally rather kept shorters at bay last week would be an understatement. In all my years of Short Reports, I have never seen a table so devoid of movements in positions as the one below.

While positions did tick up and and down here and there, only three moves were enough to shift up or down a percentage bracket, and there were certainly no movements in excess of one percentage point.

The only move of any note is that of Appen ((APX)), simply because it last week plunged almost -40% on the day after losing its contract with Google. A move down to 5.6% from 6.0% shorted would not otherwise be noteworthy.

Maybe there'll be more action this week.

Weekly short positions as a percentage of market cap:

10%+

PLS 20.9
SYR 16.7
CXO 12.6
SYA 11.3
IEL 10.4

No changes

9.0-9.9%

GMD

No changes

8.0-8.9%

DYL, WBT, FLT

No changes

7.0-7.9%

No stocks

6.0-6.9%

CHN, BOQ, LYC, SHV, HVN, ACL

In: SHV Out: APX

5.0-5.9%

IMU, LTR, MIN, APX, LIC, OBL

In: APX Out: SHV, IFL

Movers & Shakers

Nothing to see here.

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.7	0.6	NEM	0.8	0.6
ANZ	0.3	0.3	RIO	2.2	2.1
BHP	0.4	0.4	S32	0.9	1.2
CBA	1.5	1.7	STO	1.1	1.1
COL	0.7	0.7	TCL	0.4	0.6
CSL	0.4	0.4	TLS	0.4	0.4
FMG	0.7	0.7	WBC	1.3	1.4
GMG	0.4	0.4	WDS	1.1	1.2
MQG	0.8	0.8	WES	1.0	1.1
NAB	0.8	0.8	WOW	0.2	0.2

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

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

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

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

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

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

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

WEEKLY REPORTS

In Brief: Online Retail, Expensive Equities, Iron Ore, Base Metals & Agriculture

Online threat for Australian retailers; Australian sharemarket overvalued (?), forecasts for iron ore and base metals & a bright outlook in 2024 for agriculture.

-Incumbent retailers face online sales threat from Amazon and Temu
-Australian equity market overvalued, cautions UBS
-Iron ore and base metals forecasts
-Bright 2024 outlook for agricultural commodities

By Mark Woodruff

Incumbent retailers face online sales threat from Amazon and Temu

As more Australian customers gravitate to Chinese shopping website Temu, and more brands join with Amazon (and delivery times continue to shrink), Jarden suggests domestic competitors will need to lift investment in logistics to even stay relevant.

Consumers are increasingly starting their search for items online, with total audiences up, despite online sales being weaker, observes the broker.

Amazon held a 42% share of the around $12bn of gross transaction value ((GTV)) generated by the top-six major marketplaces in Australia during 2023, while Temu has become a top 20 site, after less than 12 months.

The analysts forecast these two companies will move to just over 16% share in Australia in 2024, but ominously, they currently command around 50% of online sales in the US.

In combination, Amazon and Temu create more price competition, become a first point of call for consumers and offer high-value delivery, explain the analysts, who anticipate a combined GTV north of $6bn in 2024.

To maintain leading market positions, Coles Group ((COL)), Kogan.com ((KGN)), Wesfarmers ((WES)), Harvey Norman ((HVN)) and JB Hi-Fi ((JBH)) have the **greatest need to invest in logistics**, according to Jarden.

As freight, fulfillment and last-mile costs continue to rise, the broker points out the ability of sub-scale retailers to service consumers effectively, while also generating an adequate return on invested capital (ROIC), is set to become challenging. The cause for such retailers is also being hindered by the emergence of the value shopper in the current economic backdrop.

Thankfully, the analysts still see opportunities in Australia for the likes of Woolworths Group ((WOW)), Wesfarmers, JB Hi-Fi and Temple & Webster ((TPW), given strong store networks, scale, a differentiated offering, along with value positions.

Also less at risk are bigger-ticket retailers, suggests Jarden, selling large hardware and appliances, along with the audio visual (AV) and furniture categories.

Based on the US experience, the broker sees the greatest risk for general merchandise, office, small appliances & accessories, toys, beauty, home & kitchen, sport, outdoors, health, and food that may be stored safely at room temperature.

Jarden has previously stated most at risk are Adairs ((ADH)), Accent Group ((AX1)) and Kogan.com.

While the Amazon/Temu impact has been muted so far, the broker points to declining GTV's for Kogan.com, Wesfarmers-owned Catch, and eBay, with a strong retail backdrop disguising the impact for others.

Based on recent data, Jarden believes Catch, Kogan.com, Harvey Norman, Big W and Home Hardware are most at risk based on cross-shopping, whilst Universal Store ((UNI)), The Reject Shop ((TRS)), IGA and Coles Group are less at risk from Amazon.

On the flipside, it's thought Breville Group ((BRG)), a2 Milk Co ((A2M)) and Treasury Wines Estates ((TWE)) should benefit via having more channels to market.

Overall, Jarden believes the main supermarket chains (i.e. Coles, Woolworths and Metcash) are least at risk.

Australian equity market overvalued, cautions UBS

Given a challenging economic backdrop is placing downward pressure on company revenues, while cost pressures continue to broaden, UBS suggests **equity market pricing in Australia has become overly optimistic on the back of prospects for lower interest rates.**

The ASX200 has rallied 11.6% since last-October's low, in the absence of either earnings upgrades or improving macroeconomic data, observes the analyst. It's felt positivity has been almost entirely driven by lower bond yields.

Undermining claims by some that US stocks are more overvalued by comparison, the broker points out if US sector weights were applied to Aussie stock valuations, the Australian equity market would sit at a 20% price earnings valuation premium to the S&P500 in the US.

Global investors have retreated from Australian shares over the last year, and the analyst sees no reason for them to return in 2024. Until the equity risk premium increases, after falling to a decade low, it's felt marginal buyers may be scarce.

History also presents a potential barrier, according to UBS, as the Australian equity market hasn't traditionally bottomed until after the Reserve Bank resumes its rate-cutting cycle.

Looking across the sectors, the broker notes share prices within Banks and Retail have run hard over recent months, despite relatively static earnings estimates for FY24 and FY25.

Post-covid, the analyst is dubious around retail sales (which are still sitting above trend), and the arrival of international tourists is still failing to match the pre-pandemic trend.

Narrowing the focus to individual stocks across the market, UBS suggests share prices have moved ahead of earnings for Neutral-rated CommBank ((CBA)), Cochlear ((COH)) and REA Group ((REA), as well as James Hardie Industries ((JHX)), which is still assigned a Buy recommendation.

Iron ore and base metals forecasts

It is becoming increasingly apparent China's growth trajectory, and hence any further upside for iron ore and base metal markets, has become very policy dependent, observes Citi.

While more accommodative monetary policy is needed, the broker suggests upside risk to metals demand in 2024 will be more tied to fiscal/quasi-fiscal stimulus, which is the next thing for investors to monitor.

Last week, base metal and iron ore markets rallied after the People's Bank of China (PBoC) moved to cut the reserve requirement ratio (RRR), while Beijing's rescue pledges also buoyed sentiment, explain the analysts.

Citi observes policymakers in China are broadening the scope of urban village redevelopment (increased to 52 cities), part of three major projects intended to offset the weakness in the property sector.

The iron ore price reached US$136/t in Singapore last week (Cit's 0–3-month forecast is unchanged at US$150/t), and any further policy easing could lift the price further. The Chinese New Year in mid-February is also expected to lend support to market fundamentals.

For copper, apart from upside risks from further Chinese easing, tighter concentrate supply is also behind the broker's US$8,800/t forecast (for 0-3 months), up from US$8,500/t.

For quarter's two and three of 2024, copper prices are forecast to average US$8,000/t, Citi anticipating rising debt service burdens for developed markets, and associated deterioration in growth.

Regarding the short-term outlook for aluminium, the broker keeps its 0-3 month forecast at US$2,300/t. Large uncertainties on the supply side are noted, and developments surrounding potential actions on Russian aluminium could cause price volatility.

Bright 2024 outlook for agricultural commodities

Radobank's Australian Agribusiness Outlook report for 2024 points to strength for the sector, due to lower input costs and better than anticipated seasonal conditions.

These positives are set to outweigh ongoing tightness in the domestic labour market, the impact of geopolitical issues on freight and concerns around China's economy and import volumes.

“El Nino didn’t turn out as bad as feared, with recent significant rainfall received across most farming areas except Western Australia”, explains Stefan Vogel, General Manager of Australia and New Zealand. It’s felt grain farmers will now be more optimistic around plans for the upcoming planting period for winter crops like wheat, barley and canola.

For beef and sheep producers, Vogel also notes the “outlook for farm-grown feed in the first half of 2024 overall looks more promising”.

While agricultural commodity prices remain well down from 2022-highs, the Radobank Rural Commodity Price Index indicates improvement in 2024 to around the five-year average for the Index.

Prices will vary by sector, with grain prices remaining under pressure from oversupply in 2024, with higher prices dependent on weather-related supply shortages, explains Vogel.

More positively, beef and sheep prices are expected to trade above lows experienced in 2023, and global dairy commodity prices are thought to have bottomed and should improve during the year.

In Australia there should be ongoing support for farmgate prices; the margin outlook for dairy farmers remains positive.

While crude oil prices have remained “surprisingly subdued”, according to the bank's outlook, despite heightened Middle East tensions, any escalation of international conflicts has potential for a big upward swing in energy prices, which would have a knock-on increase in the cost of farm inputs.

Locally, cost pressures for imported inputs and goods used on the farm will ease should the bank’s forecast for a rally towards USD/AUD 70 cents eventuate in the next 12 months, after bottoming out at around 65 cents.

Radobank also expects a decline in agricultural chemical prices, driven by a “massive” increase in production capacity in China over the past three years, though it may take some time to be felt at the farm gate, as older stock is run-down.

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 02-02-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

A2 MILK COMPANY LIMITED ((A2M)) Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

2023 China newborns were 9m; better than expected. Prior to this, a leaked pre-release which suggested 7.88m, down -18% year on year, had been more broadly in line with Jarden's expectation.

Looking forward, the broker was already expecting a tick up in 2024 driven by improved marriage data, vaccination fears fading and a stronger zodiac sign with the year of the Dragon.

With comfort birth rates are slightly better as a starting point, a2 Milk Co executing its new China label transition well and its supply chain priority/lower forward incremental returns better understood, Jarden upgrades to Overweight from Neutral.

Target rises to NZ$5.15 from NZ$4.95.

CREDIT CORP GROUP LIMITED ((CCP)) Upgrade to Buy from Hold by Canaccord Genuity.B/H/S: 0/0/0

Canaccord Genuity sees limited scope for a beat to first half market expectations from Credit Corp, but sees potential for improved debt purchasing conditions, a building payers book to debt ledger balance, and improved collection efficiency to "tip the scale" in Credit Corp's favour.

The broker points out the US market supply dynamic appears to be improving at pace, in contrast to the Australian and New Zealand markets. While pricing recovery is underway, it expects there is still material upside potential should market dynamics allow.

The rating is upgraded to Buy from Hold and the target price increases to $20.00 from $13.20.

ILUKA RESOURCES LIMITED ((ILU)) Upgrade to Hold from Sell by Canaccord Genuity.B/H/S: 0/0/0

Iluka Resources' December production update showed disappointment from zircon sales but strong synthetic rutile sales providing the offset.

Total production volume more or less met market consensus, suggests Canaccord Genuity. Pricing for mineral sands remained "robust" during the quarter, though the analyst maintains the demand outlook remains "subdued".

Putting it all together, the broker now believes the risk-reward proposition has improved, and this warrants an upgrade to Hold from Sell. Price target remains $7.

LIGHT & WONDER INC ((LNW)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

Given Light & Wonder's underwhelming share price performance in recent months, Jarden has lifted its rating on the stock to reflect better value.

Jarden believes the recommendations from US gaming analysts, alongside increasing concerns about a slowdown in regional casino markets and general exiting of the stock after a share price performance has weighed on the stock price.

It expects Light & Wonder to deliver another high quality result with its fourth quarter and end of calendar year reporting.

The rating is upgraded to Buy from Overweight and the target price increases to $147.00 from $141.00.

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

Wilsons upgrades PolyNovo to Market Weight from Underweight after the pre-release of a first half report which the broker saw as solid.

The broker's negative view on PolyNovo in the last 12-18 months was premised on the fact that valuation was steep, particularly in comparison to peers, coupled with the lack of certainty in revenue timing and stickiness.

The latter seems to have abated for PolyNovo - having clearly demonstrated a leading share within the US burns market -- whilst the former remains a contentious issue, Wilsons warns.

Target rises to $1.79 from $1.08.

QANTAS AIRWAYS LIMITED ((QAN)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

With the transport and waste reporting season due to begin in mid-February, Jarden has reviewed its coverage and previewed first half results.

It is Jarden's view that companies with the highest earnings per share dispersion and with expanded implied price-earnings ratios since the end of financial year may be most at risk of volatile movement in their share price, namely Aurizon Holdings ((AZJ)) and Qube Holdings ((QUB)).

Jarden notes Qantas Airways investors are alert to potential reductions in demand over the financial year. Coupled with concerns about rising fuel costs, the share price has suffered, but the broker expects Qantas Airways could benefit from positive earnings per share revisions.

The rating is upgraded to Buy from Overweight and the target price of $6.90 is retained.

WESFARMERS LIMITED ((WES)) Upgrade to Buy from Neutral by Goldman Sachs.B/H/S: 0/0/0

Prior to the February reporting season, Goldman Sachs adjusts earnings forecasts for Australian Consumer/Retail stocks under coverage in the household goods and staples space.

The analysts take into account three main themes: retail sales data suggests strength for household goods; supermarket volumes will likely remain strong; and potential for some turnaround stories.

The broker plays the household goods related-theme by upgrading the rating for Wesfarmers to Buy from Neutral, in the expectation a buoyant Australian housing market will support resilient sales and margins for Bunnings.

The target rises by 26.3% to $62.90.

Downgrade

BEACH ENERGY LIMITED ((BPT)) Downgrade to Sell from Neutral by Goldman Sachs.B/H/S: 0/0/0

According to Goldman Sachs, Beach Energy reported mixed 2Q24 results.

Notably the report included an early LNG cargo from Waitsia (export allowance) which was better than expected, but offset by a non-cash $505m charge from higher capex and operating expenses at the Cooper Basin JV with Santos.

The analyst adjusts EBITDA earnings by 14%, -4% and -3% for FY24 to FY26, respectively, and the NAV is lowered by -2% to $1.69 from $1.73.

Although the stock is trading at an attractive discount to NAV, Goldman's retains a Sell rating with better perceived opportunities in upstream energy companies.

The price target is shifted marginally to $1.66 from $1.65.

COOPER ENERGY LIMITED ((COE)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Cooper Energy had to come clean with a material cost increase for the decommissioning of BMG and Jarden, in response, won't rule out further cost increases.

On this basis, the broker has adopted a more cautious approach, hence the downgrade to Neutral from Overweight. The price target drops to 15c from 21c.

Also, Jarden suspects the market will remain cautious until the decommissioning is completed as risk remains a fresh capital raising might be triggered in case of further negative developments.

CORPORATE TRAVEL MANAGEMENT LIMITED ((CTD)) Downgrade to Neutral from Buy by Goldman Sachs.B/H/S: 0/0/0

Prior to the February reporting season, Goldman Sachs adjusts earnings forecasts for Australian Consumer/Retail stocks under coverage in the household goods and staples space.

The analysts take into account three main themes: retail sales data suggests strength for household goods; supermarket volumes will likely remain strong; and potential for four turnaround stories.

For Corporate Travel Management, the broker downgrades its rating to Neutral from Buy due to a 24% share price rally since mid-October last year, and a plateau in US corporate travel (the long-term positive story remains intact).

The target rises to $20.70 from $20.60.

DOMINO'S PIZZA ENTERPRISES LIMITED ((DMP)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Jarden almost groans under the weight of the fourth earnings guidance downgrade in 3-years from Domino's Pizza, post the "upbeat" AGM update in November.

Japan continues to trade weaker than expected as well as falling European results.

The broker lowers earnings forecasts by -8% and -13% for FY24 to FY27, respectively and drops the target price to $50 from $65.

Although Jarden "likes" the company, another earnings guidance miss undermines investor trust and hence the rating is downgraded to Neutral from Overweight.

GENESIS MINERALS LIMITED ((GMD)) Downgrade to Hold from Buy by Moelis.B/H/S: 0/0/0

Genesis Minerals' quarterly production has triggered a downgrade from Moelis, to Hold from Buy, with a reduced target price of $1.70 (down from $2).

The culprit does not lay with the released production volumes, but is related to higher capital costs. This, the broker explains, has a material impact on prospective financials.

Moelis expects to see a "messy" full year result, to be followed up with an investor day. The broker also notes management explicitly reiterated it has the people and assets in place to deliver on its growth plans.

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

Capital budgeting pressure within hospitals is exacerbating the natural slowing of Nanosonics' Trophon capital placements and upgrades, explains Wilsons.

Preliminary 2H results showed a -17% miss for revenue compared to the broker's forecast largely due to longer sales cycles for both new and upgrade capital units.

The analysts suggest Nanosonics will face a tough upcoming year should growth for Trophon weaken further while management simultaneously incurs development expenditure to launch the new Coris product on the international stage.

Management withdrew FY24 revenue growth guidance, and promised a revised outlook at the formal 1H results release on February 26.

The rating is downgraded to Market weight from Overweight and the target cut to $3.95 from $5.46.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	A2 MILK COMPANY LIMITED	Buy	Neutral	Jarden
2	CREDIT CORP GROUP LIMITED	Buy	Neutral	Canaccord Genuity
3	ILUKA RESOURCES LIMITED	Neutral	Sell	Canaccord Genuity
4	LIGHT & WONDER INC	Buy	Buy	Jarden
5	POLYNOVO LIMITED	Neutral	Sell	Wilsons
6	QANTAS AIRWAYS LIMITED	Buy	Buy	Jarden

7	WESFARMERS LIMITED	Buy	Neutral	Goldman Sachs

Downgrade

8	BEACH ENERGY LIMITED	Sell	Neutral	Goldman Sachs
9	COOPER ENERGY LIMITED	Neutral	Buy	Jarden
10	CORPORATE TRAVEL MANAGEMENT LIMITED	Neutral	Buy	Goldman Sachs
11	DOMINO'S PIZZA ENTERPRISES LIMITED	Neutral	Buy	Jarden
12	GENESIS MINERALS LIMITED	Neutral	Buy	Moelis
13	NANOSONICS LIMITED	Neutral	Buy	Wilsons

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
A11	Atlantic Lithium	$0.38	Canaccord Genuity	1.20	1.40	-14.29%
ACL	Australian Clinical Labs	$2.99	Goldman Sachs	3.30	N/A	-
AMA	AMA Group	$0.07	Canaccord Genuity	0.16	0.14	14.29%
ANZ	ANZ Bank	$27.12	Jarden	26.30	24.80	6.05%
			Jarden	26.50	24.80	6.85%
AUB	AUB Group	$30.01	Goldman Sachs	32.00	31.00	3.23%
AZJ	Aurizon Holdings	$3.77	Goldman Sachs	4.00	3.90	2.56%
			Jarden	3.80	3.70	2.70%
BBN	Baby Bunting	$1.54	Wilsons	2.10	2.50	-16.00%
BEN	Bendigo & Adelaide Bank	$9.70	Jarden	9.50	9.20	3.26%
BOQ	Bank of Queensland	$5.96	Jarden	5.60	6.20	-9.68%
BPT	Beach Energy	$1.68	Canaccord Genuity	1.60	1.54	3.90%
			Goldman Sachs	1.66	1.40	18.57%
			Jarden	1.85	1.80	2.78%
BRG	Breville Group	$26.66	Goldman Sachs	30.20	25.70	17.51%
			Wilsons	24.90	25.70	-3.11%
BXB	Brambles	$14.59	Jarden	15.35	15.90	-3.46%
CBA	CommBank	$115.04	Jarden	100.00	98.00	2.04%
CCP	Credit Corp	$18.48	Canaccord Genuity	20.00	13.20	51.52%
COE	Cooper Energy	$0.13	Jarden	0.15	0.20	-25.00%
COL	Coles Group	$15.87	Goldman Sachs	14.00	14.70	-4.76%
CRN	Coronado Global Resources	$1.59	Goldman Sachs	1.85	2.00	-7.50%
CSL	CSL	$299.67	Jarden	316.16	322.25	-1.89%
CTD	Corporate Travel Management	$20.43	Goldman Sachs	20.70	20.50	0.98%
CXO	Core Lithium	$0.20	Canaccord Genuity	0.19	0.55	-65.45%
			Goldman Sachs	0.14	0.31	-54.84%
			Jarden	0.15	0.20	-25.00%
DMP	Domino's Pizza Enterprises	$40.23	Goldman Sachs	37.50	40.30	-6.95%
			Jarden	50.00	65.00	-23.08%
FLT	Flight Centre Travel	$21.35	Goldman Sachs	20.70	20.00	3.50%
FMG	Fortescue	$29.70	Goldman Sachs	19.80	19.30	2.59%
GMD	Genesis Minerals	$1.72	Moelis	1.70	2.00	-15.00%
GOR	Gold Road Resources	$1.50	Moelis	1.45	1.90	-23.68%
HLS	Healius	$1.37	Goldman Sachs	1.40	N/A	-
HVN	Harvey Norman	$4.40	Goldman Sachs	4.00	3.80	5.26%
IEL	IDP Education	$19.58	Jarden	27.25	29.00	-6.03%
IFL	Insignia Financial	$2.07	Jarden	2.70	2.85	-5.26%
ILU	Iluka Resources	$7.10	Goldman Sachs	9.80	10.10	-2.97%
JBH	JB Hi-Fi	$56.66	Goldman Sachs	54.10	44.80	20.76%
JDO	Judo Capital	$1.17	Goldman Sachs	1.63	1.58	3.16%
KAR	Karoon Energy	$1.95	Goldman Sachs	2.41	2.68	-10.07%
			Jarden	2.40	2.30	4.35%
KGN	Kogan.com	$5.88	Jarden	4.90	4.50	8.89%
LNW	Light & Wonder	$124.00	Jarden	147.00	141.00	4.26%
LRK	Lark Distilling Co	$1.27	Moelis	1.42	1.69	-15.98%

LTR	Liontown Resources	$0.99	Canaccord Genuity	1.20	2.85	-57.89%
			Goldman Sachs	1.45	1.55	-6.45%
LYC	Lynas Rare Earths	$5.76	Canaccord Genuity	7.80	8.50	-8.24%
			Goldman Sachs	7.50	7.70	-2.60%
M7T	Mach7 Technologies	$0.73	Wilsons	1.05	1.15	-8.70%
MAD	Mader Group	$6.49	Moelis	7.41	7.65	-3.14%
MTO	Motorcycle Holdings	$1.92	Wilsons	1.93	2.06	-6.31%
MTS	Metcash	$3.64	Goldman Sachs	3.60	3.70	-2.70%
NAB	National Australia Bank	$32.04	Jarden	31.50	29.50	6.78%
NAN	Nanosonics	$2.90	Goldman Sachs	3.00	3.80	-21.05%
			Wilsons	3.95	5.46	-27.66%
NST	Northern Star Resources	$13.68	Goldman Sachs	13.30	13.10	1.53%
			Jarden	13.90	13.60	2.21%
PDN	Paladin Energy	$1.37	Canaccord Genuity	1.30	1.23	5.69%
PLS	Pilbara Minerals	$3.50	Canaccord Genuity	4.25	5.00	-15.00%
			Goldman Sachs	2.95	3.20	-7.81%
			Jarden	4.30	4.60	-6.52%
PMV	Premier Investments	$27.98	Goldman Sachs	23.50	22.30	5.38%
PNV	PolyNovo	$1.90	Wilsons	1.79	1.08	65.74%
PRU	Perseus Mining	$1.82	Canaccord Genuity	2.45	2.55	-3.92%
RMD	ResMed	$29.51	Goldman Sachs	33.50	32.00	4.69%
			Jarden	31.22	30.13	3.62%
			Wilsons	31.28	30.00	4.27%
RRL	Regis Resources	$2.00	Canaccord Genuity	2.50	2.55	-1.96%
			Goldman Sachs	2.15	2.25	-4.44%
SHL	Sonic Healthcare	$31.95	Goldman Sachs	29.70	29.00	2.41%
STO	Santos	$7.78	Goldman Sachs	N/A	8.55	-100.00%
			Jarden	8.05	7.70	4.55%
SUL	Super Retail	$15.90	Goldman Sachs	17.80	14.40	23.61%
THL	Tourism Holdings Rentals	$3.50	Wilsons	5.06	5.29	-4.35%
VEA	Viva Energy	$3.63	Goldman Sachs	3.40	3.29	3.34%
WBC	Westpac	$23.95	Jarden	23.00	21.60	6.48%
WDS	Woodside Energy	$32.15	Goldman Sachs	N/A	35.80	-100.00%
WES	Wesfarmers	$58.51	Goldman Sachs	62.90	49.80	26.31%
WHC	Whitehaven Coal	$8.22	Goldman Sachs	6.20	6.50	-4.62%
WOW	Woolworths Group	$35.98	Goldman Sachs	43.30	42.40	2.12%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

CSL CSL LIMITED

Pharmaceuticals & Biotech/Lifesciences - Overnight Price: $293.00

Jarden rates ((CSL)) as Overweight (2) -

Jarden has zoomed in on further development, and the importance overall, of CSL's RIKA plasmapheresis collection system, an integral step in the company's drive to reduce the 'cost per litre of plasma collected'.

As the broker explains, RIKA will be a key contributor to lifting the gross margin back to the pre-covid level of 57%. It is now believed any issues from the past have been resolved and the upcoming H1 release, Jarden believes, should include a positive update on the RIKA rollout.

Such an announcement should be positively received, the broker suggests, as it might imply margin recovery could well accelerate sooner.

Overweight. Target $316.16.

This report was published on January 22, 2024.

Target price is **$316.16** Current Price is **$293.00** Difference: **$23.16**
If **CSL** meets the Jarden target it will return approximately **8%** (excluding dividends, fees and charges).
Current consensus price target is **$329.70**, suggesting upside of **12.5%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY24:

Jarden forecasts a full year **FY24** dividend of **347.80** cents and EPS of **824.44** cents.
At the last closing share price the estimated dividend yield is **1.19%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **35.54**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **948.4**, implying annual growth of **N/A**.
Current consensus DPS estimate is **414.0**, implying a prospective dividend yield of **1.4%**.
Current consensus EPS estimate suggests the PER is **30.9**.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **405.72** cents and EPS of **1013.76** cents.
At the last closing share price the estimated dividend yield is **1.38%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **28.90**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **1216.9**, implying annual growth of **28.3%**.
Current consensus DPS estimate is **533.9**, implying a prospective dividend yield of **1.8%**.
Current consensus EPS estimate suggests the PER is **24.1**.

This company reports in **USD**. All estimates have been converted into AUD by FNArena at present FX values.
Market Sentiment: **0.9**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

EDV ENDEAVOUR GROUP LIMITED

Food, Beverages & Tobacco - Overnight Price: $5.62

Goldman Sachs rates ((EDV)) as Buy (1) -

Prior to the February reporting season, Goldman Sachs adjusts earnings forecasts for Australian Consumer/Retail stocks under coverage in the household goods and staples space.

The analysts take into account three main themes: retail sales data suggests strength for household goods; supermarket volumes will likely remain strong; and potential for four turnaround stories.

Of the four turnaround stories, Buy-rated Endeavour Group will be the first to recover following 1H results, in the broker's view.

Sequential improvement is expected for 2Q retail numbers, while stabilising gaming revenues will likely provide downside support for Hotels.The analyst maintains a Buy rating and $6.40 target.

This report was published on January 25, 2024.

Target price is **$6.40** Current Price is **$5.62** Difference: **$0.78**
If **EDV** meets the Goldman Sachs target it will return approximately **14%** (excluding dividends, fees and charges).
Current consensus price target is **$5.73**, suggesting upside of **2.0%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY24:

Goldman Sachs forecasts a full year **FY24** dividend of **23.00** cents and EPS of **29.00** cents.
At the last closing share price the estimated dividend yield is **4.09%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **19.38**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **28.7**, implying annual growth of **-2.8%**.
Current consensus DPS estimate is **20.6**, implying a prospective dividend yield of **3.7%**.
Current consensus EPS estimate suggests the PER is **19.6**.

Forecast for FY25:

Goldman Sachs forecasts a full year **FY25** dividend of **25.00** cents and EPS of **31.00** cents.
At the last closing share price the estimated dividend yield is **4.45%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **18.13**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **30.4**, implying annual growth of **5.9%**.
Current consensus DPS estimate is **21.5**, implying a prospective dividend yield of **3.8%**.
Current consensus EPS estimate suggests the PER is **18.5**.

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

RMD RESMED INC

Medical Equipment & Devices - Overnight Price: $29.20

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

A pleased team of Wilsons analysts observes how market attention is shifting towards "solid financial results" for ResMed. It had been a while, a period described as "irrational fear of the improbable".

Wilsons saw a solid quarterly performance, with the international launch of the fresh AS11 model back on the agenda, and key competitor Philips still in disarray.

The broker is a firm believer GLP-1s and CPAP will combine to combat sleep apnoea. Only small adjustments have been made to forecasts.

Wilsons' valuation has increased to US$209; $31.28 in Australia. Overweight.

This report was published on January 25, 2024.

Target price is **$31.28** Current Price is **$29.20** Difference: **$2.08**
If **RMD** meets the Wilsons target it will return approximately **7%** (excluding dividends, fees and charges).
Current consensus price target is **$33.04**, suggesting upside of **13.1%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY24:

Wilsons forecasts a full year **FY24** dividend of **29.35** cents and EPS of **111.06** cents.
At the last closing share price the estimated dividend yield is **1.01%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **26.29**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **116.1**, implying annual growth of **N/A**.
Current consensus DPS estimate is **29.7**, implying a prospective dividend yield of **1.0%**.
Current consensus EPS estimate suggests the PER is **25.2**.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **31.78** cents and EPS of **126.04** cents.
At the last closing share price the estimated dividend yield is **1.09%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **23.17**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **130.8**, implying annual growth of **12.7%**.
Current consensus DPS estimate is **32.4**, implying a prospective dividend yield of **1.1%**.
Current consensus EPS estimate suggests the PER is **22.3**.

This company reports in **USD**. All estimates have been converted into AUD by FNArena at present FX values.
Market Sentiment: **0.8**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

THL TOURISM HOLDINGS LIMITED

Travel, Leisure & Tourism - Overnight Price: $3.40

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

Management at Tourism Holdings Rentals is guided by a strong strategic rationale, according to Wilsons, in acquiring Camperagent, the leading recreational vehicle dealership in Adelaide, for -$11.9m in cash.

Compared to Tourism Holdings Rentals' existing dealership in Adelaide, Camperagent's sales volumes are several times greater, notes the analyst. It's thought the deal could speed-up the company's vertically-integrated build/rent/sell model in Australia.

The Overweight rating is retained and the target reduced to $5.06 from $5.29 as the minor earnings benefit from the Camperagent transaction is offset by an increase in the broker's assumed risk-free rate to 4% from 3.5%.

This report was published on January 24, 2024.

Target price is **$5.06** Current Price is **$3.40** Difference: **$1.66**
If **THL** meets the Wilsons target it will return approximately **49%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Wilsons forecasts a full year **FY24** dividend of **15.63** cents and EPS of **34.87** cents.
At the last closing share price the estimated dividend yield is **4.60%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **9.75**.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **18.50** cents and EPS of **41.07** cents.
At the last closing share price the estimated dividend yield is **5.44%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.28**.

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

TERMS AND CONDITIONS OF USE, AND DISCLAIMERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

take responsibility for their quality, content or suitability.

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

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

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

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

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

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

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

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