WEEK 7

FINANCIAL NEWS, ANALYSIS & DATA

STORIES TO READ FROM FNArena

Friday, 14 February 2025

Behring Margin Outlook Still Main Game For CSL

Breville Group: Brewing Growth Beyond Espresso

Rudi's View: BHP, Capstone Copper, NextDC, WiseTech & Woodside

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AUSTRALIA

The Market In Numbers - 8 Feb 2025

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

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

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

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

Australia & NZ

Index	08 Feb 2025	Week To Date	Month To Date (Feb)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
NZ50	12902.190	-0.71%	-0.71%	-1.59%	-1.59%	10.11%
All Ordinaries	8780.30	-0.11%	-0.11%	4.27%	4.27%	9.56%
S&P ASX 200	8511.40	-0.24%	-0.24%	4.32%	4.32%	9.58%
S&P ASX 300	8440.30	-0.24%	-0.24%	4.22%	4.22%	9.50%
Communication Services	1676.90	0.60%	0.60%	3.04%	3.04%	11.70%
Consumer Discretionary	4154.70	-0.84%	-0.84%	6.23%	6.23%	18.32%
Consumer Staples	11700.90	-1.26%	-1.26%	-0.58%	-0.58%	-5.47%
Energy	8743.90	-1.54%	-1.54%	1.40%	1.40%	-12.84%
Financials	9134.50	-0.08%	-0.08%	6.04%	6.04%	19.29%
Health Care	44802.60	-3.28%	-3.28%	-0.19%	-0.19%	1.23%
Industrials	7818.70	-1.09%	-1.09%	2.25%	2.25%	14.79%
Info Technology	2911.60	1.99%	1.99%	6.23%	6.23%	24.35%
Materials	17062.70	1.73%	1.73%	5.82%	5.82%	1.09%
Real Estate	3918.70	-0.47%	-0.47%	4.18%	4.18%	9.98%
Utilities	8628.70	-2.13%	-2.13%	-4.47%	-4.47%	-7.07%
A-REITs	1791.50	-0.38%	-0.38%	4.25%	4.25%	10.29%
All Technology Index	4034.50	1.27%	1.27%	6.02%	6.02%	28.57%
Banks	3858.80	1.19%	1.19%	7.00%	7.00%	20.77%
Gold Index	9985.80	2.91%	2.91%	18.54%	18.54%	35.73%
Metals & Mining	5553.60	2.04%	2.04%	5.67%	5.67%	0.06%

The World

Index	08 Feb 2025	Week To Date	Month To Date (Feb)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
FTSE100	8700.53	0.31%	0.31%	6.45%	6.45%	6.57%
DAX30	21787.00	0.25%	0.25%	9.43%	9.43%	19.48%
Hang Seng	21133.54	4.49%	4.49%	5.35%	5.35%	19.27%
Nikkei 225	38787.02	-1.98%	-1.98%	-2.78%	-2.78%	-2.01%
DJIA	44303.40	-0.54%	-0.54%	4.13%	4.13%	13.25%
S&P500	6025.99	-0.24%	-0.24%	2.45%	2.45%	10.36%
Nasdaq Comp	19523.40	-0.53%	-0.53%	1.10%	1.10%	10.10%

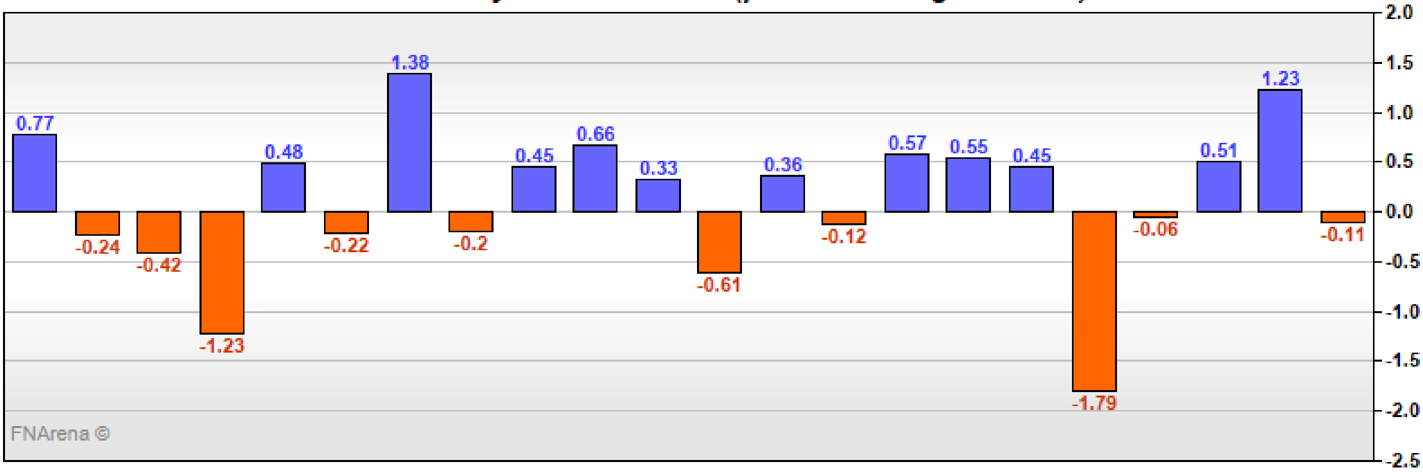
Metals & Minerals

Index	08 Feb 2025	Week To Date	Month To Date (Feb)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
Gold (oz)	2880.77	1.18%	1.18%	9.67%	9.67%	23.22%
Silver (oz)	32.68	0.21%	0.21%	8.13%	8.13%	11.73%
Copper (lb)	4.4623	3.57%	3.57%	8.93%	8.93%	2.97%
Aluminium (lb)	1.1804	0.20%	0.20%	3.26%	3.26%	4.97%
Nickel (lb)	6.7720	-1.17%	-1.17%	-5.22%	-5.22%	-12.94%
Zinc (lb)	1.2707	1.25%	1.25%	-5.96%	-5.96%	-4.18%
Uranium (lb) weekly	71.25	0.14%	0.14%	-1.04%	-1.04%	-14.41%
Iron Ore (t)	106.23	4.84%	4.84%	2.30%	2.30%	-0.26%

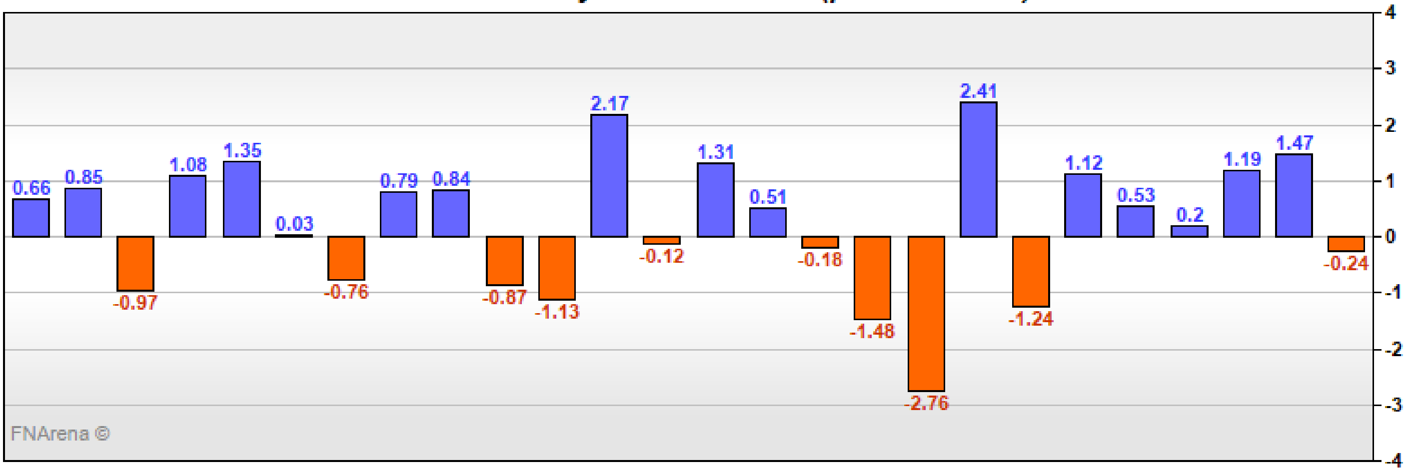
Energy

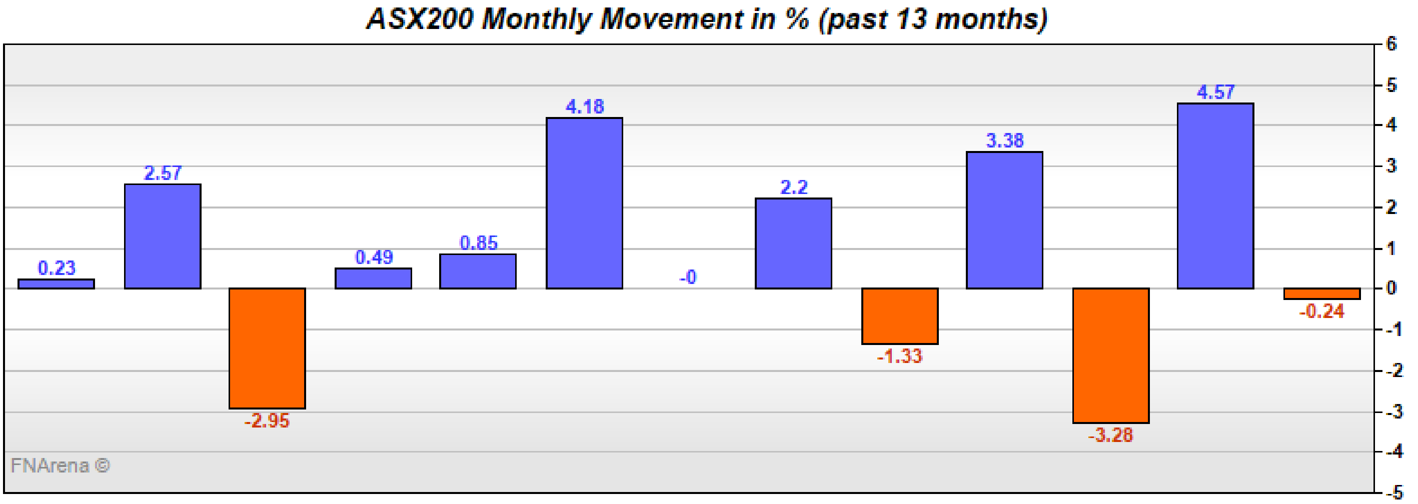
Index	08 Feb 2025	Week To Date	Month To Date (Feb)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
West Texas Crude	70.56	-3.41%	-3.41%	1.55%	1.55%	-13.80%
Brent Crude	74.27	-2.28%	-2.28%	2.36%	2.36%	-13.07%

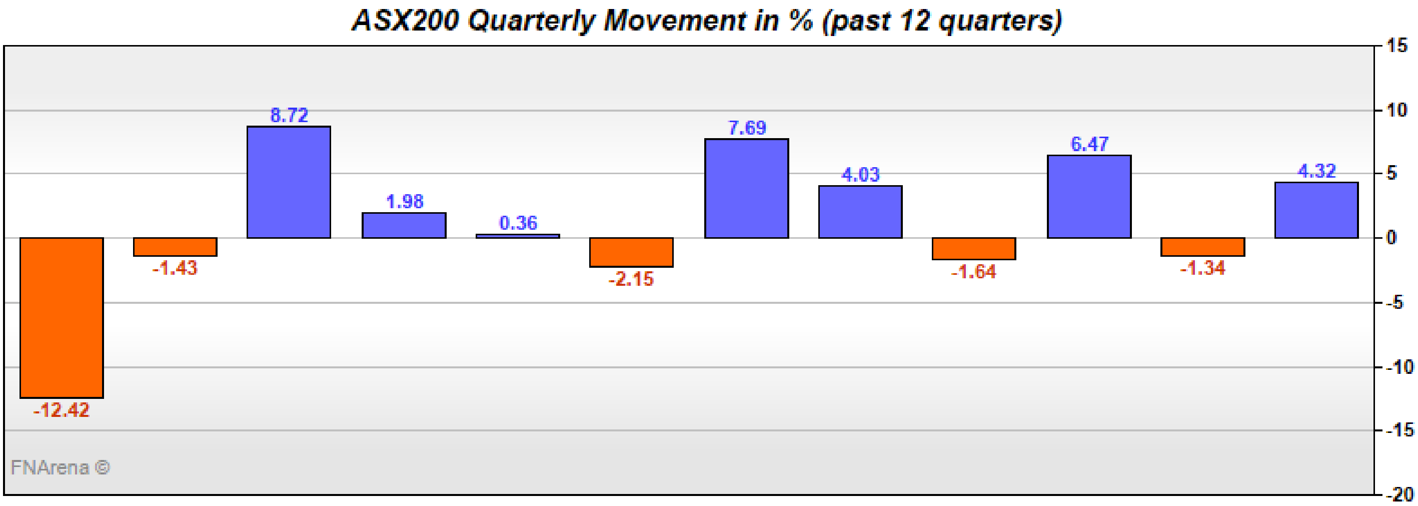
ASX200 Daily Movement in % (past 22 trading sessions)



ASX200 Weekly Movement in % (past 26 weeks)







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AUSTRALIA

Counting Down To RBA Rate Cut(s)

By Chris Weston, Head of Research, Pepperstone

The countdown is on to the 18 February RBA meeting and the very real prospect of the first -25bp rate cut since 2020.

With the RBA, the BoJ and Norges Bank being the only G10 central banks not to cut rates in 2024, there is an increased anticipation and interest from traders as to what it means for the AUD and Aussie equity.

Many question if the RBA embarking on an easing cycle could set off a fresh wave of AUD selling, which given the sharp depreciation seen through Q424 and into January could possibly increase the risk of imported inflation in the quarters ahead.

What Happens if the RBA Doesn't Cut Interest Rates on 18 February?

With Aussie interest rate swaps having priced a greater than 70% chance of a cut at the February RBA meeting all year, if the RBA were to hold rates at 4.35% it would be seen as an obvious surprise and would almost certainly result in an immediate spike higher in the broad AUD.

The extent and the duration of the AUD rally would then be conditional on the guidance for a cut at the April meeting.

Historically, it is incredibly rare that the RBA would go against such high levels of conviction of a policy change held by interest rate traders.

So, unless the RBA wanted to inject a higher level of policy uncertainty and volatility into the rates market, they would need to come out soon in a local news publication and guide the market that its expectations were too high or cut, as most expect.

It's All About the Guidance and the New Economic Projections

All things being equal if we take the cut in isolation -given a 25bp cut is so well discounted- the AUD shouldn't move to any great degree, should it eventuate. However, what could move the AUD and interest rate-sensitive equities, is the RBA's guidance and the appetite for ongoing cuts.

As a benchmark, we can look at market pricing and the implied number of rate cuts in the tradeable interest rate futures and swaps market to see the level of implied rate cuts through to December.

This pricing is dynamic and will evolve as the market digests new economic data and changes in financial conditions. As we move towards the RBA meeting the collective weight of money currently implies -85bp in cumulative rate cuts by December, essentially, implying a -25bp cut in February, another -25bp cut in May with conjecture on whether we get one or two more -25bp cuts by December.

Will the RBA's Guidance Meet the Market's Implied Pricing?

It seems a high probability that the RBA statement will lack the commitment to meet that implied level of cuts through the year, and they will almost certainly acknowledge that ongoing cuts will be driven by their assessment of the incoming data, developments in financial conditions and global economic trends.

The RBA will welcome the pace of disinflation seen in the Q424 CPI print, and while it should give them the confidence to cut at this meeting, they should stress that the job of bringing inflation to target is not yet complete.

Looking ahead, we note that the Q125 CPI release is due on 30 April and the Q225 CPI print is due on 30 July. The outcomes of both releases will go some way to dictating the extent of rate cuts seen through 2025.

The RBA's New Economic Forecasts Will be Closely Scrutinised

Westpac's economists made an interesting call today, with a forecast for headline inflation to fall to 1.75% by June 2025, with the trimmed mean inflation measure forecast to moderate to 2.4%.

The RBA will release a new set of economic forecasts at this meeting (in its Statement on Monetary Policy/SoMP) and while we note that Westpac's forecasts are just one sample they are materially lower than the RBA's prior forecast of 2.5% and 3% respectively laid out in the November SoMP.

With that in mind, the RBA will offer a new set of economic assumptions in the February SoMP (released at the same time as the RBA's policy statement) and there will be scrutiny to see if the RBA alter its inflation forecasts by a similar magnitude.

Of course, the RBA doesn't just set policy to inflation, although, it is currently the bank's core consideration. Trends in the labour market, the assumed levels of government spending and developments in the global economy also impact its view on policy.

One could argue that on current trends and the forecast levels of spending in the government's recent MYEFO this dynamic could anchor the level of rate cuts seen in 2025.

The Trade?

While the RBA cutting rates is a psychological development for any central bank who are late to the easing party, the fact that the cut is fully priced with the market pricing 2 to 3 additional cuts this year suggests that a fully data-dependent bank offers modest upside risk for the AUD over the meeting.

It would suggest that its forecasts for inflation over the coming quarters may not be as aggressive as some of the private sector forecasts.

Consider that once the dust has settled and we've heard from Governor Bullock in the post-meeting press conference that it won't take long for the market to revert to trading the AUD as a China proxy, or as an expression of positive/negative sentiment in the equity markets, i.e. the S&P500 higher, AUD higher.

For those who want to trade a tactical view on rates through the FX channels, then AUD vs the FX cross rates is the better play. We also consider that the clearer reaction could be seen in interest-sensitive Aussie equity, where consumer-focused stocks may find further tailwinds.

Either way, to many a rate cut can't come soon enough, the question is how far and how fast they can lower rates. The data will hold the answer to that.

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AUSTRALIA

Domino’s Painful Steps Yet To Convince All

Under a new CEO, Domino's Pizza is moving swiftly to right-size its business through store closures while addressing further cost savings initiatives.

-Domino's Pizza's sales growth to date better than feared
-Plan to close 205 unprofitable stores
-Further cost efficiencies will be sought
-Debt ratio improvement ahead

By Greg Peel

Ahead of last Friday, Domino's Pizza Enterprises ((DMP)) was the fourth most shorted stock on the ASX at 12.9%. The company now regularly pre-reports its results ahead of the official release, and on Friday guided to a better than feared interim result, with underlying profit in line with consensus.

A trading update for the first five weeks of FY25 showed group same-store sales up 4.3% compared to consensus of 2.6%. However, this was not the sole reason for what appeared to be a short squeeze on Friday as the stock shot up over 20%.

Analysts expect the first half result will show sales growth below 4.3% for the first seven weeks, given the Asian region benefited from the timing of Chinese New Year. Sales in the first five weeks rose 0.6% in A&NZ (consensus 2.5%), fell -4.2% in Asia (-2.2%) and rose 0.6% in Europe (-0.8%).

While France remains challenged, notes Petra Capital, Japan (plus other Asian markets) appears to be past its lows, Germany is rebounding, and A&NZ is holding up against strong comparable sales numbers from a year ago. For the first time in a long while, highlights Petra, there are now more markets showing positive trends versus negative.

The significant positive surprise accompanying the update was nevertheless the pace at which management, under a new CEO, has identified a recovery path for the portfolio.

Reassessing Japan

As part of the trading update, Domino's announced $34.1m of annualised savings with more to come. Part of these savings ($15.5m in earnings) is attributed to the closure of 205 loss-making stores occurring in the June quarter. Of the 205, 172 (58 franchise and 114 corporate) will be in Japan.

This will reset Japan to around 770 stores, exiting sub-scale prefectures. The focus will be on prefectures in which Domino's can leverage scale, brand strength, and operational efficiencies.

The company will incur a one-off impact of -$97.2m in FY25 for these closures (-$37.4m cash impact). Management said in the call it believes the store network has now been right-sized for future growth and doesn't expect any future store closures.

Domino's has also identified $18.6m of annualised savings associated with simplifying the network and the cost base and identifying opportunities to buy better and spend better in areas including food, packaging and technology, Morgans points out.

Given the review of the cost base is continuing, management has yet to determine both the size of the total savings pool and how it plans to balance how much of the savings will flow to its franchise network (to lift unit economics) versus its own bottom line.

At the FY24 result, on Morgans' estimates, Domino's needed to lift average sales per store by around 10% to achieve the desired three-year payback. The broker believes the right move is for any cost savings to be reinvested in the franchise network so that the three-year payback period is achieved sooner rather than later. Management plans to provide a more detailed update on its turnaround strategy at its Investor Day in the second half.

With cost savings to be realised following the refinement of the store network, Domino's will use the benefits of its strategic initiatives to re-invest into the franchisees. Initially, Macquarie expects a greater portion of these savings to be allocated to the franchisee network to drive a meaningful recovery in sales and earnings momentum at the store level.

If successful in improving store performance, the initiatives will increase per store sales and support a return to network expansion, both positive to long-term earnings, Macquarie notes.

Will it work?

Domino's in-line interim result was driven by cost management rather than same-store sales growth. A significant below-the-line expense of -$97.2m has been taken in FY25, but the company is now taking what Citi describes as the necessary but painful steps (unprofitable store closures, cost savings) to put itself in a position where it can invest more in its franchise network to increase franchisee profitability and attempt to accelerate store rollout.

However, it is still unclear to Citi whether the business can sustainably grow its top line in key high growth markets, such as Japan and France, which is required for longer term success and to prevent further downgrades. It is also unclear what impact the loss of scale from closures will have on sales and buying power.

The balance sheet is likely to be "topical," Citi suggests, with leverage increasing and the company underwriting its interim dividend.

Citi has left its Neutral rating and $33.25 target price unchanged.

Morgans has raised its target to $32.70 from $30.70. Domino's is taking the right approach in identifying cost savings to reinvest in its network, Morgans suggests, which should drive improvements in unit economics and hopefully in time lead to better shareholder returns. However, a Hold rating is retained for now given the broker wants more clarity on the long-term growth outlook of the business.

Macquarie sees risks as more balanced as Domino's works through portfolio refinement and re-investment into the franchisee network. Hence an upgrade to Neutral from Underperform, and a significant target increase to $35.10 from $28.20.

In a brief update, Morgan Stanley suggests there is no impact to its investment thesis and retains an Overweight rating with an unchanged $40.00 target.

That leaves one Buy or equivalent rating and five Holds from brokers monitored daily by FNArena covering Domino's Pizza. Ord Minnett (Hold) is nonetheless yet to respond to the trading update.

Targets range from $30.00 (Ord Minnett) to $40.00 (Morgan Stanley), for a consensus of $34.51 slightly below the current trading price.

Goldman Sachs has revised down its FY25/26/27 underlying earnings (EBIT) forecasts by -2%/-5%/-5%, factoring in updated network cost savings benefits associated with store closures from the June quarter. But Goldman expects FY25/26/27 earnings per share to increase by 3%/20%/18% as the company continues to improve its net debt leverage ratio.

Despite significant work ahead for the company, Goldman agrees with the strategic pivot to refocus on unit economics as a first step and is encouraged by the swift action of the new CEO. That said, comfort around same-store sales growth inflection to positive momentum, especially in Japan and France, will be most critical for the path forward, and the broker will focus on this in the first half results.

Goldman Sachs' target falls to $38.30 from $40.20 with an unchanged Buy rating.

While Petra Capital recognises store rollout pace will remain slow and there remains more work to do to lift store metrics, this broker believes underlying trends on sales and costs are on an improving trajectory, and balance sheet debt leverage is also improving. Petra upgrades To Buy from Hold, raising its target to $40.00 from $32.00.

AUSTRALIA

Can JB Hi-Fi Maintain Its Strength?

JB Hi-Fi beat first half forecasts for sales and profit, but competitive pressures led to lower margins. Analysts have mixed views on the second half, and valuation.

-JB Hi-Fi beats forecasts (again)
-Competitive pressures weigh on margins
-Balance sheet strength supportive
-Valuation an issue

By Greg Peel

Australia's largest home retailer JB Hi-Fi ((JBH)) posted yet another strong result for the first half FY25, with profit up 8% year on year and sales up 9.8% (8.1% organic), both ahead of consensus forecasts. Compared to a year ago, sales growth was especially strong in the seasonally strong December quarter, and momentum flowed through into January.

JBH Australia's 7.1% sales growth in January, along with 10% for JBH New Zealand (off a low base) and 5.9% for The Good Guys (TGG), defied concerns of a pull-forward of sales into Black Friday (or more correctly, Black Fortnight) and Boxing Day.

Cost of living pressures? What are we all buying?

There was a marked acceleration in sales across all divisions in the December quarter, notes Morgans, driven by strong demand for technology and consumer electronics along with well-executed promotional events. Some of the key growth categories included: Apple iPhones, TVs, AI-enabled computers, robotic vacuum cleaners, coffee appliances, personal care and cameras.

Sales momentum carried through into January, although management did caution the comparables get tougher in the second half.

Something had to give

A decline in gross profit margins across both JBH Australia (-17 bps) and TGG (-25 bps) was the only disappointment. Citi understands competitors are funding more discounting from their own gross margins on top of the usual supplier-funded discounts.

Management nevertheless called out a normalisation in the competitive environment, Macquarie notes, which had seen the level of on-floor discounting return to pre-covid levels. Along with product mix, this saw the "comparable" group gross margin decline -20bps year on year, Macquarie notes.

"Comparable" excludes the acquisition in September last year of kitchen/bathroom/laundry specialist E&S Trading (e&s), which operates in Victoria and the ACT.

Despite this, JB Hi-Fi maintained its "comparable" earnings margin at 7.5%. Given its track-record, Macquarie believes JB Hi-Fi will be able to offset cost of goods sold pressures by managing cost of doing business, although persistent competitive pressures may weigh on gross profits.

Management is taking a measured approach to new revenue opportunities (media & marketplace) with a clear focus on value. This was more pronounced than usual. Jarden highlights no less than 26 references to competition/discounting on the conference call, which is more than twice the average of the past ten result calls.

This was attributed to consumers actively seeking on-floor discounts and the likes of Officeworks ((WES)), Harvey Norman ((HVN)) and Amazon discounting more. This is likely to see further pressure on gross margins into second half, Jarden suggests, as JB H-Fi maintains its value position while growing market share.

Looking into the second half, management noted second half FY24 comparisons are stronger, and it will need to work hard to cycle the 22.4% gross profit margin in that half for JBH Australia. Consumers are still very promotional-focused, Goldman Sachs points out, so management will continue to focus on customer value and closing deals when customers are in-store.

On sales concentration around promotional periods, JB Hi-Fi noted it didn't shift its promotional calendar and does not expect more promotions in remainder of this quarter (February/March), although February 2024 has 29 days versus 28 days in 2025 and hence it may promote more to offset.

What a difference a day makes.

On the cost of goods sold outlook in the face of a weaker Aussie dollar, management noted while the retailer procures only from local wholesalers in Aussie dollars, there is some discussion of price increases, albeit not executed on yet. If it happens, JB Hi-Fi will focus on protecting gross profit margin and the overall market will be met with similar cost of goods sold increases.

Capital Management

Macquarie is attracted to the flexibility permitted by JB H-Fi's strong balance sheet, which remained in a net cash position of $555m as at the end of December. Noting cash is seasonally higher at end-December, the broker expects the company will remain net cash come the end of June this year.

Macquarie sees potential for capital management to be announced at the FY25 result as the group enters the seasonally cash-higher December quarter FY26 period.

Morgans also notes December is a seasonally high point for cash balances. However, compared to the same date last year, period-end net cash was up 14%, despite funding a net cash amount of -$41.0m in respect of the acquisition of e&s during the period. Morgans believes in the absence of further M&A, there is a possibility of another special dividend at the FY25 result in August, although it is not in the broker's estimates.

Mixed Views

Macquarie continues to see positive catalysts for JB Hi-Fi, including cash rate cuts and improving consumer sentiment, balance sheet deployment and/or capital management, and consensus earnings revisions, supported by operational execution across key product categories and cost management.

Macquarie retains an Outperform rating, lifting its target price by 3% to $111.

Digging deeper, Citi remains bullish on the outlook for most electrical categories. Citi cites data indicating the value of PC shipments to the consumer channel rose 12% year on year in the December quarter. This should be reflected in retail level sales over the next quarter or so.

Moreover, robot vacuum app download data have tracked sales very well and show growth of 35% year on year into January. Despite likely only representing a small fraction of JB Hi-Fi's sales, Citi thinks this kind of category growth could add up to some 1% of sales growth.

Citi expects competitive intensity to moderate somewhat given an improving consumer spending environment, which should result in less need for aggressive discounting. The company continues to grow market share despite these aggressive threats, suggesting peers' price discounting may not be having the necessary cut-through.

Citi retains a Buy rating and $110 target.

JB Hi-Fi is the market leader in the consumer electronics and appliances sector, Morgans notes. It has a highly effective omni-channel model with a strong presence online complementing its extensive physical store network. Morgans expects JB Hi-Fi to continue to outperform its peers, forecasting operating margins to remain above pre-pandemic levels, but the broker cannot ignore risks to profitability if sales prove softer than expected.

Morgans has increased its target to $92 from $87, but sees the current valuation of 23x FY26 PE as too expensive, given JB Hi-Fi's ten-year average is 14x. Hence a Hold recommendation.

Bell Potter continues to view JB Hi-Fi as one of the most productive retailers globally, with a leading revenue per square metre metric and operating margin, and well placed to grow from the AI upgrade cycle despite some near-term gross margin pressures.

However, Bell Potter thinks the current valuation is rich, with the near-term outlook for limited earnings upgrades already priced in. Bell Potter increases its target to $99 from $98 but downgrades to Hold from Buy.

JB Hi-Fi's sales growth is reflective of a discerning yet robust customer choosing to spend in the company's categories, UBS suggests.

JB Hi-Fi is operating in attractive categories which enjoy significant technology advancements (eg computers, mobile phones, televisions), have shorter replacement cycles (eg mobile phones 18-36 months) and are nearing a significant replacement cycle (eg computer replacement cycle 4 to 4.5 years). Market share gains, especially in mobile phone and more broadly across all categories are due to superior execution by management and its organisational structure.

These trends are expected to remain tailwinds for 2025 and beyond, but UBS retains Sell despite another result that has driven upgrades to earnings forecasts as earnings multiples are considered too elevated relative to history and peers, making the relative risk reward unattractive. UBS' target rises to $90 from $72.

Morgan Stanley (Underweight) has published only brief updates to date, while Ord Minnett, which downgraded to Lighten from Hold in November, is yet to respond to the first half result.

Morgan Stanley retains a target of $69.20 and Ord Minnett sits at $71.00.

That leaves two Buy, two Hold and three Sell or equivalent ratings among brokers monitored daily by FNArena covering JB Hi-Fi. The consensus target is $91.74, but on a very wide range from $69.20 (Morgan Stanley) to $111 (Macquarie).

There are a number of reasons to be positive on the consumer and JB Hi-Fi is well placed to benefit, Jarden suggests a function of the replacement cycle, innovation and market share gains. However, this is a consensus view, Jarden notes, with the market assuming the company's market share gains continue and competitive pressures ease.

While share gains will likely continue near term, Jarden sees the competitive backdrop as intensifying led by Amazon, Officeworks and direct-to-consumer. Against this backdrop, this broker sees risk/reward increasingly skewed to the downside, with earnings expectations having been lifted and comparables becoming more challenging as we move into 2025.

Jarden retains a Neutral rating, with a negative bias, reflecting concerns over competitive pressure and category maturation (telco and software) partially offset by the management strength and revenue opportunities in media. Jarden nevertheless lifts its target to $95.80 from $84.00.

Goldman Sachs has bucked the trend and dropped its target price, to $73.90 from $75.50. Citing the same elevated PE multiple issue as other brokers, Goldman retains Sell.

AUSTRALIA

Behring Margin Outlook Still Main Game For CSL

A weak vaccine result dragged on CSL's H1 result but analysts focus on an improving plasma product margin and solid growth forecasts in maintaining positive views.

-Seqirus weakness weighs on CSL's H1 result
-Improvement in Behring gross margin offsets
-Vifor performs better than expected
-New products offer growth potential

By Greg Peel

Leading global plasma products and vaccine manufacturer CSL Ltd ((CSL)) posted first-half FY25 earnings below market forecasts, driven by a sharp fall in revenue and earnings from its Seqirus vaccine division, while its main Behring plasma business and Vifor iron deficiency and nephrology division turned in what analysts describe as more solid performances.

Despite the soft first half, CSL maintained full-year guidance for growth of 10-13% in net profit on a constant-currency basis. Currency is nonetheless a headwind due to the rising US dollar.

Ultimately, notes Goldman Sachs, CSL Behring (68% of forecast group FY25 gross profit) remains the key earnings driver for the group and the result reinforced the earnings drivers for this segment are intact, notably: strong immunoglobulin (IG) growth of 15% (constant currency), indicating market share gains with reference to management's 6-8% market growth guidance; and Behring's gross margin recovering towards pre-covid levels.

Seqirus

The decline in the US flu vaccination rate and increased competition led to a disappointing Seqirus result, with revenue -10% below consensus expectations and gross margin -400bps below. Management suggested the second half will benefit from H5 bird flu preparedness payments but that won't be enough to compensate for the weak first half.

Citi assumes bird flu preparedness will be a one-off.

We note that while bird flu has ravaged US chicken flocks and crippled the egg industry, and has now passed on to dairy cattle, there have been negligible incidences of human contagion. Scientists see human contagion as low risk at this stage. *(Note from the Editor: Meanwhile, news reports state influenza cases continue to mount in the US with the virus reaching activity levels not seen in the country for the last 15 years, according to the Centers for Disease Control and Prevention, CDC).*

Multiple pandemic bird flu tenders have been won, in the US, EU and Middle East, Morgans notes, with the revenue to be recognised in the second half and negotiations ongoing across other geographies.

Whilst the 'miss' for Seqirus was disappointing, Goldman Sachs notes this segment is navigating challenging market conditions, reflected by peers Sanofi and GSK reporting revenue declines of -6% to -15% across the corresponding half. With market share gains unlikely to feature as a lever for growth across the near term, Goldman reduces its FY26/27 Seqirus revenue forecasts by -12%.

<u>Vifor</u>

The Vifor division outperformed Ord Minnett's expectations, with sales growth of 6% versus expectation of a flat outcome, driven by robust performances from the non-dialysis segment of the nephrology business and the iron deficiency segment.

As per the latest result, Vifor is performing ahead of consensus expectations, partially compensating for Seqirus weakness. Citi expects Vifor's revenue and margin to remain choppy for some time given the iron loss of exclusivity in the US in July 2026 and ongoing generics competition in Europe.

Vifor was a highlight, Jarden suggests, delivering 6% growth in iron despite generic competition plus an improvement in margin which the analysts expect is from further synergies/cost out since the takeover.

<u>Behring</u>

Behring's gross margin remains the key focus for CSL. It came in at a better than expected 51.7% in the half, driven by plasma collection/manufacturing efficiencies and reduced plasma cost per litre. CSL will "continue to focus on improving" gross margin in the second half, and Macquarie's forecasts assume 180bps improvement year on year.

Behring's gross margin underpins Jarden's expectations of 13.2% compound annual growth in profit over the next four years (previously 14.5%) as it returns to pre-covid margins of 57%. However, the better than expected margin in the first half, up 170bps, was disappointingly described as unsustainable into the second, with FY25 margins fading back to previous guidance of an improvement of "100bps plus a bit".

At the same time, management flattened the margin improvement trajectory, pushing out the more material steepening of this curve to FY27 (from FY26). Importantly for Jarden, CSL did not back away from pre-covid margins but delays with the Rika platform, slower than anticipated new product launches, and the loss of a material Kcentra contract all contributed to a further timing delay.

CSL maintained its view that Behring gross margins will keep widening, with a return to pre-covid levels around 57% expected by FY27-28 from circa 51% currently.

Behring showed authentic progress in reclaiming its base fractionation margin, Wilsons notes, which protected results from a flop in Kcentra. Pleasingly, Hemgenix had a breakout period. Wilsons assesses a unique niche for Hemgenix alongside standard of care Idelvion. This and the arrival of Andembry (garadacimab) are key factors in gross margin expanding another 390bps by FY27.

<u>Product Launches</u>

CSL's first half SG&A (selling, general, and administrative expenses) spend was 5% ahead of consensus largely driven by the step up in marketing costs for the upcoming launches of Garadacimab across key markets and Fluad in Germany. Goldman Sachs views this investment as prudent, particularly in light of the ability for CSL to grow its 26% market share in the US$3bn hereditary angioedema market.

Goldman points out capex reduced by -20% in the first half with management noting its expansion in fractionation capacity across the last five years as a key enabler in delivering strong IG growth.

The biggest catalyst for CSL, in Jarden's view, is the potential for the highly anticipated manufacturing change

(Horizon 2) that is expected to deliver a proprietary step-change in IG yield maximisation. This broker has expectations this change could drive the Behring gross margin convincingly above 60% and represent one of the biggest value drivers for the business in recent times.

At CSL's R&D day, management flagged a data release in mid-2025 which has the potential to significantly de-risk the US FDA approval of this manufacturing process. The FDA is interested in whether the data can demonstrate IG stability as well as whether the new manufacturing process can deliver the same product characteristics at scale.

Buys All Round, Almost

Following what the market decided was a disappointing result, the consensus target among the six brokers monitored daily by FNArena covering CSL has slipped only to $331.36 from $332.13 despite some trimming of earnings forecasts. Targets range from $310 (Ord Minnett/UBS) to $360.30 (Macquarie).

Each of the six brokers retains a Buy or equivalent rating.

While taking on more more conservative Behring gross margin assumptions, Macquarie suggests key contributors to growth remain intact (Horizon 1/2, Rika, garadacimab), and continues to see medium-to longer-term earnings per share growth as attractive, with the current valuation undemanding.

Citi believes CSL offers good value at a 23x FY26 PE, compared to a 29x ten-year average, for a forecast 11% compound annual earnings per share growth rate over FY24-27.

While the declining US flu market has caused headwinds for Seqirus, Behring continues its strong growth outlook and positive margin recovery, which Bell Potter expects will continue to drive double digit earnings growth for the group over the mid-term.

UBS makes small updates to Behring sales estimates, cuts mid-term Seqirus estimates by mid-to-high single digits, and upgrades Vifor estimates mid-single digits. Sales cuts in vaccines mean lower profit margins as these businesses see scalable profitability, UBS notes. Vifor margins rise mid-term, as newer products play a part, but not enough to offset revised vaccine forecasts.

UBS' Buy rating is a valuation call.

Similarly, Ord Minnett maintains a Buy recommendation on CSL on an attractive valuation, given the broker still forecasts annual earnings per share growth of 9-13% over the forecast horizon despite post-result downgrades.

While Behring continues to do the heavy lifting, ongoing cost right-sizing and unmet demand across all divisions gives Morgans confidence in a double-digit earnings growth trajectory over the medium term.

Among brokers also monitored by FNArena, Goldman Sachs' Buy recommendation for CSL, and a -2.2% lower target at $318.40, is driven by: strong growth in the IG market despite the entry of new drugs; market share gains in the IG market, haemophilia, hereditary angioedema and influenza vaccines; and gross margin accretion driven by operational improvements to its cost base.

Goldman believes CSL's valuation multiple de-rate is onerous considering the growth outlook, particularly for IG therapies.

Jarden maintains an Overweight recommendation as while patience is required for evidence of margin expansion, given the lengthy (9-12 month) manufacturing process, current pricing should offer investors impressive returns with further upside under Horizon 2 initiatives.

Jarden has cut its target to $314.37 from $329.62.

Not quite playing to script is Wilsons.

The relentless discount working its way into the CSL valuation over the last 6-12 months is now cutting deeper than it should, Wilsons suggests, if the only two "issues" with the stock are short-termism about Vifor's outlook and the weight of expectation hanging around the Behring gross margin.

Yet, this broker feels as though it's "missed nothing" sitting at Market Weight for twelve months, and remains unmoved on the stock. CSL's relative expensiveness versus global peers (43% premium) could continue to be a challenge for the share price, according to the broker, given how thoroughly over-owned the stock is, domestically.

Wilsons has cut its target by -14% to $250.

RBC Capital is equally less enthused about the short-term outlook, arguing "CSL will need to pull back its sales

& marketing expenses to achieve its FY25 NPATA guidance, which we consider to be a low quality earnings driver". This broker's rating remains Sector Perform while its price target has been cut to $279 from $286.

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AUSTRALIA

Cash Flows Boost News Corp's Outlook

News Corp's consensus-beating second quarter results reveal a significant lift in free cash flow, raising the likelihood of a net cash position by year-end.

-News Corp's second quarter beats consensus expectations
-Conversion of earnings to free cash flow materially improves
-Impetus from ongoing debt reduction, Dow Jones and REA Group
-News Corp is Jarden's preferred exposure to REA Group

By Mark Woodruff

After adjusting for last December's sale of the Foxtel business, globally diversified media and information services company News Corp's ((NWS)) second-quarter earnings and profit surpassed consensus expectations by 11% and 30%, respectively.

News Media accounted for approximately half of the earnings beat thanks largely to higher advertising revenues, as well as cost discipline and the inclusion of Sky News, explains Goldman Sachs.

News Corp's reporting segments are News Media, Dow Jones, Book Publishing, and Digital Real Estate Services, comprising a majority stake in REA Group ((REA)) and the wholly owned Move Inc in the US.

Major brands include the Wall Street Journal, New York Post, The Sun in the UK, The Australian, The Herald Sun, Factiva, Dow Jones, and HarperCollins.

Of greater importance than the earnings beat, according to UBS, was **significantly improved conversion of earnings to free cash flow** (FCF) without the large capital-intensive burden from Foxtel.

This broker expects a transition to a net cash position by the end of 2025, after free cash flow (FCF) rose by 25% in the second quarter compared to the previous corresponding period, driving net debt to just US$216m (0.1x times leverage).

Regarding valuation, beyond the disposal of Foxtel, Morgan Stanley still sees options to close the -20-30% gap to its sum-of-the-parts (SOTP) estimation, noting management's commitment to further strategic work on the asset portfolio and unlocking value.

After the significant contribution from News Media, the Book Publishing and Dow Jones segments accounted for the remainder of the second quarter earnings beat.

Book Publishing benefited from better-than-expected volumes in its seasonally strongest quarter, but Jarden cautions against extrapolating this level of performance for the remainder of the year. As Ord Minnett points out, the current March quarter includes marketing and promotion expenses related to frontlist releases, i.e. a publishing house's newly published books.

The key driver for Dow Jones was the surprisingly low -1% year-on-year deterioration in costs versus Jarden's -5% projection. Here, Ord Minnett expects the business will enjoy faster earnings growth in the second half as management executes on its business-to-business strategy via offerings in the risk and compliance space and the Dow Jones Energy product.

For professionals seeking insights into energy markets, sustainability, and commodities, Dow Jones offers several energy-related products and services designed to provide real-time news, data, and analysis across the entire fuel supply chain.

While not providing full year FY25 guidance, as expected, management did suggest the rate of earnings growth will likely slow in the second half.

News Media

While cost discipline and the inclusion of Sky News aided a strong second quarter for News Media, some analysts suggest such a performance may prove hard to replicate.

As uncertainty continues for advertising markets in both Australia and the UK, Ord Minnett envisages a tougher second half for this segment due to both soft advertising markets and negative currency movements.

More positively, the broker expects a partial offset courtesy of cost savings from the UK commercial printing joint venture between News UK and DMG Media, along with lower expenses at the TalkTV operations.

TalkTV recently transitioned to an online-only platform from a British television channel, rebranding as "Talk" and continues to offer content through digital streaming services.

Real estate exposures

Jarden suggests News Corp's 61% ownership is the preferred way to gain exposure to REA Group, after noting the majority of the broker's 8% increase in 12-month target for New Corp resulted from an increase in REA Group's s share price and the analysts' standalone valuation.

Hypothetically, if News Corp were to sell its stake in Australia's number one property portal, it could do so at a premium to the market and Jarden's valuation, though any potential sale or demerger will attract capital gains tax on a cost base of less than $2.50 per REA Group share.

On the same day as News Corp, REA Group reported a strong first half result with Australian dollar revenue rising by 22% year-on-year, in line with the broker's forecasts.

Increasing for the first time in ten quarters, revenue for News Corp's Move Inc nonetheless remained subdued, observes Jarden, as lead volumes continue to be impacted by high mortgage rates and affordability issues.

Move is a leading provider of online real estate services in the US, operating realtor.com, the official website of the National Association of Realtors.

For the second half, Ord Minnett anticipates revenue gains from realtor.com, though cautions reinvestment to drive growth is likely to be higher than in the first half as the division sets itself for an eventual recovery in the American property market.

Outlook

Over FY24-27, UBS forecasts News Corp will deliver a three-year EPS compound annual growth rate (CAGR) of 23%, largely driven by momentum for the Dow Jones division and REA Group, along with ongoing debt reduction.

Given a "reasonable" one-year forward price earnings multiple of 30x times, the analysts believe EPS growth alone can produce acceptable share price returns even without potential multiple expansion.

Following the release of interim results for News Corp, the average target price of four brokers covered daily by FNArena increased to $58.17 from $54.50, which suggests 7.6% upside to the current share price, ex dividends.

Three brokers are Buy-rated or equivalent, though Macquarie is yet to update research for first half results, and Ord Minnett has upgraded to Accumulate from Hold.

Outside of daily coverage, Jarden (Overweight) and Buy-rated Goldman Sachs have targets of $54.60 and $61.00, respectively.

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AUSTRALIA

Breville Group: Brewing Growth Beyond Espresso

Breville's latest earnings reaffirmed the group's global success across multiple geographies with product innovation and premiumisation driving growth.

-Coffee underpins strong results
-Managing the Trump tariff risks the second time round
-China and Middle East direct entry growth potential
-Beanz means recurring revenue streams

By Danielle Ecuyer

An Australian Consumer Success Story

Breville Group ((BRG)) is a true Australian consumer discretionary success story. The company was founded in 1932 and initially manufactured radios and mine detectors during World War II. By the 1960s, management had shifted to home appliances, and in 1974 the company became synonymous with the toasted sandwich maker. Further success came via the Kitchen Wizz food processor.

Since listing in 1999, the company has expanded internationally, making strategic acquisitions including Seattle-based food and tech company ChefSteps in 2019, coffee grinder Baratza in 2020, and the Italian espresso equipment company Lelit in 2022.

Breville's products are sold globally in 70 countries under various brand names, including Sage in Europe. Breville's product suite spans juicers and blenders, ovens, air fryers (the latest must-have gadget in the kitchen) and microwaves, to grills, presses and toasters, cookers, water and tea appliances, food preparation tools, air products, and specialty appliances.

The company is expected to generate almost $1.7bn in revenue in FY25 and has a market capitalisation of $5.2bn.

1H25 Earnings and Global Expansion

The 1H25 earnings report gives investors an insight into Breville's corporate strategy to continue growing earnings. Analyst consensus swung to Breville's 1H25 results coming in better than expected, albeit slightly, on the back of revenue growth of 10% and net profit growth of 18% over the previous corresponding period.

Impressively, global product revenue advanced 13% in constant currency terms, with Americas up 10.9%, APAC up 16.3%, and EMEA rising 15.4%.

Macquarie points to the strength in Breville's coffee products as a key driver of global growth and details how North American sales growth was achieved despite store closures at Hudson Bay, Amazon issues with Mexico, and US revenue growth exceeding that of Canada and Mexico.

Management manoevres on tariffs and growth plans

Tackling the looming issue of potential US tariffs on China, Breville management noted this is not their first rodeo, so to speak, having navigated the 25% tariffs during President Trump's first term.

Macquarie points to an increase in North American inventory, a rise of 16.8% to $443m, ahead of the China tariff implementation on March 7, which should alleviate pressure on 2H25 margins and cost of goods sold.

While manufacturing partners are moving 120V capacity to Southeast Asia and Mexico, the company is targeting a shift of around 90% of production out of China in relation to US sales by January 2026.

Acknowledging the strength of Breville's earnings report, analysts were most upbeat on the targeted growth strategies for the company. If the humble toasted sandwich maker, which sold 400,000 units in the first year, was a mark of Breville's success, then the broad-reaching "coffee" offering is the growth lever of the late 2020s.

Unanimously, analysts were upbeat on management's announcement to expand directly into China and Middle East markets.

Citi explained Breville's experience in South Korea offered an insightful backdrop to the Chinese market. Both economies are highly digitalised, with over 98% of Breville products in China sold online. The South Korea experience went from entering the market in June 2022 to exceeding NZ's gross profit dollars in 2H24. Citi believes Breville has established a method that is successful for online transactions primarily.

Goldman Sachs estimates the China espresso coffee machine market at around US$322m, above the UK at US$237m and broadly in line with the US at US$317m. The analyst highlights the China market embraced the espresso coffee machine during covid and views Breville's growth potential as exceeding Euromonitor's estimated compound average growth rate of 5% over the next five years.

Macquarie explains expansion into new geographies post covid has advanced 36% for the company, suggesting, at least, management has a strong track record.

The Chinese market offers considerable revenue growth potential, with direct entry into the market in 2H25, though building a brand takes time. The direct launch into the Middle East took place on January 1. Breville estimates entry into these markets will increase direct market disposable income by 35%.

Competitive Positioning and New Growth Drivers

Addressing the issue of rising competition in the coffee segment, Breville management believes it has been able to capitalise on higher awareness of espresso machines from increased marketing spend by competitors. Although new entrants have gained market share, so has Breville.

Thinking laterally, it is not a leap of faith to suggest market share should be coming from alternative espresso coffee suppliers like coffee shops and chains such as Starbucks, with consumers becoming more cost-conscious in the face of elevated cost-of-living pressures.

The latest results were also boosted by new product launches, specifically the Oracle Jet coffee machine. Breville continues to invest in the business, with excess revenue above guidance going into advancing the company's new products and solutions, Macquarie highlights.

At end of December 2024, the company had low gearing with $121.6m in cash and $152.4m in unused facilities. The balance sheet is well positioned to offer optionality in investment spending and expansion strategies.

Beanz a marketing ploy or much more?

To appreciate the extent of the depth of marketing skills at Breville, take a peek at the company's Fast-Track Barista Pack YouTube campaign, **"Become an at-home barista in 3 easy steps."** With a university marketing hat on, this YouTube ad cross-advertises and promotes its espresso machines with the newly launched Beanz.com offering.

With over 960k views since September 2024, it would seem people are at least engaging.

Beanz is also creating a frisson of excitement with analysts. Although at an early stage, the operation is an online portal to sell high-quality coffee beans sourced globally under a *"dropship"* model. This is where Beanz accepts the orders, which are then filled by suppliers, alleviating any inventory and thereby creating a capital-light model.

Simply put, Beanz is a global coffee bean order business seen as offering upside potential as a recurring SaaS-based revenue model. Competitors have similar platforms, but it is not a focus.

FY25 Outlook and Analyst Ratings

Turning to the current outlook for fiscal 2025, management offered a first with FY25 earnings before interest and tax guidance of 5%-10% growth, noted by analysts as conservative and reflective of (potentially) different US tariff outcomes. The top end is considered achievable in the absence of tariffs.

Morgans takes the view that Breville's global expansion and combined enhancement and premiumisation of its product range have assisted in sustainable earnings growth over the last few years.

When weighing up the risk/reward for earnings growth against a more challenging global economic backdrop, the broker believes the current valuation does not offer a "compelling" entry for investors.

Post the 1H25 results, FNArena's consensus target price for Breville rose almost 11% to $38.36, with Buy-equivalent ratings from Macquarie, Morgan Stanley, and Ord Minnett, all with the highest target prices of $41.10 and $40, respectively.

There are three Hold ratings. Non-daily monitored broker Goldman Sachs has a Buy rating and a $40.80 target, while Jarden holds a Hold-equivalent rating with a target of $32.80.

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RUDI'S VIEWS

Rudi's View: Hope Trumps Uncertainties

Hope Trumps Uncertainties

By Rudi Filapek-Vandyck, Editor

Pay attention to short positions.

The February result season for corporate Australia has hardly gained any traction thus far, as the bulk of releases occurs in the second half of the month, but already some market watchers have noted the outsized responses post market updates by Domino's Pizza ((DMP)) and Nick Scali ((NCK)).

Prior to last week's updates, some 12.85% of shares in Domino's Pizza were positioned for a further fall in the share price while the percentage of short positions in the furniture retailer stood only a smidgen short of 5%.

Both shares have rocketed higher following another weak performance from Domino's, but with management announcing further reductions in underperforming outlets, and following better-than-expected financials from Nick Scali, with further improvement to follow from the UK operations.

Other companies with large short positions include IDP Education ((IEL)), Star Entertainment ((SGR)), Megaport ((MP1)), Lifestyle Communities ((LIC)), Droneshield ((DRO)), Cettire ((CTT)), Johns Lyng ((JLG)), and Corporate Travel Management ((CTD)), outside of uranium companies and smaller cap resources companies.

If these two early examples prove indicative of what is yet to follow next over the coming three weeks, there will be a lot of fireworks in case financial releases prove not-as-bad-as-feared, or better.

FNArena keeps track of local **shorts data** as compiled by ASIC via a dedicated segment on the website: https://fnarena.com/index.php/analysis-data/the-short-report/

Analysts at Macquarie highlighted on Monday other consumer-related companies such as Eagers Automotive ((APE)), Endeavour Group ((EDV)), Lovisa Holdings ((LOV)) and BRG Group (Breville) ((BRG)) equally have sizable short positions.

In particular the latter company is currently the subject of a lively public debate among analysts. Has the share price rallied too far, too quickly in the face of potential headwinds from US import tariffs?

Some analysts have nominated BRG Group for a positive surprise when the company reports on February 11 (tomorrow), while others seem convinced the risk is to the downside.

The shares are up some 40% since mid last year, so this pre-result set up could prove interesting.

UBS' Picks For February

Analysts at UBS nominated Breville for a negative outcome, alongside packaging company Orora ((ORA)) and recycler Sims ((SGM)).

The broker's list for potential upside surprises is a lot larger: Amotiv ((AOV)), Downer EDI ((DOW)), Temple & Webster ((TPW)), BlueScope Steel ((BSL)), GPT Group ((GPT)), Cleanaway Waste Management ((CWY)), Servcorp ((SRV)), Worley ((WOR)), Light & Wonder ((LNW)), Dicker Data ((DDR)), and Life360 ((360)).

Here the inclusion of Dicker Data stands out as the leading distributor of IT hardware and software across the Tasman Sea has been identified elsewhere for downside potential.

The conference call between management at JB Hi-Fi ((JBH)) and analysts on Monday revealed some interesting on-the-ground insights, potentially, regarding BRG Group and Dicker Data.

JB HiFi's financial performance yet again beat market forecasts, although there was no reward for a share price that had already rallied by some 80% since April last year.

JB Hi-Fi has seen vacuum cleaner sales pick up post the collapse of Godfreys some 11 months ago while the coffee category has equally been a strong performer.

Its computing category is back into growth post two years of post-covid normalisation, assisted by new AI driven demand, but competition is fierce and consumers are looking for price discounts and bargains.

JB Hi-Fi's business in New Zealand continues to struggle with the overall downbeat environment and will remain loss-making in H2.

As also pointed out last week, a number of less-than-perfect market updates feature disappointment from US-based operations, including from Car Group ((CAR)) on Monday.

Ansell ((ANN) was included in UBS's positive selection too and this proved prescient when the manufacturer of latex products reported on Monday.

Turning Laggards Into Winners

The quarterly reporting season in the US hasn't been a negative experience to date, with underlying statistics merely trending back to previous trends, but one observation stands: a better-than-forecast result is no longer by definition a trigger for further outperformance while any 'misses' will receive instant punishment.

The early balance in Australia is showing similar dynamics, with investors seemingly prepared to look beyond short-term headwinds for companies whose share price hasn't performed well and whose operations might benefit from RBA rate cuts.

For good measure, we are still talking about a minuscule sample size with the **FNArena Results Monitor** on Monday only including twelve results delivered and assessed, but market responses to financial reports from JB Hi-Fi, Pinnacle Investment Management ((PNI)) and ResMed ((RMD)) have been less than enthusiastic, to say the least.

It certainly hasn't been a black and white experience thus far with both REA Group ((REA)) and Nick Scali ((NCK)) being rewarded for strong performances.

But after two years of seeing the local index perform on a small selection of companies, and with the RBA preparing for rate cuts and local earnings seemingly having bottomed, it seems but plausible investors are keen to see a *remontada* from those share prices that have been lagging.

Positive share price responses to results released by Amcor ((AMC)), Ansell and News Corp ((NWS)), as well as by Domino's Pizza, only further fuel expectations for better times ahead for yesterday's laggards.

A weaker share price for outperforming Growth stocks does not by definition need to be a negative either as many should have many more years of strong growth ahead, offering a cheaper entry point for those looking to get on board.

Notes From Nominations

Apart from the aforementioned UBS analysts, many have communicated their favourites and best-to-avoid lists of stocks for the season ahead (see also bottom of today's story).

Below are some observations from those nominations.

JB Hi-Fi was many a forecaster's favourite for a very strong performance beforehand. Recent ABS data into consumer sales late in 2024 underpinned such positive expectations, pushing the share price above $100 last week.

Similar as with ResMed, that proved a bridge too far in terms of short-term share price potential.

Those same expectations have kept a strong bid under the share price of major competitor **Harvey Norman** ((HVN)) too.

Harvey Norman shares weakened on Monday in sympathy with the retreat in JB Hi-Fi shares.

Other consumer-related companies that feature regularly for a positive surprise are **Guzman y Gomez** ((GYG)), **Temple & Webster** ((TPW)), and **Universal Store Holdings** ((UNI)).

The opposite dynamic applies for manufacturer of car accessories **ARB Corp** ((ARB)) for whom general expectation seems to favour a disappointing market update on February 18.

This is why the share price is below $37.50 versus above $40 only weeks ago.

A decline in local light commercial vehicle sales, with plenty of signals around of a budget-constrained consumer postponing large expenses, plus fierce competition in the US market seems to have analysts worried about ARB's short-term prospects.

Two sectors seem dominated by a strong divide between Winners and Losers; **healthcare** and **telecommunication**.

Five years post the covid pandemic and the broader healthcare sector is still struggling to rediscover its former self.

On my observation, analysts' confidence ahead of February results is probably as low as it has been in multiple years with the likes of Ramsay Health Care ((RHC)), Sonic Healthcare ((SHL)) and Cochlear ((COH)) --all former market darlings-- surrounded by lots of caution and hesitancy.

Management at CSL ((CSL)) better take some guidance from the margin turnaround over the year past by ResMed too.

The sector still contains a number of strong performers, of course, but the likes of ResMed, Pro Medicus ((PME)) and Telix Pharmaceuticals ((TLX)) are vastly outnumbered nowadays.

Two nominations for a positive performance and outlook that may not be on investors' radar just yet are **Australian Clinical Labs** ((ACL)) and **Integral Diagnostics** ((IDX)).

Over at the healthcare research desk of Citi, for example, confidence is so high in a positive surprise from Australian Clinical Labs, the analysts have opened a so-called Positive Catalyst Watch on the shares pre-results release.

Recent medicare data support the analysts' conviction with Citi's target price of $4 still some 9% above the share price.

The medium-term case for owning shares in Integral Diagnostics was explained in our story from December: https://fnarena.com/index.php/2024/12/18/diagnostic-imaging-radiates-opportunity/

Followers of my research also know the stock is now held inside the **All-Weather Model Portfolio**.

Inside telecommunication, expectations remain ultra-low for **TPG Telecom** ((TPG)), though, similar to Domino's Pizza, one should never underestimate the surprise that might stem from management's determination to achieve a better outcome.

There might be news forthcoming on the proposed sale of the company's fibre assets to Vocus?

Superloop ((SLC)) is often isolated for continued outsized growth (out)performance, while for **Telstra ((TLS))** the debate is all about the size of the dividend.

A recent report by Jarden stated Telstra needs to secure more franking credits or face limited ability to raise its dividend.

When it comes to capital management through bonus dividend payments and share buybacks, everybody's favourite sector are the **local insurers**.

All of them, as outlined here: https://fnarena.com/index.php/2025/01/24/insurers-to-pamper-shareholders-with-buybacks/

Lastly, **Worley** ((WOR)) seems to be a popular choice too for a cyclical company whose share price implies below-consensus growth numbers, while analysts consider the likelihood of a positive margin surprise.

Earnings risk is considered low and there's scope for capital management on the back of better cash generation.

All shall be revealed in the three weeks ahead.

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See also last week: https://fnarena.com/index.php/2025/02/05/rudis-view-earnings-optimism-on-the-rise/

FNArena's Result Monitor (updated daily): https://fnarena.com/index.php/reporting_season/

More on potential candidates for **'beats' and 'misses' in February**:

https://fnarena.com/index.php/2025/02/06/rudis-view-agl-energy-bega-cheese-brg-harvey-norman-imdex-superloop/

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

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

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

All-Weather Model Portfolio

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

See also:

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

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

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

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

Model Portfolios, Best Buys & Conviction Calls

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

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

(This story was written on Monday, 10th February, 2025. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

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

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

RUDI'S VIEWS

Rudi's View: BHP, Capstone Copper, NextDC, WiseTech & Woodside

By Rudi Filapek-Vandyck, Editor

This month's update on **Morningstar's Best Stock Ideas** has seen the fresh inclusion of Woodside Energy ((WDS)) which probably comes as no surprise given the energy sector's last hurrah dates from 2023 and Morningstar's choices tend to have a predilection towards underpertforming, "cheaply" priced equities.

But then things are not by default that simple given Santos's ((STO)) shares have hardly shot the lights out over the past number of years, and that stock has now been removed. Morningstar explains the decision by stating it still thinks Santos is undervalued, but Woodside shares, having weakened by almost one third since mid-2023, are seen as better value.

In comparison, Santos shares have merely trended sideways for the past seven years, if we casually ignore a deep dive in 2020 when the world locked down and a subsequent steep recovery from that temporary bottom.

FNArena's consensus price target is currently some 9% above Woodside's slumbering share price, with an estimated 8.2% dividend yield for 2024 (though this is expected to fall to 5.3% for 2025) while the consensus target for Santos remains more than 16.5% above today's share price while offering 5.8% and 5.0% respectively in comparable yields.

I guess this means Morningstar's opinion on Woodside versus Santos is not widely shared across the market.

The analysts' selection of Best Stock Ideas contains 14 other nominations:

-APA Group ((APA))
-ASX ((ASX))
-Aurizon Holdings ((AZJ))
-Bapcor ((BAP))
-Brambles ((BXB))
-Domino's Pizza ((DMP))
-Dexus ((DXS))
-Endeavour Group ((EDV))
-Fineos Corp ((FCL))
-IDP Education ((IEL))
-IGO Ltd ((IGO))
-Ramsay Health Care ((RHC))
-SiteMinder ((SDR))
-TPG Telecom ((TPG))

When **RBC Capital** analysts select their global best ideas for the energy sector, they too include Woodside Energy as the one and only nomination from the ASX.

Sector analysts at **Jarden** reported this morning they are looking for a positive update from Woodside management on the Louisiana LNG sell-down process and whether the company has retained its 80% payout ratio.

The latter could be possibly assisted via other funding options such as the reintroduction of a dividend reinvestment plan, this broker suggests.

In terms of the outlook for crude oil prices, usually a rising energy price is required to get share prices going, analysts at **Morgan Stanley** noted this week that with all the uncertainty weighing on the sector currently, it is probably likely OPEC-Plus will refrain from loosening current production quotas anytime soon and this might actually prove great news for oil pricing in the second half this year.

As noted, only two technology companies are making the list (unless we define IDP Education as technology) and Fineos Corp and SiteMinder wouldn't be on many an investor's radar. The first has yet to deliver a convincing growth trajectory since listing in 2019 and SiteMinder has yet to turn a profit, though at least more analysts covering this company share the enthusiasm.

The situation is remarkably different internationally with Morningstar's Global Best Stock Ideas now also including Microsoft and NXP Semiconductors, with PayPal Holdings already selected.

As noted in weeks prior, SiteMinder is put forward by multiple analysts as potentially one of the surprise performers of the current February results season. The share price has risen in response (of course!) but most price targets are still higher. On current projections, this company will deliver its first statutory profit in FY26.

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Don't you worry about a thing, is the key message analysts at **Wilsons** are communicating with their clientele this week. **Gen.Ai** is the real thing and demand for **cloud services and data centres** is not only firmly supported, it still stands to accelerate.

As one of the chapters in this week's report reads: *Cloud Is Great, But GenAI Will Be Gen-Sational'*

Wilsons' preferred ASX-listed exposures to the theme are (in order of preference) NextDC ((NXT)), Macquarie Technology ((MAQ)), then DUG Technology ((DUG)). The report makes an explicit point of the fact Wilsons does not cover NZ-based Infratil ((IFT)).

In the analysts own words: *"We see NextDC as the pre-eminent, Australian-listed data centre pure-play and the highest quality listed way to play the data centre, cloud computing and GenAI thematics. Macquarie Technology Group is another solid player, but is a concentrated opportunity, needing to develop a portfolio approach for to justify a sustained move higher."*

Most investors probably are not yet familiar with Wilsons' third choice, but DUG Technology has developed a liquid immersion cooling technology that potentially can also be applied by data centres, where direct-to-chip cooling dominates the sector today, but this solution is expected to become insufficient as centres become larger and more complex.

Analysts at **RBC Capital** expressed a similarly positive view for NextDC and Macquarie Technology this week, arguing that contrary to all the *hullabaloo* about DeepSeek and possible ramifications, Hyperscaler investments are continuing, and they are on a trajectory that will beat current market projections.

If anyone needs an explanation about Hyperscalers or their importance for data centre operators, I highly recommend reading up on the subject via FNArena's own dedicated AI section:
https://fnarena.com/index.php/tag/gen-ai/

We have a Special Report on the subject too. Paying subscribers can download it via the Special Reports section.

RBC Capital has Outperform ratings for NextDC and Macquarie Technology, and a Sector Perform/Speculative assessment for the much more volatile Megaport ((MP1)).

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When it comes to **mining companies**, **Citi analysts** remain Buy rated on the coal and uranium names, with selective Buy calls elsewhere including for BlueScope Steel ((BSL)), Capstone Copper ((CSC)) and BHP Group ((BHP)). Citi continues to prefer Pilbara Minerals ((PLS)) for ASX100 lithium exposure.

In separate research, specifically zooming in on dividend payments this February results season, **Macquarie** analysts believe Rio Tinto's ((RIO)) payout announcement is likely to surprise, with Fortescue ((FMG)) expected to meet expectations and both BHP Group and South32 ((S32)) likely to disappoint.

Those expectations are based on BHP conserving cash to compensate for outflows related to Samarco and the Vicuna deal. South32's result is thought to be weaker than expected, with impact on the dividend.

Those forecasts were backed-up by analysts at **UBS** who add Mineral Resources ((MIN)) will likely pay out zilch.

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Consumer sector analysts at Jarden see upside risk for corporate results from JB Hi-Fi ((JBH)) --confirmed by now-- and Temple & Webster ((TPW)) --equally confirmed. The third one mentioned doesn't report until later this month; Harvey Norman ((HVN)).

Have been nominated for a negative surprise: Endeavour Group ((EDV)) and Woolworths Group ((WOW)).

Their peers at **UBS** have only two Sell ratings for the sector; JB Hi-Fi (too expensive) and Lovisa Holdings ((LOV)), with the latter expected to disappoint this month.

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Lastly, the **tech** desk at **Morgan Stanley** has the highest conviction in the upcoming results release by WiseTech Global ((WTC)) while singling out Domain Holdings Australia ((DHG)), TPG Telecom ((TPG)) and Seven West Media ((SWM)) as Least Preferred options.

FNArena Talks

In good tradition, I was yet again interviewed by Livewire Markets about the upcoming February results.

The interview (22 minutes) can be accessed via the LivewireMarkets website:
https://livewiremarkets.com/wires/3-asx-growth-stocks-to-watch-as-earnings-hit-a-turning-point

or via YouTube: https://youtube.com/watch?v=PKTJbulaJk8

This is not the calmest time of the year for FNArena (understatement) but we'll try to have a written version ready by Monday.

For **Best Buys & Conviction Calls**: see last week's
https://fnarena.com/index.php/2025/02/06/rudis-view-agl-energy-bega-cheese-brg-harvey-norman-imdex-superloop/

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

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

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

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

SMALL CAPS

Active Management Key To Pinnacle’s Success

Analysts praise ongoing outperformance by Pinnacle Investment Management post consensus-beating first half results.

-Pinnacle Investment Management's H1 beats forecasts
-Strong inflows for fixed income, credit and private markets
-Affiliate strategies outperforming, performance fees jump
-The opportunity in Managed Accounts

By Mark Woodruff

Multi-affiliate Investment manager Pinnacle Investment Management ((PNI)) saw first-half tailwinds in net flows across fixed income, credit, and private markets, though client appetite for equities remains subdued for the period.

Pleasingly, management expects improvement in equities flows going forward, particularly in Retail.

Wilsons' research update on the manager, "Making Active Great Again", highlights further near-term upside risk for Pinnacle shares, with the broker expecting a strong second half from a combination of affiliates rather than the outsized contribution from Hyperion's long-term growth strategy in the first half.

For the medium-term, Wilsons sees a significant upside opportunity in Managed Accounts via the company's 25% equity stake in Pacific Asset Management, a UK-based investment boutique.

Enthusing about "flawless" first half results, Ord Minnett is equally excited by the opportunity presented by new UK-based global equity affiliate Life Cycle Investment Partners, a London-based boutique investment manager specialising in global equities.

Morgans also believes near-term catalysts look supportive, noting embedded strong growth for the medium-term as Pinnacle's operating structure is now expanding to facilitate ongoing offshore growth.

Pinnacle Investment Management develops and operates investment management businesses. The business model enables high calibre investment teams to establish a boutique firm via access to capital, institutional grade resources and distribution.

The aim is to actively diversify asset class offerings and the client base, seeking to work with boutiques managing non-traditional, in-demand strategies such as private capital, absolute returns, credit and ESG.

Impressively, 82% of affiliate strategies are outperforming their benchmark over five years, highlights Macquarie, with 41% of these strategies outperforming by more than 5% per annum.

For the first half, Ord Minnett highlights higher-than-expected earnings, performance fees, net flows, and funds under management (FUM).

Affiliate earnings (ex-performance fees) grew by 9.6% and group core earnings (excluding performance fees and principal investments) grew by 8.4% (pre-tax) to $30.4m.

Funds under management

Pinnacle recorded all-time high FUM of $155.4bn on December 31, 2024, a rise of 55% year-on-year, supported by $6.7bn of inflows, $27.9bn in acquired FUM, while $10.7bn was due to markets/investment performance.

Since June 2024, FUM for Retail, Australian Institutional, and International has risen by 22.9%, 19.6%, and 143.5%, respectively.

Looking forward, UBS believes the trajectory of flows should accelerate given the ramp-up of Life Cycle, combined with management's optionality to deploy its strong balance sheet into further Horizon 3 opportunities.

Pinnacle employs a strategic framework that categorises its growth initiatives into different horizons, each representing a distinct phase of development and investment focus.

Horizon 3 focuses on longer-term growth opportunities, including the acquisition of strategic interests in new markets or asset classes that complement Pinnacle's existing operations.

The company's largest investment partners by FUM are Hyperion, Plato, Solaris, Resolution, Antipodes, Firetrail, Metrics, and Coolabah. In total, there are 25 strategies that have potential to deliver meaningful performance fees to Pinnacle.

Investors may gain access to 15 different asset managers through Pinnacle's global network of affiliated investment partners, providing a variety of investment options across asset classes.

Of these 15 affiliates, in the first half 14 grew FUM sequentially, Firetrail the exception.

Horizon 2 affiliate was launched during the first half and generated circa $1.0bn of net inflows. Around 50% is derived from Wholesale/Retail, which UBS expects to ramp-up materially into the second half.

Profitability

Jarden is less enthusiastic about the first half, but like all other brokers mentioned in this article, Jarden has still raised its 12-month target price for Pinnacle.

Despite first half profit of $75.7m beating the consensus forecast by 16%, this broker contends result quality was negatively impacted by materially stronger performance fees (the majority driven by one affiliate, Hyperion) and fair value gains on assets.

Wilsons expects reliance upon Hyperion will lessen with a growing contribution from Five V Capital (specialising in high-growth, technology-enabled companies) and Life Cycle, along with a growing but diversified stable of affiliates each helping out at various points of the market cycle to sustain strong EPS growth.

Excluding fair value gains on assets held at fair value through profit or loss (FVTPL) of $9.2m, the Pinnacle parent produced a net loss of -$4.7m for the half, highlights Jarden, well below the $1.9m profit forecast by consensus.

The Managed Accounts opportunity

Wilsons believes Pinnacle's 25% equity stake in Pacific Asset Management, which has approximately $11bn in assets under management, offers an exciting new revenue stream in the Australian Managed Accounts market.

Managed Accounts are investment portfolios professionally managed on behalf of an individual or institutional investor. Unlike mutual funds, where multiple investors pool their money, a managed account is tailored to a single investor's needs and objectives.

Pacific Asset Management is tracking well, notes UBS, with FUM up by 12% only a month after acquisition.

Managed Accounts are benefiting from rising adviser adoption, boosting productivity and efficiency, and have been a key driver in funds under management (FUM) growth for platforms like Hub24 ((HUB)) and Netwealth Group ((NWL)).

Performance and management fees

Performance fees jumped by 92% year-on-year to $111.9m, exceeding the consensus forecast by 40%, though were heavily impacted by those strong results from Hyperion ($80-85m), cautions Jarden.

Pinnacle's share of these performance fees was $36.4m.

More positively, and implying ongoing performance fee potential, Jarden notes 71% of FUM able to earn performance fees are currently at or above watermarks, up from 58% at June 2024.

While performance fees exceeded Wilsons forecast by 12%, a higher-than-expected tax charge provided a partial offset, leading to a 4% beat against the broker's underlying EPS estimate.

While base management fees improved by 2.4% in the first half versus FY24, they came in slightly weaker than Jarden's 3.5% estimate, though higher FUM balances somewhat offset the 'miss' from the management fee margin.

Cost Control

Excluding the impact of performance and Horizon 2 cost investment, Pinnacle's first half cost-to-income ratio within the affiliates of 59.5% was -50bps lower than Jarden's forecast.

While Horizon 2 investment of -$4.5m (post-tax, Pinnacle's share) was a slightly larger investment versus the broker's -$3.0m forecast, the analysts consider this cost investment to be supportive of longer-term growth (e.g. Life Cycle).

Highlighting a strong start for Life Cycle, Wilsons ponders whether the $1bn secured in less than three months is a reflective run-rate.

Outlook

On current consensus forecasts, derived from FNArena's daily monitored brokers, Pinnacle Investment Management is projected to grow earnings per share by 46% in FY25, followed by 16.1% in FY26. On that basis, the PE ratio is currently 38.4x for FY25, falling to 33.1x in FY26.

Three of these four brokers have Buy ratings and UBS is on Hold. Following first half results the average target price increased to $27.02, suggesting nearly 8% upside to the latest share price.

Outside of daily coverage, Wilsons is Overweight and Jarden Neutral with respective targets of $28.95 and $24.20.

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

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

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 07-02-25

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday February 3 to Friday February 7, 2025
Total Upgrades: 9
Total Downgrades: 14
Net Ratings Breakdown: Buy 59.79%; Hold 32.79%; Sell 7.42%

The February reporting season kicked off in the week ending Friday February 7, 2025, with FNArena recording nine upgrades and fourteen downgrades for ASX-listed companies by brokers monitored daily.

Percentage changes to analysts' average 12-month target prices were evenly balanced, as can be seen in the tables below, with Sigma Healthcare registering the largest increase.

At the very end of the week, management at Sigma upgraded FY25 normalised EBIT guidance to $64-70m from $50-60m due to an improved operational performance, including strong execution of the new Chemist Warehouse supply contract which commenced on July 1, 2024.

Two days prior, Macquarie raised its 12-month target price by 170% to $2.68, ahead of the February 12 merger implementation date between Sigma Healthcare and major partner and shareholder Chemist Warehouse Group.

While forecasting an earnings compound annual growth rate (CAGR) of circa 38% over the next three years, the broker's valuation remained -5% below the prevailing share price, and an Underperform rating was maintained.

Next up was News Corp; receiving a nearly 12% increase in average target from brokers after first half earnings came in ahead of consensus estimates.

For more detailed coverage of this result and others, FNArena's Corporate Results Monitor is being updated daily throughout the reporting season at https://fnarena.com/index.php/reporting_season/

Meanwhile, some brokers are still refreshing research for December quarter operational reports in the Mining sector, with last week's update by Bell Potter on Mineral Resources leading to the largest percentage upgrade to average earnings forecasts in the FNArena database.

Management maintained production and cost guidance for all continuing operations, leading to only minor revisions to the broker's production forecast, along with lower forecasts for the Australian dollar and lithium pricing.

In last week's article, relating to the week ending Friday 31 January, HMC Capital received the largest percentage upgrade to average target price after UBS noted significant recent initiatives in both the digital infrastructure and energy transition space.

Regarding digital infrastructure, late last year management announced the establishment and listing of the DigiCo Infrastructure REIT, which incorporates data centres in Australia and the US.

Initiating research coverage early last week, Macquarie began with an Outperform rating and $5.33 target for DigiCo, believing risk is skewed to the upside for investors due to several positive near-term catalysts.

Critical to securing contracts with Australian government customers, management hopes for Hosting Certificate Framework (HCF) approval by mid-2025. Other catalysts include contract announcements and potential S&P Index inclusion in March 2025.

Should management execute on strategy, Macquarie forecasts double-digit earnings growth in the medium-term, underpinned by development and rent escalators.

Earnings forecast by brokers for Patriot Battery Metals also rose by nearly 17% last week after Macquarie resumed coverage following a period of research restriction.

Updating for last year's announcement on a share placement to Volkswagen, this Outperform-rated broker arrived at a 56-cent target, down from 70 cents, after adjusting for share dilution.

Funds will be deployed into exploration, development, and feasibility studies at the hard rock lithium Shaakichiuwaanaan Project. In return, Volkswagen will be eligible for a 100ktpa, ten-year offtake agreement for its subsidiary PowerCo, including a five-year extension option.

Pinnacle Investment Management was next after releasing consensus-beating first half results, described as "flawless" by Ord Minnett.

Affiliate strategies outperformed, experiencing strong inflows for fixed income, credit, and private markets. Stay tuned for FNArena's article this week detailing broker expectations for further near- and medium-term upside for Pinnacle.

Turning to the negative side of the ledger, here oOh!media received the largest percentage fall in average target price by analysts, followed by Aeris Resources.

Citing a decline in return on invested capital (ROIC) below cost of capital to 9%, UBS lowered its target for oOh!media to $1.25 from $1.85 and downgraded to Neutral from Buy.

Before turning more positive, the analysts would like to see evidence of stabilisation or reversal in the company's significant market share losses over 2024.

For Aeris Resources, Hold-rated Ord Minnett lowered its target to 23 cents from 28 cents following "mixed" second quarter results.

While the Cracow gold mine and Mt Colin copper operations (both in Queensland) performed well, the Tritton copper mine in NSW provided a greater offset, with production and costs both missing the analyst's forecasts by -27%.

Forecasting a more conservative long-term outlook for Tritton, Bell Potter (Buy) also lowered its target to 29 cents from 34 cents.

For the second week running, IGO Ltd received the largest percentage downgrade to average FY25 earnings forecasts by brokers, but the percentage change was exaggerated by small forecast numbers, and the average rose for FY26.

Only Bell Potter updated research on the company last week, raising its target to $4.20 from $4.00 on recent increases to spot lithium prices, while maintaining a Sell rating.

Audinate Group appears next on the earnings downgrade table below after Morgan Stanley highlighted limited transparency around key drivers for the stock ahead of upcoming first half results.

More positively, the analysts consider challenges for the group are cyclical rather than structural.

Strike Energy was next after December quarter production and revenue from the company's only producing gas field, Walyering in the Perth Basin, fell short of Bell Potter's estimates.

The broker reduced its production estimates for Walyering, leading to a reduction in FY25 and FY26 EPS estimates by -30% and -55% respectively. The broker's target price was lowered to 27c from 29c, and its rating was downgraded to Hold from Buy.

While we are discussing the Perth Basin, Beach Energy also reported ongoing travails at its Waitsia operations, earning two ratings downgrades from separate brokers in the FNArena database.

The views of seven brokers covered daily by FNArena on Beach Energy are summarised in the Corporate Results Monitor.

Overall, percentage declines in average earnings forecasts in the table below outpaced rises.

A busy week of reporting awaits, with December half reports due from the likes of JB-Hi-Fi, CommBank, CSL, and Pro Medicus.

Total Buy ratings in the database comprise 59.79% of the total, versus 32.79% on Neutral/Hold, while Sell ratings account for the remaining 7.42%.

Upgrade

AUSTRALIAN FINANCE GROUP LIMITED ((AFG)) Upgrade to Buy from Neutral by Citi .B/H/S: 1/1/0

With earlier-than-anticipated interest rate cuts, Citi believes there is "renewed interest" in non-bank financial institutions (NBFIs).

The companies will benefit from lower interest rates, but the key factor, the broker explains, is the improving outlook for funding, irrespective of rate cuts, as the spread between wholesale and deposit funding is improving.

Citi also sees increased ability for issuance at the wholesale level.

The broker upgrades Australian Finance Group to Buy from Neutral. Target price rises to $1.85 from $1.65.

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

Ord Minnett upgrades Appen to Buy from Accumulate with a higher target price of $3.30 from $2.80.

The broker believes the sell-off in the company's share price on the day of the December quarter update, which was viewed as "robust," had more to do with the broader sell-off in technology stocks around DeepSeek concerns.

Ord Minnett views Appen's prospects as good, with the expected 2024 EPS loss at -0.5c to -0.7c post the update.

BLUESCOPE STEEL LIMITED ((BSL)) Upgrade to Buy from Neutral by Citi .B/H/S: 4/1/0

Citi expresses a preference for BlueScope Steel over iron ore miners and raises its target to $24 from $21, while upgrading to Buy from Neutral.

Port Kembla exports will likely return to profit, as the broker forecasts lower iron ore prices in 2026 plus lower China steel exports/higher Asian hot rolled coil (HRC) pricing.

Citi expects China will curtail steel output and sees potential for broad-based US steel import tariffs plus an expanded US infrastructure spend.

BWP TRUST ((BWP)) Upgrade to Neutral from Sell by Citi .B/H/S: 0/3/0

Maintaining its $3.40 target, Citi upgrades BWP Trust to Neutral from Sell after assessing fair value for the REIT, following further analysis of 1H results.

The broker describes a stable growing business, supported by a strong underlying tenant covenant with Bunnings warehouses.

A summary of yesterday's research by Citi follows.

Citi's initial take on today's 1H results for BWP Trust is to suggest finance costs and cap rates are turning around. Weighted average cost of debt of 4.4% also turned down, supported by a 98.7% occupancy rate, explain the analysts.

The interim dividend of 9.20cps matched forecasts by the broker and consensus.

Citi highlights the net tangible asset (NTA) metric of $3.92 places the stock on a share price discount to NTA of around -6%, with an improving cap rate of 5.43%.

NEWS CORPORATION ((NWS)) Upgrade to Buy from Neutral by UBS .B/H/S: 3/1/0

UBS previews stocks in the Australian Media sector ahead of February results and updates forecasts in response to ongoing weakness in December SMI TV advertising spend data.

The analyst highlights TV spending remains challenged, while Out-Of-Home advertising has performed well.

For News Corp, the broker raises its target to $64.50 from $51.00 and upgrades to Buy from Neutral, expecting recognition by the market of the Dow Jones growth profile will address current undervaluation.

PEPPER MONEY LIMITED ((PPM)) Upgrade to Buy from Neutral by Citi .B/H/S: 2/0/0

With earlier-than-anticipated interest rate cuts, Citi believes there is "renewed interest" in non-bank financial institutions (NBFIs).

The companies will benefit from lower interest rates, but the key factor, the broker explains, is the improving outlook for funding, irrespective of rate cuts, as the spread between wholesale and deposit funding is improving.

Citi also sees increased ability for issuance at the wholesale level.

The broker upgrades Pepper Money to Buy from Neutral.

PLATINUM ASSET MANAGEMENT LIMITED ((PTM)) Upgrade to Hold from Sell by Bell Potter .B/H/S: 0/1/1

Bell Potter raises its target for Platinum Asset Management to 70c from 59c and upgrades to Hold from Sell after adjustments to the analysts' financial model results in higher forecast earnings.

The broker is not getting too excited, noting revenue is still falling and new growth initiatives are yet to deliver.

RESMED INC ((RMD)) Upgrade to Buy from Neutral by UBS .B/H/S: 4/1/0

Post a better-than-expected Q2 performance from ResMed, UBS believes the market is too conservative on US device sales growth, suggesting demand could potentially return to pre-covid levels.

One suggestion made is GLP-1 and wearables are likely to drive incremental patient demand though any impact remains hard to quantify, the broker acknowledges.

It is the broker's assessment the shares are trading at a discount to US peers, hence further EPS upgrades can trigger a re-rating.

UBS's target is raised to US$290 from US$255. Upgrade to Buy from Neutral.

WESFARMERS LIMITED ((WES)) Upgrade to Neutral from Sell by UBS .B/H/S: 0/3/2

UBS raises its target for Wesfarmers to $76 from $69 and upgrades to Neutral from Sell due to the broker's higher earnings (EBT) forecasts for Bunnings.

Bunnings is the key share price driver for Wesfarmers, highlights the analyst, accounting for 56% of pre-tax earnings in FY24.

Management commentary at FY24 results left the market concerned around growth at Bunnings, but the broker is now confident Bunnings' sales growth can accelerate and return on capital (ROC) can expand.

Downgrade

AUB GROUP LIMITED ((AUB)) Downgrade to Neutral from Buy by UBS .B/H/S: 3/1/0

UBS considers the insurance sector, highlighting global CAT rates declined by -7% at January 1 renewals, the first fall since 2017.

The broker suggests insurance pricing with Lloyd's was most impacted in the last soft cycle between 2013-2017.

With record-high returns on equity, UBS expects pricing to slow more considerably in 2025, with a decline in Lloyd's rates and commercial/personal rates easing to inflation levels, with further "moderation" in 2026.

AUB Group is downgraded to Neutral from Buy with a lower target price of $33.30 from $36.80. The company has the highest exposure to Lloyd's among company's under coverage at 24%.

UBS lowers EPS estimates by -3.5% in FY25 and -4.7% in FY26.

BEACH ENERGY LIMITED ((BPT)) Downgrade to Hold from Add by Morgans and Downgrade to Hold from Buy by Ord Minnett.B/H/S: 2/3/2

Morgans believes Beach Energy reported "disappointing" 1H25 earnings, with the dividend announced lower than expected and ongoing travails with Waitsia. The broker believes the narrowing of FY25 production guidance could result in consensus downgrades.

The dividend came in at 11% of pre-tax free cash flow, well below management's 40%-50% payout target, the analyst states. With increased spending expected in 2H25, Morgans believes the company will face pressure to increase the dividend over the period into softer free cash flow.

Morgans highlights concerns over the reserve life at just over seven years.

The broker downgrades Beach to Hold from Add and lowers the target price to $1.55 from $1.75.

Ord Minnett downgrades Beach Energy to Hold from Buy, with the target price falling to $1.75 from $1.85 due to concerns over dividend policy and expansion plans.

The broker believes Beach announced a "disappointing" 1H25 result, with a lower-than-expected dividend at a 16% payout ratio compared to the usual 40%-50% payout ratio of cash flow, ex-capex. This is not viewed positively by the analyst.

Management reduced the upper end of FY25 guidance due to a lower contribution from Otway and nothing from Waitsia, the analyst explains, and also suggests the final dividend would increase the payout ratio to meet its historical policy.

This conflicts with the view by Ord Minnett that management has held back on the 1H25 dividend, sustaining cash on hand of $150m for possible M&A or for Otway.

DROPSUITE LIMITED ((DSE)) Downgrade to Hold from Buy by Shaw and Partners .B/H/S: 0/2/0

A proposed takeover by NinjaOne LLC for Dropsuite was announced with the company's 4Q24 update.

Shaw and Partners notes the company's 4Q annual recurring revenue advanced 37% in USD terms, and users grew 42% year-on-year. The company ended the period with almost 5,000 indirect partners generating an average US$6,300 per annum, the broker states.

Rating moves to Hold from Buy, High Risk, with the analyst bemoaning the loss of ASX tech stocks acquired over the past few years. The target rises to $5.90 to align with the proposed cash offer.

No change to earnings forecasts.

EMERALD RESOURCES NL ((EMR)) Downgrade to Sell from Hold by Ord Minnett .B/H/S: 0/0/1

Emerald Resources is downgraded to Sell from Hold with an unchanged target price of $3.50 by Ord Minnett, as much of the "investment attraction" is discounted in the share price, the analyst states.

The company's 2Q25 update met the pre-released numbers on January 6, with the Cambodian mine Okvau continuing to perform well.

Management is expected to announce a final investment decision on Dingo Range (WA) and the Memot project in Cambodia in 2025, with a target of raising gold output to more than 300kozpa in five years from 100koz per annum currently, the broker explains.

Sell rated. Target price $3.50.

MAGELLAN FINANCIAL GROUP LIMITED ((MFG)) Downgrade to Sell from Neutral by UBS .B/H/S: 0/2/2

UBS lowers its target price for Magellan Financial to $10.30 from $10.90 and downgrades to Sell from Neutral, citing the likely review by rating agencies and consultants following Gerald Stack's departure as Head of Investments in July.

Stack led Magellan's Listed Infrastructure business for 18 years, and the broker now sees an increased risk of outflows, which could impact management fee revenue and funds management profit (PBT) by -6% and -10%, respectively.

MCMILLAN SHAKESPEARE LIMITED ((MMS)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 4/1/0

With more challenging comps to recycle from a year earlier and increasing risks of slowing volumes and a reversal in EV sales, Bell Potter downgrades McMillan Shakespeare to Neutral from Buy with a lower target price of $15.80 from $21, as earnings risks rise.

While recent car sales data support sales growth for the company in 1H25, the analyst's attention is focused on the order book and cost management, which are believed to be approaching an inflection point.

Bell Potter lowers EPS forecasts by -13% and -10% for FY25/FY26, respectively.

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

Citi anticipates Monadelphous Group's 1H results will reflect a favourable environment for contractors, with revenue forecast to rise by 4.8% and the earnings (EBITDA) margin to improve by 30 basis points to 6.4%.

Secured work for FY25 stands at approximately $1.7bn, already covering 78% of the broker's full-year revenue forecast, with further upside potential from ongoing contract wins.

Management has guided to a 1H profit of $40-43m, including a $7m post-tax uplift from non-operating items, which Citi considers largely one-off.

The target rises to $16.30 from $16.20 on a valuation roll-forward, but Citi downgrades to Neutral from Buy in the belief upside is largely captured in the current share price.

NINE ENTERTAINMENT CO. HOLDINGS LIMITED ((NEC)) Downgrade to Neutral from Buy by UBS .B/H/S: 2/2/0

UBS previews stocks in the Australian Media sector ahead of February results and updates forecasts in response to ongoing weakness in December SMI TV advertising spend data.

The analyst highlights TV spending remains challenged, while Out-Of-Home advertising has performed well.

The broker lowers the target for Nine Entertainment to $1.45 from $1.65 and downgrades to Neutral from Buy, noting a tricky combination of escalating content costs and a very challenging macroeconomic advertising environment.

One potential upside risk is the current strategic review by management, which, UBS suggests, could help unlock value within the Domain ((DHG)) ownership.

OOH!MEDIA LIMITED ((OML)) Downgrade to Neutral from Buy by UBS .B/H/S: 1/2/0

UBS previews stocks in the Australian Media sector ahead of February results and updates forecasts in response to ongoing weakness in December SMI TV advertising spend data.

The analyst highlights TV spending remains challenged, while Out-Of-Home advertising has performed well.

The broker downgrades oOh!media to Neutral from Buy, citing a decline in return on invested capital (ROIC) below the cost of capital to 9%. The target price is lowered to $1.25 from $1.85.

UBS seeks evidence of stabilisation or reversal in the company's significant market share losses in 2024 before turning more positive.

ORIGIN ENERGY LIMITED ((ORG)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 3/1/1

Macquarie downgrades Origin Energy to Neutral from Outperform on the back of a weaker 2Q25 production outlook from APLNG, the analyst explains.

The broker points to 2Q25 production and sales for APLNG as "sound," with improved pricing assisting, but the company flagged lower production, and overall performance has not recovered post recent shutdowns.

Management flagged higher tax, but it was more elevated than the analyst expected. Octopus has won more customers, some 0.68m compared to 1Q25; better than anticipated.

Macquarie notes customer numbers in the energy market were "reasonable."

The broker lifts EPS forecasts by 5.3% in FY25 and 5.7% in FY26, and the target price slips to $10 from $10.35 due to tax and lower APLNG expectations.

STRIKE ENERGY LIMITED ((STX)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 1/2/0

Strike Energy's 2Q25 production of 2.13PJe from its only producing field Walyering and revenue of $18m fell short of Bell Potter's estimates of 2.55PJe and $18m respectively.

The broker notes management's announcement that current project developments, in particular South Erregulla and West Erregulla, would not be impacted by the strategic review process. However, all options are on the table and divestments will be considered.

The broker has moderated its base case for Walyering production estimates, leading to a reduction in FY25 and FY26 EPS estimates by -30% and -55% respectively. Target price cut to 27c from 29c, and rating downgraded to Hold from Buy.

SUNCORP GROUP LIMITED ((SUN)) Downgrade to Neutral from Buy by UBS .B/H/S: 3/3/0

UBS considers the insurance sector, highlighting global CAT rates declined by -7% at January 1 renewals, the first fall since 2017.

The broker suggests insurance pricing with Lloyd's was most impacted in the last soft cycle between 2013-2017.

With record-high returns on equity, UBS expects pricing to slow more considerably in 2025, with a decline in Lloyd's rates and commercial/personal rates easing to inflation levels, with further "moderation" in 2026.

Suncorp Group is downgraded to Neutral from Buy. Target price lifts to $20.70 from $20.20.

The group is trading at a 13% premium to the 10-year average valuation. The broker lowers EPS estimates by -1.3% in FY25 and lifts FY26 by 0.7%.

UBS' sector preference is for QBE Insurance.

TRANSURBAN GROUP LIMITED ((TCL)) Downgrade to Neutral from Buy by Citi .B/H/S: 2/4/0

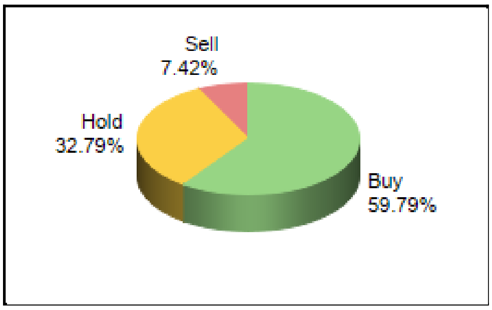
Citi believes the macro overview for infrastructure is being positively influenced by the prospect of lower interest rates, so company-specific "bottom-up" analysis will be important.

The broker downgrades Transurban Group to Neutral from Buy due to concerns over the NSW toll review and possible litigation consequences for ConnectEast, with scope to affect 1H25 results.

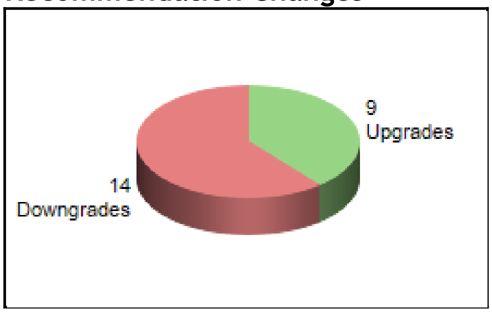
Target price is lowered to $13.80 from $14.20.

In the sector, Auckland International Airport ((AIA)) is the top pick and Buy rated with upside potential to earnings, followed by Atlas Arteria ((ALX)), Buy rated/High risk. Transurban Group is the least preferred stock.

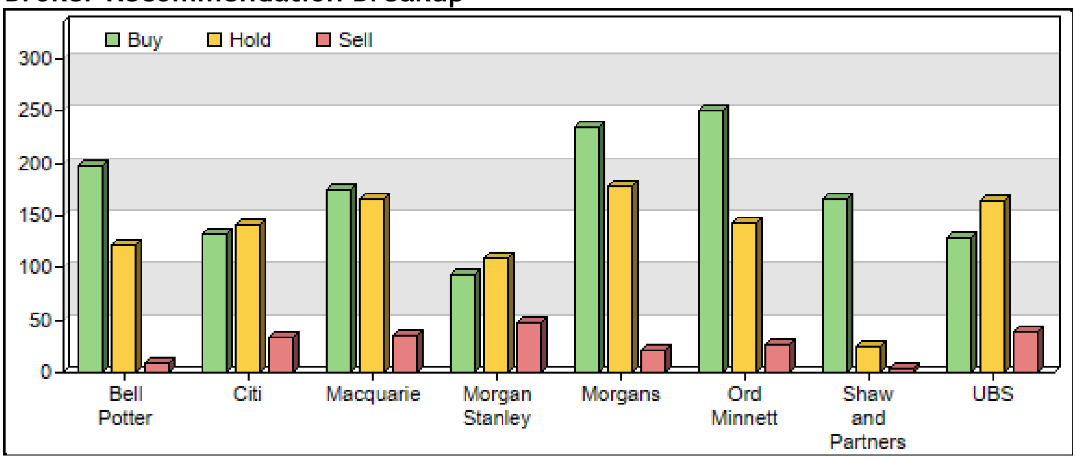
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	APPEN LIMITED	Buy	Buy	Ord Minnett
2	AUSTRALIAN FINANCE GROUP LIMITED	Buy	Neutral	Citi
3	BLUESCOPE STEEL LIMITED	Buy	Neutral	Citi
4	BWP TRUST	Neutral	Sell	Citi
5	NEWS CORPORATION	Buy	Neutral	UBS
6	PEPPER MONEY LIMITED	Buy	Neutral	Citi
7	PLATINUM ASSET MANAGEMENT LIMITED	Neutral	Sell	Bell Potter
8	RESMED INC	Buy	Neutral	UBS
9	WESFARMERS LIMITED	Neutral	Sell	UBS

Downgrade

10	AUB GROUP LIMITED	Neutral	Buy	UBS
11	BEACH ENERGY LIMITED	Neutral	Buy	Morgans
12	BEACH ENERGY LIMITED	Neutral	Buy	Ord Minnett
13	DROPSUITE LIMITED	Neutral	Buy	Shaw and Partners
14	EMERALD RESOURCES NL	Sell	Neutral	Ord Minnett
15	MAGELLAN FINANCIAL GROUP LIMITED	Sell	Neutral	UBS
16	MCMILLAN SHAKESPEARE LIMITED	Neutral	Buy	Bell Potter
17	MONADELPHOUS GROUP LIMITED	Neutral	Buy	Citi
18	NINE ENTERTAINMENT CO. HOLDINGS LIMITED	Neutral	Buy	UBS
19	OOH!MEDIA LIMITED	Neutral	Buy	UBS
20	ORIGIN ENERGY LIMITED	Neutral	Buy	Macquarie
21	STRIKE ENERGY LIMITED	Neutral	Buy	Bell Potter
22	SUNCORP GROUP LIMITED	Neutral	Buy	UBS
23	TRANSURBAN GROUP LIMITED	Neutral	Buy	Citi

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	SIG	SIGMA HEALTHCARE LIMITED	2.578	2.158	19.46%	4
2	NWS	NEWS CORPORATION	54.500	48.767	11.76%	4
3	PNI	PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED	27.018	25.338	6.63%	4
4	RMD	RESMED INC	43.625	41.083	6.19%	5
5	REA	REA GROUP LIMITED	260.714	246.571	5.74%	7
6	SGH	SGH LIMITED	52.975	50.467	4.97%	4
7	SXL	SOUTHERN CROSS MEDIA GROUP LIMITED	0.563	0.537	4.84%	3
8	CPU	COMPUTERSHARE LIMITED	34.488	32.922	4.76%	6
9	A1N	ARN MEDIA LIMITED	0.510	0.490	4.08%	3
10	BXB	BRAMBLES LIMITED	20.200	19.633	2.89%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	OML	OOH!MEDIA LIMITED	1.433	1.633	-12.25%	3
2	AIS	AERIS RESOURCES LIMITED	0.263	0.293	-10.24%	3
3	MMS	MCMILLAN SHAKESPEARE LIMITED	18.796	19.836	-5.24%	5
4	PMV	PREMIER INVESTMENTS LIMITED	29.525	31.108	-5.09%	6
5	BPT	BEACH ENERGY LIMITED	1.516	1.573	-3.62%	7
6	AD8	AUDINATE GROUP LIMITED	10.100	10.475	-3.58%	4
7	PMT	PATRIOT BATTERY METALS INC	0.772	0.800	-3.50%	5
8	RHC	RAMSAY HEALTH CARE LIMITED	41.844	43.214	-3.17%	5
9	BWP	BWP TRUST	3.770	3.887	-3.01%	3
10	NEC	NINE ENTERTAINMENT CO. HOLDINGS LIMITED	1.648	1.698	-2.94%	4

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	MIN	MINERAL RESOURCES LIMITED	-95.000	-120.267	21.01%	7
2	DGT	DIGICO INFRASTRUCTURE REIT	9.350	8.000	16.88%	3
3	PMT	PATRIOT BATTERY METALS INC	-6.785	-8.158	16.83%	5
4	PNI	PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED	66.900	58.425	14.51%	4
5	NEC	NINE ENTERTAINMENT CO. HOLDINGS LIMITED	10.300	9.200	11.96%	4
6	NXT	NEXTDC LIMITED	-8.160	-8.975	9.08%	6
7	NWS	NEWS CORPORATION	130.090	121.425	7.14%	4
8	MFG	MAGELLAN FINANCIAL GROUP LIMITED	74.100	69.350	6.85%	4
9	BPT	BEACH ENERGY LIMITED	20.200	18.917	6.78%	7

10	SXL	SOUTHERN CROSS MEDIA GROUP LIMITED	5.950	5.633	5.63%	3

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	IGO	IGO LIMITED	-5.660	-0.920	-515.22%	6
2	AD8	AUDINATE GROUP LIMITED	-9.750	-6.250	-56.00%	4
3	STX	STRIKE ENERGY LIMITED	0.450	0.650	-30.77%	3
4	PXA	PEXA GROUP LIMITED	20.633	29.700	-30.53%	3
5	ZIP	ZIP CO LIMITED	2.833	3.700	-23.43%	3
6	PLS	PILBARA MINERALS LIMITED	0.843	0.967	-12.82%	6
7	RMC	RESIMAC GROUP LIMITED	10.667	11.833	-9.85%	3
8	PMV	PREMIER INVESTMENTS LIMITED	128.300	141.060	-9.05%	6
9	SFR	SANDFIRE RESOURCES LIMITED	40.085	43.515	-7.88%	6
10	COF	CENTURIA OFFICE REIT	11.867	12.533	-5.31%	4

Technical limitations

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

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WEEKLY REPORTS

Uranium Week: Sharpen Your Bullish Horns

Brokers re-iterate the sell off in uranium stocks is overdone and positive medium term demand/supply dynamics will support prices

-Another weak week for spot U308 market
-Macro announcements bullish for nuclear energy
-Sector analysts remain upbeat on structural supply deficits

By Danielle Ecuyer

Spot Market Blues

Despite a reprieve from President Trump's imposition of 25% tariffs on Canadian imports for 30 days last week, spot U3O8 continued to experience ongoing price softness.

Industry consultant TradeTech noted a fall in the offer price of U3O8 below US$70 last Thursday encouraged some buyers to return to the market. The consultants detail a few transactions, including one on Thursday after hours for March delivery to France's Orano at a price of US$69.50/lb, with three more following in the afternoon.

Another delivery for Orano in France at US$68/lb and two others at US$69.75/lb for 100,000 lbs of U3O8 delivery at ConverDyn's Metropolis facility (USA) were reported on Friday.

TradeTech's U3O8 spot price indicator finished the week down -US$2.10/lb to US$69.15, marking a fall of -35.4% since a year earlier when the price reached a 16-year high of US$107/lb.

In the last three months, the spot price has slid by -16.7% and is off -19.9% against the 2024 average price of US$86.29/lb, the consultants note.

TradeTech's Mid-Term U3O8 price indicator finished at US$76/lb, and the Long-Term price indicator at US$82/lb.

US Energy Policy

The CEO of Liberty Energy, Chris Wright, was confirmed as the new US Energy Secretary on February 4. Wright's first Secretarial Order has directed the Department of Energy to move America's focus away from net-zero carbon policies to unlock **"American energy production"**.

Specifically, Wright was quoted as saying,

"As global energy demand continues to grow, America must lead the commercialization of affordable and abundant nuclear energy. As such, the Department will work diligently and creatively to enable the rapid deployment and export of next-generation nuclear technology."

TradeTech also points to a Bloomberg report the new administration is investigating legal parameters around canceling the US$400bn program to finance clean energy technologies.

The consultants believe concern over tariffs is overriding further positive macro news. On February 5, 2025, the National Association of State Energy Officials (NASEO) announced the launch of the **Advanced Nuclear First Mover Initiative.**

It is a multi-state initiative to accelerate the deployment of advanced nuclear energy projects and is co-chaired by New York, Indiana, Kentucky, Tennessee, and Wyoming, with participation from Maryland, Pennsylvania, Utah, Virginia, and West Virginia.

The initiative aims to encourage public-private partnerships to reduce financial and technological risks, streamline permitting processes, and strengthen supply chain knowledge. The target is to establish a pipeline of projects offering economies of scale and cost efficiencies.

In the UK, Prime Minister Keir Starmer's Plan for Change incorporates the goal of approving more nuclear plants across England and Wales. Reforms will involve changes to planning rules and pathways for new technologies such as small modular reactors.

Sell-Off Gone Too Far?

Morgan Stanley is one of three brokers who came out to beat the "bullish" drum on the outlook for U3O8 and associated shares.

The broker openly questions, **"Is the uranium pullback overdone?"** with the risk-reward in 2025 looking more positive.

Looking beyond the pullback in the spot uranium price, down -6% year-to-date, the analysts highlight the narrative around the macro outlook for nuclear energy remains, with Morgan Stanley isolating concerns over the impact of DeepSeek on demand for associated data centers related to AI as "overdone."

The broker's US utilities team stresses growth in data center demand, including AI, accounts for only 0.8% of the total expected electricity demand growth of circa 1.8% p.a. between 2025 and 2030.

Morgan Stanley forecasts an average U3O8 spot price of US$86.3/lb in 2025 and US$80/lb in 2026.

Canaccord Genuity takes a deep dive into the uranium market, acknowledging 2024 was a challenging year for investors, with the broker's uranium stock coverage falling on average -23% over the year, as early-stage developers and explorers bore the brunt of risk-off sentiment.

Large-cap, liquid stocks such as Cameco, Denison Mines, and Uranium Energy achieved a positive return in 2024, with the former the standout, rising 19%.

Turning the page on a disappointing year, Canaccord details what is in store for 2025.

The broker believes the market will increasingly recognise what it views as a structural deficit in the uranium market, with increasing demand expected to underwrite higher prices in both the spot and term U3O8 markets.

Canaccord Genuity retains a long-term price target of US$90/lb.

The recent sell-off in the spot price and uranium stocks, driven by AI concerns for data center demand from DeepSeek and an increase in Kazatomprom's production update, is viewed as overdone. Notably, AI remains a relatively small factor driving demand for nuclear energy, the analyst emphasizes.

The broker focuses on the growing need for Western supply chains to become more robust due to geopolitical concerns and rising risks, particularly since Russia controls all production of fuel for small modular reactors and Russia and China retain 54% of global enrichment capacity.

Conversations at industry conferences confirmed utilities are increasingly concerned about the conversion market.

While equity prices focus on the U3O8 spot price, Canaccord highlights most uranium is traded on the term market. The analyst stresses investors should focus on the term market price as a better indicator, noting the term price advanced 16% over 2024, finishing the year at a premium of 8.2% to the spot price.

Interestingly, the term price rose despite volumes declining in the term contract market by -33% year-on-year. The analyst believes this suggests the lack of volumes can be attributed to geopolitical tensions, including the US ban on Russian uranium imports and the waiver process.

Canaccord postulates the fuel cycle takes two to three years to complete and it is unlikely contracting volumes will remain below replacement rates.

Supply and Stock Preferences

Regarding supply, the broker observes greenfield projects have not started production despite the uranium price nearing the "incentive price".

Canaccord continues to forecast a structural deficit between demand and supply of -8Mlbs in 2025 and -10Mlbs in 2026.

Turning to the broker's preferred stock exposures, Canaccord likes **Paladin Energy** ((PDN)), **Boss Energy** ((BOE)), and **Deep Yellow** ((DYL)) in Australia, maintaining Buy ratings with target prices of $14.90, $5.45, and $1.80, respectively.

Petra Capital stresses the long-term uranium price remains below a supply incentive price level, pointing to **Bannerman Energy** ((BMN)) and **Deep Yellow** delaying their final investment decisions into 2025.

Dissecting the market, Petra notes the U3O8 spot price lagged behind conversion and enrichment prices, which finished the year at record levels of US$99.50/kg and US$190/SWU, respectively.

This broker stresses utilities cannot avoid a contracting cycle.

Petra prefers smaller companies, believing they offer the greatest potential upside as projects advance.

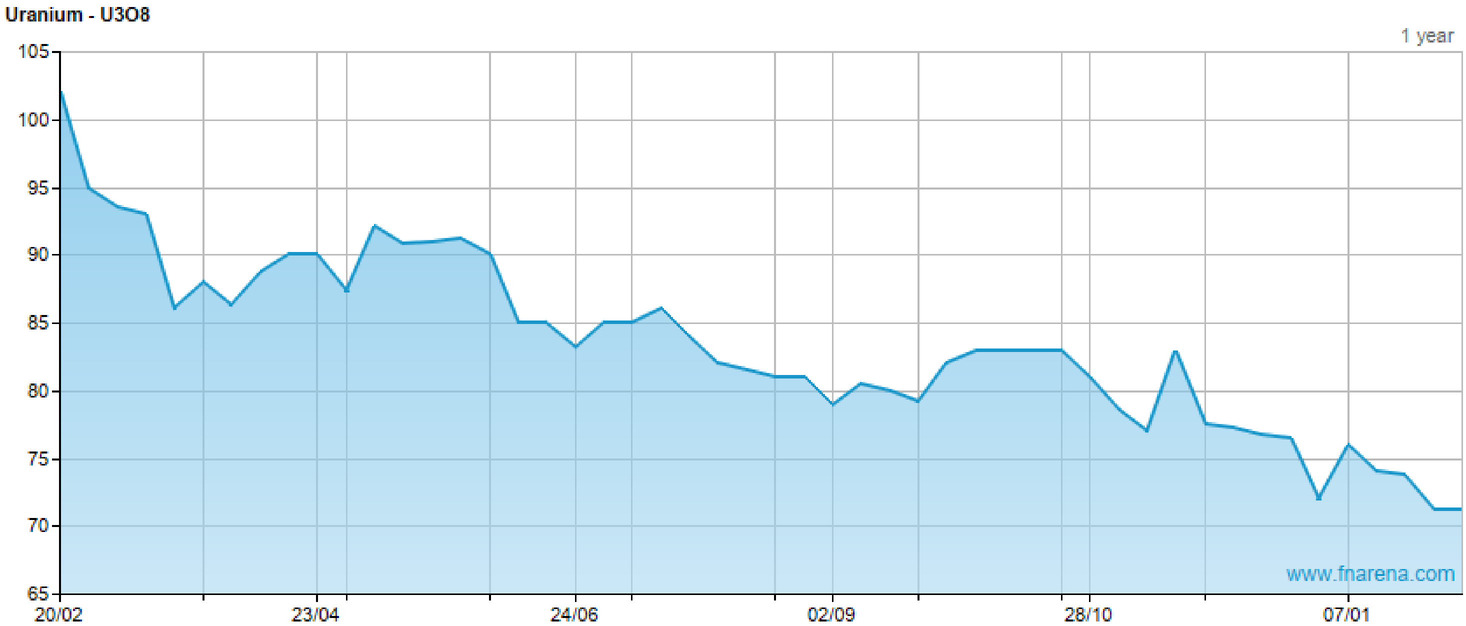
The broker is Buy rated on **NextGen Energy** ((NXG)) with a target price of $14.10 and **Aura Energy** ((AEE)) with a 36c target price, highlighting both stocks as preferred ASX exposures.

For a deeper dive into the outlook for Uranium, see:

https://fnarena.com/index.php/2024/11/29/uranium-unplugged-nuclear-rebirth-meets-geo-politics/

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	07/02/2025	0.0500	▼-20.00%	$0.17	$0.03			
AEE	07/02/2025	0.1300	0.00%	$0.27	$0.11			
AGE	07/02/2025	0.0300	▼- 3.03%	$0.07	$0.03		$0.100	▲233.3%
AKN	07/02/2025	0.0100	0.00%	$0.04	$0.01			
ASN	07/02/2025	0.0600	▲ 5.00%	$0.17	$0.05			
BKY	07/02/2025	0.3350	▼-12.99%	$0.45	$0.27			
BMN	07/02/2025	3.0100	▲ 3.13%	$4.87	$1.90		$7.400	▲145.8%
BOE	07/02/2025	3.2700	0.00%	$5.99	$2.21	26.4	$3.933	▲20.3%
BSN	07/02/2025	0.0200	▼- 5.26%	$0.18	$0.02			
C29	07/02/2025	0.0500	0.00%	$0.13	$0.03			
CXO	07/02/2025	0.0900	▲ 1.14%	$0.26	$0.08		$0.090	
CXU	07/02/2025	0.0100	0.00%	$0.05	$0.01			
DEV	07/02/2025	0.0800	▼- 3.53%	$0.45	$0.08			
DYL	07/02/2025	1.2800	▼- 2.27%	$1.83	$0.91	-317.5	$1.850	▲44.5%
EL8	07/02/2025	0.2800	▼- 3.57%	$0.62	$0.23			
ERA	07/02/2025	0.0030	0.00%	$0.06	$0.00			
GLA	07/02/2025	0.0100	0.00%	$0.03	$0.01			
GTR	07/02/2025	0.0030	0.00%	$0.01	$0.00			
GUE	07/02/2025	0.0800	0.00%	$0.14	$0.05			
HAR	07/02/2025	0.0400	0.00%	$0.19	$0.03			
I88	07/02/2025	0.6000	▼- 9.09%	$1.03	$0.14			
KOB	07/02/2025	0.0700	0.00%	$0.18	$0.07			
LAM	07/02/2025	0.7500	▼- 3.85%	$1.04	$0.48			
LOT	07/02/2025	0.2400	0.00%	$0.49	$0.17		$0.533	▲122.2%
MEU	07/02/2025	0.0500	▼-11.67%	$0.06	$0.04			
NXG	07/02/2025	10.5600	▼- 3.36%	$13.66	$7.89		$16.600	▲57.2%
ORP	07/02/2025	0.0400	0.00%	$0.12	$0.03			
PDN	07/02/2025	8.7100	▲ 1.52%	$17.98	$6.83	63.4	$11.558	▲32.7%
PEN	07/02/2025	1.1700	▲ 4.59%	$2.70	$1.02		$4.810	▲311.1%
SLX	07/02/2025	5.9800	▲ 1.18%	$6.74	$3.35		$7.200	▲20.4%
TOE	07/02/2025	0.2000	0.00%	$0.52	$0.19			
WCN	07/02/2025	0.0200	0.00%	$0.03	$0.01			



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WEEKLY REPORTS

The Short Report - 13 Feb 2025

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

Summary:

Week Ending February 6th, 2025 (most recent data available through ASIC).

10%+

GSBW34	127.97%
BOE	19.61%
PDN	16.59%
SYR	13.10%
DMP	12.84%
IEL	12.53%
MIN	12.34%
SGR	11.31%
PLS	10.88%
DYL	10.84%
LTR	10.24%
KAR	10.08%

In: KAR
Out: MP1

9.0-9.9%

MP1	9.67%
LIC	9.62%
LYC	9.24%
DRO	9.20%
ADT	9.02%

In: MP1, LYC, DRO
Out: KAR

8.0-8.9%

CTT	8.70%
JLG	8.55%

Out: DRO

7.0-7.9%

CTD	7.81%
AD8	7.69%

BGL	7.66%
RIO	7.66%
GMD	7.51%
SEK	7.35%
CUV	7.24%
EDV	7.19%

In: AD8

6.0-6.9%

CIA	6.87%
SLX	6.67%
CHN	6.59%
IMU	6.36%
STX	6.22%
APE	6.13%

In: STX, APE
Out: AD8

5.0-5.9%

SFR	5.74%
SIG	5.62%
NHC	5.34%
ZIP	5.09%
INR	5.00%

In: SIG, ZIP, INR
Out: STX, APE, NCK

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.2	0.2	NAB	0.6	0.6
ANZ	0.3	0.3	QBE	0.2	0.3
BHP	0.4	0.4	RIO	7.7	7.5
CBA	1.1	1.1	STO	0.7	0.8
COL	0.7	0.8	TCL	0.8	1.1
CSL	0.4	0.4	TLS	0.2	0.2
FMG	1.3	1.3	WBC	0.6	0.6
GMG	0.4	0.4	WDS	1.9	2.0
JHX	0.7	0.6	WES	0.7	0.7
MQG	0.5	0.5	WOW	0.6	0.5

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

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

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

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

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

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

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

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 14-02-25

Broker Rating Changes (Post Thursday Last Week)

Upgrade

DOMINO'S PIZZA ENTERPRISES LIMITED ((DMP)) Upgrade to Buy from Hold by Petra Capital.B/H/S: 0/0/0

Domino's Pizza's 1H25 trading update was in line with consensus, notes Petra Capital, with the company announcing savings of $15.5m from the closure of -205 stores and other cost savings of $18.6m.

Whilst France remains challenged, Japan (plus other Asian markets) appears to be past its lows, Germany is rebounding, and ANZ is holding against strong same-store sales, Petra observes.

The broker has factored in the store closures but made no material change to its net cost savings profile at this stage.

The analyst notes for the first time in a long while, there are now more markets showing positive trends vs negative, and hence lowered the beta used in its DCF valuation.

Target price rises to $40 from $32, and rating upgraded to Buy from Hold.

Downgrade

NICK SCALI LIMITED ((NCK)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

Nick Scali delivered a strong 1H25 result with net profit beating Jarden's forecast by 17%. Gross profit margin (GPM) for Australia/NZ of 64.4% beat the consensus of 62.8%, and the UK margin of 45.1% beat 42.9% consensus.

The broker notes trading update for Australia/NZ was weak but the outlook for UK margins remained strong.

The broker lowered FY25 net profit estimate by -2% and increased FY26 by 6%, driven by revenue downgrades on a slower store rollout and softer trading update, offset by GPM upgrades.

Target price rises to $18.5 but rating downgraded to Overweight from Buy on valuation and execution risk.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	DOMINO'S PIZZA ENTERPRISES LIMITED	Buy	Neutral	Petra Capital
Downgrade				
2	NICK SCALI LIMITED	Buy	Buy	Jarden

Price Target Changes (Post Thursday Last Week)

Company	Last Price	Broker	New Target	Old Target	Change

AOV Amotiv	$9.84	Wilsons	12.70	12.71	-0.08%
ARF Arena REIT	$3.83	Moelis	3.98	3.95	0.76%
AYA Artrya	$0.86	Petra Capital	2.20	2.21	-0.45%
BPT Beach Energy	$1.46	Canaccord Genuity	1.28	1.20	6.67%
		Goldman Sachs	1.30	1.35	-3.70%
		Jarden	1.38	1.42	-2.82%
		Wilsons	1.86	1.66	12.05%
BRG Breville Group	$35.85	Goldman Sachs	40.80	40.90	-0.24%
		Jarden	32.60	26.30	23.95%
BSL BlueScope Steel	$21.99	Goldman Sachs	26.70	25.10	6.37%
		Jarden	21.80	21.90	-0.46%
BVS Bravura Solutions	$2.78	Wilsons	3.17	2.06	53.88%
BWP BWP Trust	$3.44	Jarden	3.45	3.55	-2.82%
		Moelis	3.76	3.74	0.53%
CAR CAR Group	$37.83	Goldman Sachs	43.90	44.50	-1.35%
		Jarden	34.60	35.50	-2.54%
CLW Charter Hall Long WALE REIT	$3.86	Jarden	3.80	3.60	5.56%
COF Centuria Office REIT	$1.15	Jarden	1.17	1.20	-2.50%
		Moelis	1.68	1.73	-2.89%
COH Cochlear	$304.54	Jarden	263.75	266.22	-0.93%
CPU Computershare	$42.57	Jarden	34.50	34.00	1.47%
CQE Charter Hall Social Infrastructure REIT	$2.86	Jarden	2.95	2.75	7.27%
CSL CSL	$254.00	Jarden	314.37	329.62	-4.63%
		Wilsons	250.00	291.78	-14.32%
DMP Domino's Pizza Enterprises	$33.16	Goldman Sachs	38.30	39.10	-2.05%
		Jarden	41.00	40.00	2.50%
		Petra Capital	40.00	32.00	25.00%
DXC Dexus Convenience Retail REIT	$2.90	Moelis	3.39	3.40	-0.29%
GDF Garda Property	$1.16	Moelis	1.57	1.66	-5.42%
GDG Generation Development	$4.87	Moelis	N/A	4.91	-100.00%
JAN Janison Education	$0.19	Wilsons	0.22	0.25	-12.00%
JBH JB Hi-Fi	$100.88	Goldman Sachs	73.90	66.90	10.46%
		Jarden	95.80	84.00	14.05%
LIN Lindian Resources	$0.10	Petra Capital	0.50	0.63	-20.63%
MEI Meteoric Resources	$0.08	Petra Capital	0.24	0.39	-38.46%
NCK Nick Scali	$17.14	Jarden	18.50	15.88	16.50%
NWC New World Resources	$0.02	Petra Capital	0.09	0.10	-10.00%
NWS News Corp	$54.08	Goldman Sachs	61.00	52.00	17.31%
		Jarden	54.60	50.30	8.55%
PXA Pexa Group	$11.89	Jarden	15.30	15.35	-0.33%
REA REA Group	$270.29	Goldman Sachs	273.00	249.00	9.64%
		Jarden	210.00	205.00	2.44%
RGN Region Group	$2.10	Jarden	2.40	2.50	-4.00%
RWC Reliance Worldwide	$5.17	Jarden	5.70	5.60	1.79%
SGM Sims	$13.78	Goldman Sachs	15.50	11.40	35.96%
SUN Suncorp Group	$19.68	Goldman Sachs	21.00	20.50	2.44%
TTM Titan Minerals	$0.45	Canaccord Genuity	1.10	1.30	-15.38%
WA1 WA1 Resources	$13.46	Canaccord Genuity	28.00	27.50	1.82%
Company	Last Price	Broker	New Target	Old Target	Change

More Highlights

AIM   AI-MEDIA TECHNOLOGIES LIMITED

Commercial Services & Supplies Overnight Price: $0.71

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

Petra Capital has initiated coverage of AI-Media Technologies with a Buy recommendation and target price of $1.26.

The broker believes AI-Media is in the sweet spot to benefit from significant caption opportunities for both live and pre-recorded content across the Americas, Europe and the Asia Pacific region.

These include strong regulatory tailwinds demanding "fair-play" for those with hearing loss, and ever-increasing channels/genres requiring captioning and translation.

The broker's gross margins estimates are set to expand from 64% to 83% over the life of the broker's forecasts, driving an attractive 3-year compounded annual EBITDA forecast for FY25-27 of 46%.

The broker notes AI-Media has provided a longer-dated aspirational EBITDA target of $60m by FY29. If achieved, this would represent material upside to the target price.

This report was published on February 10, 2025.

Target price is **$1.26** Current Price is **$0.71** Difference: **$0.545**
If **AIM** meets the Petra Capital target it will return approximately **76%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Petra Capital forecasts a full year **FY25** dividend of **0.00** cents and EPS of **0.70** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **102.14**.

Forecast for FY26:

> Petra Capital forecasts a full year **FY26** dividend of **0.00** cents and EPS of **3.00** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **23.83**.

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

BC8 BLACK CAT SYNDICATE LIMITED

Gold & Silver Overnight Price: $0.73

Petra Capital rates ((BC8)) as Buy (1)

Petra Capital has resumed coverage of Black Cat Syndicate with a Buy rating and target price of $1.10.

The broker notes the company's Paulsens gold mine hosts one of the highest-grade gold resources in Australia (407koz at 9.4g/t gold). First gold at Paulsens in December added to the company's gold production at Myhree since October under an ore sale agreement.

The broker now forecasts Black Cat's gold output at a run-rate of over 95kozpa by end-FY25, with a third production centre at Coyote from 2027 lifting group output to +140kozpa.

Petra highlights the company is fully funded for a sequential mine development path, unhedged and has no debt.

This report was published on February 6, 2025.

Target price is **$1.10** Current Price is **$0.73** Difference: **$0.37**
If **BC8** meets the Petra Capital target it will return approximately **51%** (excluding dividends, fees and charges).

Forecast for FY25:

> Petra Capital forecasts a full year **FY25** dividend of **0.00** cents and EPS of **2.50** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **29.20**.

Forecast for FY26:

> Petra Capital forecasts a full year **FY26** dividend of **0.00** cents and EPS of **15.20** cents.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **4.80**.

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

BVS BRAVURA SOLUTIONS LIMITED

Wealth Management & Investments Overnight Price: $2.74

Wilsons rates ((BVS)) as Overweight (1)

First half results for Bravura Solutions revealed a significant improvement in earnings (EBITDA) to $23.8m from $7.9m in the prior corresponding period due to cost savings and efficiency programs, highlights Wilsons.

Management upgraded FY25 revenue and earnings (EBITDA) guidance by 3% and 12%, respectively, reflecting ongoing operational efficiencies.

With financial stability restored and a focus shifting to revenue growth, the broker expects further contract wins to support momentum.

Wilsons' target rises to $3.17 from $2.06 due to a 15% lift in the FY25 earnings forecast and a higher valuation multiple. Overweight rating maintained.

This report was published on February 13, 2025.

Target price is **$3.17** Current Price is **$2.74** Difference: **$0.43**
If **BVS** meets the Wilsons target it will return approximately **16%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **10.50** cents and EPS of **7.20** cents.
At the last closing share price the estimated dividend yield is **3.83%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **38.06**.

Forecast for FY26:

Wilsons forecasts a full year **FY26** dividend of **4.10** cents and EPS of **7.70** cents.
At the last closing share price the estimated dividend yield is **1.50%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **35.58**.

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

DXC DEXUS CONVENIENCE RETAIL REIT

REITs Overnight Price: $2.92

Moelis rates ((DXC)) as Buy (1)

Following Dexus Convenience Retail REIT's 1H25 result, Moelis lowered its earnings profile slightly, taking a more conservative view of cost inflation and occupancy.

The broker highlights cost inflation continues to run ahead of rent growth, resulting in EBIT margin falling year on year to 71.9% from 72.2%.

The broker expects gearing to reach 34% by FY27 without valuation growth, from 28.7% in December. With modest valuation growth, the broker expects below 32% gearing.

The broker continues to believe the stock is meaningfully undervalued, with its current implied cap rate of

7.4% representing an attractive discount to direct market evidence. Buy rating retained and target price is $3.39.

This report was published on February 9, 2025.

Target price is **$3.39** Current Price is **$2.92** Difference: **$0.47**
If **DXC** meets the Moelis target it will return approximately **16%** (excluding dividends, fees and charges).
Current consensus price target is **$3.23**, suggesting upside of **10.5%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **20.60** cents and EPS of **20.70** cents.
At the last closing share price the estimated dividend yield is **7.05%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **14.11**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **20.6**, implying annual growth of **734.0%**.
Current consensus DPS estimate is **20.6**, implying a prospective dividend yield of **7.1%**.
Current consensus EPS estimate suggests the PER is **14.2**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **21.00** cents and EPS of **21.10** cents.
At the last closing share price the estimated dividend yield is **7.19%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **13.84**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **21.5**, implying annual growth of **4.4%**.
Current consensus DPS estimate is **21.2**, implying a prospective dividend yield of **7.3%**.
Current consensus EPS estimate suggests the PER is **13.6**.

Market Sentiment: **0.8**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

GDF GARDA PROPERTY GROUP

REITs Overnight Price: $1.12

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

Garda Property's 1H25 funds from operations and dividend were in line with Moelis' estimates, and the company reaffirmed FY25 dividend guidance of 6.3c.

The broker notes Garda is well positioned for a strong 42% EPS growth into FY26 driven by debt reduction as a result of North Lakes sales and growth in credit book.

The broker made negligible changes to earnings, with an increased contribution from private credit offset by deferral of income contribution from both the Acacia Ridge properties. Buy rating maintained but target price cut to $1.57 from $1.66.

This report was published on February 6, 2025.

Target price is **$1.57** Current Price is **$1.12** Difference: **$0.45**
If **GDF** meets the Moelis target it will return approximately **40%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Moelis forecasts a full year **FY24** dividend of **6.30** cents and EPS of **6.40** cents.
At the last closing share price the estimated dividend yield is **5.62%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **17.50**.

Forecast for FY25:

> Moelis forecasts a full year **FY25** dividend of **7.20** cents and EPS of **6.70** cents.
> At the last closing share price the estimated dividend yield is **6.43%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **16.72**.

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

IPX IPERIONX LIMITED

Industrial Metals Overnight Price: $4.32

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

Petra Capital highlights the little understood strong competitive moat for Iperionx in titanium production driven by its patented HAMR and HSPT processes. It's felt customers will increasingly seek to partner with the company as production ramps-up in 2025.

The broker points out these technologies have lower energy costs, reduce waste, and improve production efficiencies, making titanium more viable for aerospace and defence applications.

A recent Boeing report validates Iperionx's cost advantages, the broker suggests, estimating a potential -75% reduction in titanium costs for the Boeing 787 airframe through improved machining yields and reduced scrap.

Petra Capital retains its $6.69 target and Buy rating.

This report was published on February 7, 2025.

Target price is **$6.69** Current Price is **$4.32** Difference: **$2.37**
If **IPX** meets the Petra Capital target it will return approximately **55%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Petra Capital forecasts a full year **FY25** dividend of **0.00** cents and EPS of **1.70** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **254.12**.

Forecast for FY26:

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

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

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