WEEK 47

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Friday, 22 November 2024

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FNArena FINANCIAL NEWS, ANALYSIS & DATA

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AUSTRALIA

The Market In Numbers - 16 Nov 2024

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

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

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

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

Australia & NZ

Index	16 Nov 2024	Week To Date	Month To Date (Nov)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
NZ50	12684.880	-0.67%	0.36%	2.10%	7.77%	8.26%
All Ordinaries	8539.00	-0.16%	1.39%	0.01%	9.06%	6.55%
S&P ASX 200	8285.20	-0.12%	1.53%	0.19%	9.15%	6.66%
S&P ASX 300	8216.40	-0.17%	1.42%	0.09%	9.03%	6.59%
Communication Services	1669.50	1.87%	4.03%	4.81%	5.12%	11.21%
Consumer Discretionary	3874.80	2.70%	4.91%	0.94%	19.59%	10.35%
Consumer Staples	11311.60	-2.66%	-2.44%	-9.25%	-8.11%	-8.62%
Energy	8512.20	-2.14%	-1.70%	-6.75%	-19.87%	-15.15%
Financials	8898.70	2.14%	4.83%	8.24%	32.45%	16.22%
Health Care	43901.70	-2.45%	-1.27%	-0.39%	3.69%	-0.80%
Industrials	7558.90	0.91%	4.22%	1.50%	10.09%	10.97%
Info Technology	2863.40	4.63%	10.25%	5.37%	56.22%	22.29%
Materials	16508.10	-5.56%	-4.92%	-9.87%	-15.30%	-2.19%
Real Estate	3964.90	2.58%	0.48%	-2.14%	18.44%	11.27%
Utilities	8713.90	3.43%	4.56%	-3.00%	6.53%	-6.15%
A-REITs	1810.30	2.74%	0.48%	-2.05%	20.49%	11.45%
All Technology Index	3821.40	3.89%	8.51%	10.00%	41.85%	21.78%
Banks	3755.40	2.16%	5.16%	9.14%	35.11%	17.53%
Gold Index	8300.10	-6.66%	-13.73%	-4.83%	12.66%	12.81%
Metals & Mining	5337.10	-7.10%	-6.46%	-10.92%	-17.47%	-3.84%

The World

Index	16 Nov 2024	Week To Date	Month To Date (Nov)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
FTSE100	8063.61	-0.11%	-0.57%	-2.10%	4.27%	-1.23%
DAX30	19210.81	-0.02%	0.70%	-0.59%	14.68%	5.35%
Hang Seng	19426.34	-6.28%	-4.39%	-8.08%	13.95%	9.64%
Nikkei 225	38642.91	-2.17%	-1.12%	1.91%	15.48%	-2.38%
DJIA	43444.99	-1.24%	4.03%	2.63%	15.27%	11.06%
S&P500	5870.62	-2.08%	2.89%	1.88%	23.08%	7.51%
Nasdaq Comp	18680.12	-3.15%	3.23%	2.70%	24.44%	5.34%

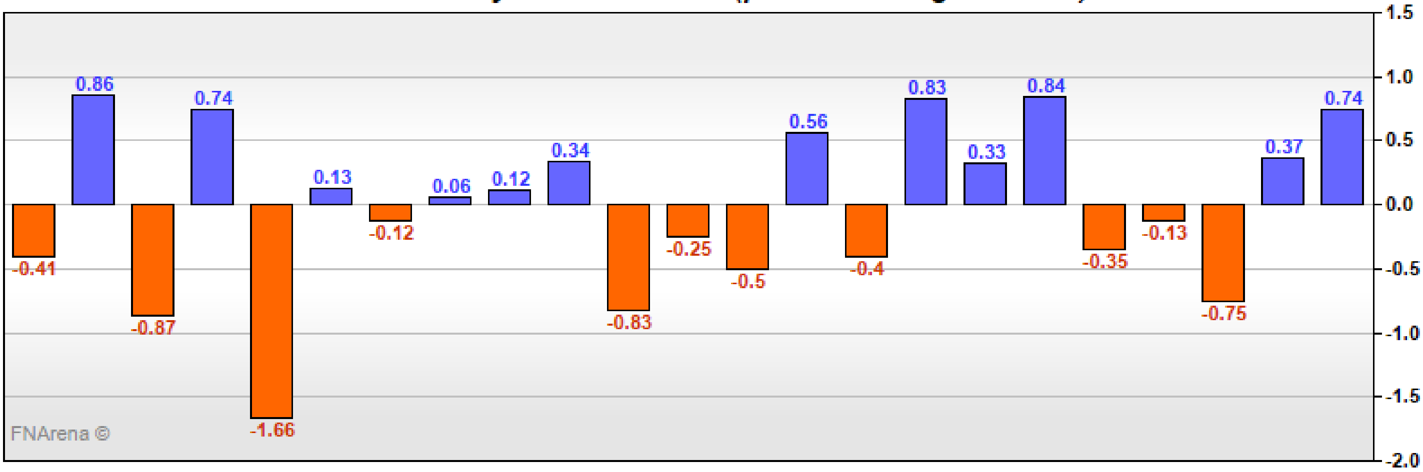
Metals & Minerals

Index	16 Nov 2024	Week To Date	Month To Date (Nov)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
Gold (oz)	2572.60	-5.15%	-8.07%	-4.06%	25.83%	10.04%
Silver (oz)	30.61	-4.56%	-9.81%	-4.07%	25.55%	4.65%
Copper (lb)	4.0765	-8.12%	-6.50%	-11.35%	7.05%	-5.93%
Aluminium (lb)	1.1350	-6.94%	-3.63%	-4.35%	16.73%	0.93%
Nickel (lb)	7.0810	-5.25%	-0.53%	-7.66%	-4.79%	-8.96%
Zinc (lb)	1.3209	-4.33%	-5.07%	-4.70%	17.46%	-0.39%
Uranium (lb) weekly	77.00	-1.91%	-4.94%	-6.10%	-10.47%	-7.51%
Iron Ore (t)	102.22	-2.85%	-1.79%	9.94%	-26.05%	-4.03%

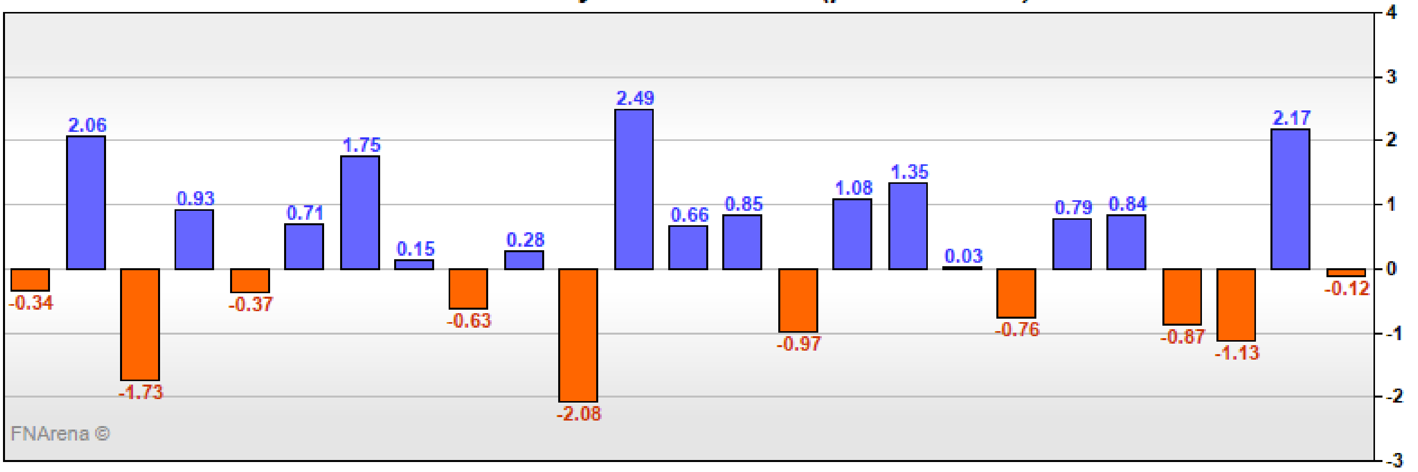
Energy

Index	16 Nov 2024	Week To Date	Month To Date (Nov)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
West Texas Crude	68.65	-4.63%	-0.64%	0.01%	-6.99%	-16.14%
Brent Crude	72.47	-3.83%	-0.33%	1.30%	-8.57%	-15.18%

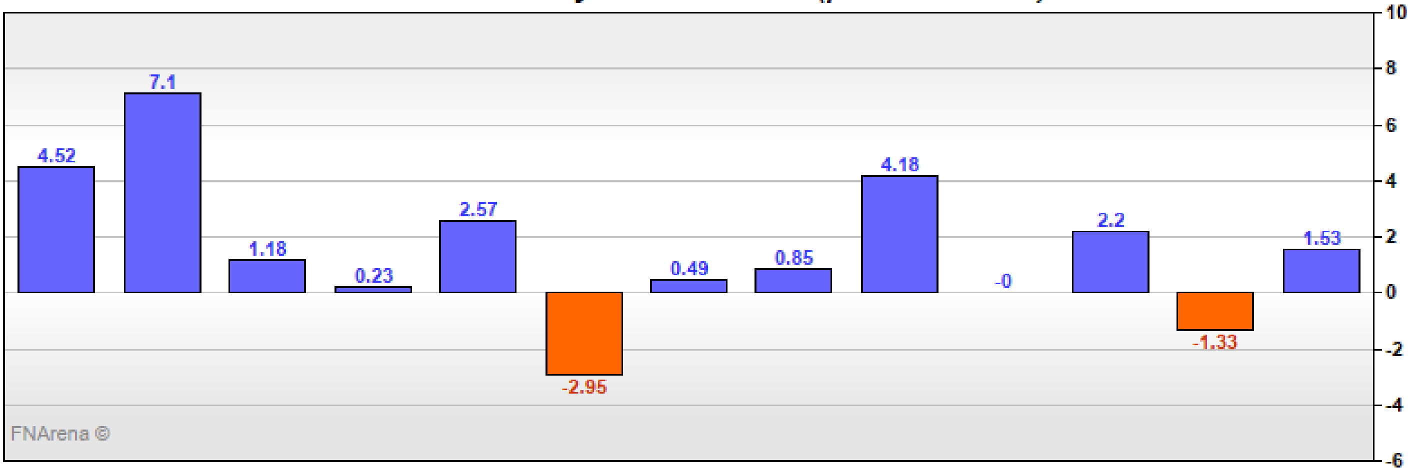
ASX200 Daily Movement in % (past 23 trading sessions)



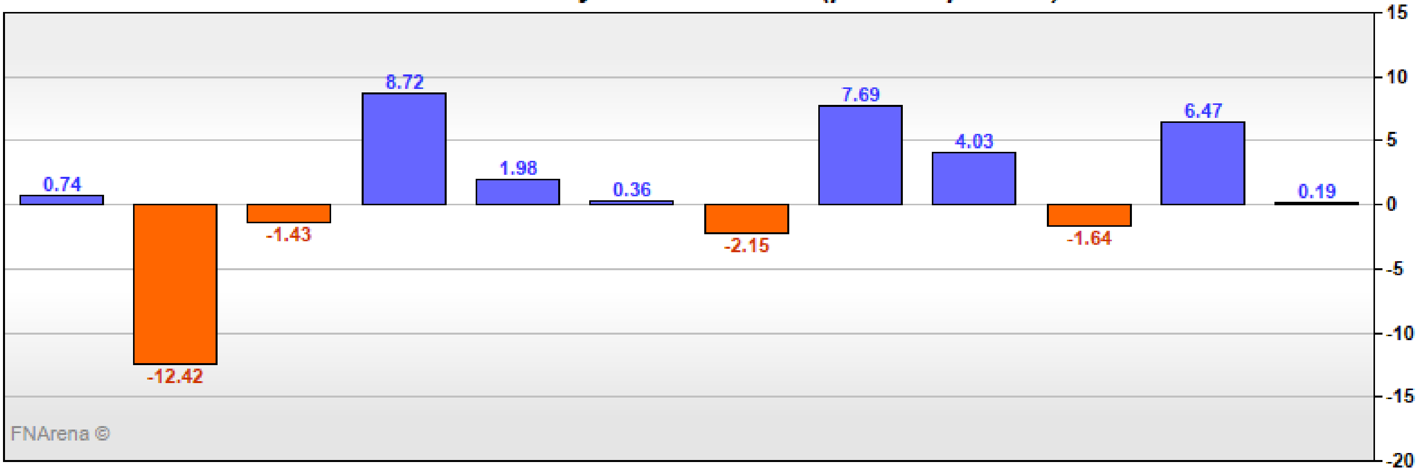
ASX200 Weekly Movement in % (past 25 weeks)



ASX200 Monthly Movement in % (past 13 months)



ASX200 Quarterly Movement in % (past 12 quarters)



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

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AUSTRALIA

Orica Well Positioned To Capitalise

While the outlook remains positive for Orica's traditional explosives business, analysts believe building its digital and specialty chemicals segments will further boost upside, along with capital management potential.

-Orica posts solid FY24 result
-Outlook positive for FY25
-Recent acquisitions will provide full-year contributions
-Capital management potential helps underscore positive broker views

By Greg Peel

Following recent acquisitions, Orica ((ORI)) is now not only the world's largest explosives company, notes Morgans, it is the global leader in geotechnical and structural monitoring in mining and civil infrastructure and the world's largest producer of sodium cyanide.

During FY24, Orica acquired Terra Insights, a geotechnical and structural monitoring hardware and software provider, and Cyanco, a producer of sodium cyanide (a key chemical used in extracting gold and silver from ore), and manufacturer of other chemicals.

At Orica's FY24 result release (year-end September), management noted the company is now past its M&A cycle and substantially through a period of elevated sustenance spending. FY25 will be a year of bedding down acquisitions. Orica's outlook for FY25 remains positive, with management emphasising growth in all its segments: Blasting Solutions, Digital Solutions and Specialty Mining Chemicals.

FY24 Result

Orica's FY24 earnings were in line with or slightly better than analysts' forecasts, despite revenues coming in -7% below consensus. An increased margin provided the offset. Earnings grew 15% year on year despite "the largest plant turnaround schedule in history", Goldman Sachs points out.

A plant turnaround is a highly expensive planned period of regeneration in a plant or refinery. During this time, an entire part of the operation is off-lined while plants are inspected and revamped.

Asia-Pacific delivered a strong result ahead of consensus, supported by Latin America and Europe/Middle

East/Africa, but dragged down by a North American result well short of consensus. North America was impacted by plant turnarounds, adverse weather, US election uncertainty and lower input costs, which Orica passes onto customers on a quarterly basis, Morgans notes, reflecting the rise and fall nature of its contracts.

Reflecting solid commercial discipline, the uptake of its premium products and its higher margin business units (Digital Solutions and Specialty Mining Chemicals), Orica's earnings (EBIT) margin rose to 10.5%, and 11.3% in the second half, up from 8.8% in FY23. Earnings per tonne rose to $181.10 versus $158.10 in FY23.

Overall, Morgans saw a strong result, with earnings up 15.4% year on year. The second half was particularly strong (20% growth) given it benefited from aforementioned acquisitions.

FY25 Outlook

Orica is targeting further earnings growth in FY25 and will benefit from a full-year contribution from recent acquisitions, a new re-contracting cycle and reduced turnaround activity. The company aims to leverage its differentiated technologies, such as wireless blasting systems, and target growth in key sectors to grow earnings.

In Specialty Mining Chemicals, Orica is concentrating on meeting the rising demand for its chemical solutions that optimise extraction processes and improve yield, Citi notes. Management plans to increase production capacity and enhance product offerings to serve the growing needs of the mining industry.

Orica's Digital Solutions is central to the growth strategy, with plans to expand its suite of digital products and services to help clients achieve greater efficiency and cost savings.

In regard to management's "Beyond Blasting" strategy, the aspirational target over time is for half of earnings coming from Blasting Solutions and the other half from the higher margin segments of Digital Solutions and Specialty Mining Chemicals.

The one element of FY25 guidance that did cause some concern was higher than forecast D&A and, to a lesser extent, net interest cost. However, management spoke to a larger than anticipated benefit from ongoing mix and margin benefits, noting that in Blasting Services, mix and margin benefits in FY25 should exceed guidance, even after allowing for higher D&A.

While higher D&A is a negative, it reflects a full year of acquisitions, Macquarie notes, and investment in growth leading to related earnings benefits.

The targeted three-year average return of net assets range of 13-15% across FY25-27 is up from the prior 12-14% range and the 12.8% achieved in FY24.

Capital Management

Orica's FY24 cash flow exceeded expectations and provided for a higher than expected final dividend, up 9% year on year and representing a payout ratio of 59%, within the company's 40-70% range. It also took gearing down to 26%, below a 30-40% target range, and further deleveraging is expected in FY25.

To that end, Orica's new CFO is currently reviewing the company's capital management framework and an update will be provided at the first half FY25 result in May. This may include increasing the dividend payout ratio or introducing a share buyback. Management highlighted how Orica will generate a lot of cash in the future as its big investments have now been made.

Upgrades Follow

One issue regarding said acquisitions is that while Orica is set to benefit from a full year of contributions, Cyanco faces shutdowns to come in FY25 as it integrates with Orica's systems and safety approach. This moderates the near-term earnings contribution, Macquarie notes, before a stronger FY26.

Post the FY24 result, Ord Minnett has cut its earnings forecast for FY25, while its estimates for FY26 and FY27 rise 2% and 4%, respectively. This leads this broker to increase its target price to $22.00 from $20.00, while raising its recommendation to Buy from Hold given the positive outlook and the potential upside on offer.

In Morgans' view, Orica is leading the industry with its technology offering. Importantly, this area represents high-growth and high-margin work. Orica is set to deliver solid earnings growth over coming years reflecting strong demand, re-contracting benefits and solid growth from its Digital Solutions and Specialty Mining Chemicals businesses.

With a large business in the US, over time Orica should be a beneficiary of a Trump presidency, Morgans suggests. The management team continues to execute well and has demonstrated a track record of under-promising and over-delivering. With upside to a new price target of $19.72 (up from $18.85) and further capital management upside, Morgans upgrades to an Add rating from Hold.

Orica remains well positioned to capitalise on attractive industry structures and strong demand in mining end-markets, Morgan Stanley believes. This broker's Overweight rating is based on a view that Orica is positioned to benefit from pricing growth in domestic ammonium nitrate (explosive) markets and further penetration of value-added products.

Morgan Stanley continues to see re-rating potential as this plays out and Orica delivers solid earnings growth with a relatively high level of certainty, likely an increasingly rare commodity in the next six to twelve months in the broker's view. Morgan Stanley's target rises to $22.50 from $21.50.

Macquarie points to a solid FY24 result and outlook with margin and mix showing tangible benefits. There is potential for a higher dividend payout and/or share buyback with further detail to come in March. Orica trades at a -10% discount to its traditional share price to earnings per share correlation, and Macquarie retains Outperform, with target increase to $20.51 from $19.76.

Of the five brokers monitored daily by FNArena covering Orica, four now have Buy or equivalent ratings. Citi remains on Neutral on valuation grounds with an unchanged target of $19.00. Citi nevertheless acknowledges Orica is trading towards the low end of its historical enterprise value to earnings ratio versus the ASX 200 Industrials.

The consensus price among the above brokers is $20.75, on range from $19.00 (Citi) to $22.50 (Morgan Stanley).

Orica's 11% year on year increase in profit exceeded Goldman Sachs' forecast by 2%. This broker has lowered its FY25 earnings forecast by -1%, with operational momentum largely offsetting higher than expected D&A expense. Goldman retains a Buy rating and $21.40 target.

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

AUSTRALIA

Aristocrat Grows From Strength To Strength

Analysts raise targets for Aristocrat Leisure following in-line FY24 results while the recent sale of a mobile gaming business lends support for capital management.

-All three divisions deliver for Aristocrat Leisure in FY24
-Earnings margin expansion, improved cost efficiencies
-Plarium sale supports buybacks or acquisitions
-Macquarie expects an ongoing share price re-rating

By Mark Woodruff

Analysts remain overwhelmingly Buy-rated on Aristocrat Leisure ((ALL)) despite the stock surging over 120% in 2024, following broadly in-line FY24 results and management's guidance for positive' constant currency profit growth in FY25.

Strength in North America Gaming and Pixel United was offset by weaker International Gaming, explains Macquarie.

Morgans highlights a 340bps year-on-year expansion in earnings margin to 32%, driven by a favourable mix and operating leverage across all three segments: Gaming, Interactive, and Pixel United.

Aristocrat designs, develops and distributes gaming content, platforms, and machines, while also developing, marketing, and operating social games and iGaming (the term for online gaming).

The largest division, Gaming, generates revenue through traditional gaming machines installed in pubs, clubs, and casinos.

It should be noted: within the Gaming division exists Gaming Operations, a specific segment where Aristocrat leases or licenses electonic gaming machines (EGMs) to operators, earning revenue through a share of the machines' performance rather than outright sales.

Ord Minnett highlights this participation model is a key driver of Aristocrat's EPS growth and already contributes around 50% of the company's EBIT.

This broker also anticipates an EPS boost from a growing share of the replacement machine market in casinos and increased contributions from the Interactive segment, where the focus is on online real-money gaming (RMG).

Looking ahead, management anticipates market share gains, as well as revenue, and profit growth in Gaming; enhanced investment efficiency in Pixel United following asset sales; and accelerated growth in Interactive, supported by scaled content that broadens access across North America and Europe.

Although total revenue increased by only 5% for the financial year, including five months of contributions from the NeoGames acquisition, management's focus on higher-margin recurring revenues and improved cost efficiencies drove margin expansion in both the Gaming and Interactive segments. Jarden describes this as an "exceptional" outcome.

A standout feature of FY24, according to Morgans, was the sales increase driven by approximately 7,100 net unit additions to the Gaming Operations installed base in North America, surpassing management's May guidance by 18% and bringing the total to around 71,000 units.

Operating earnings slightly exceeded consensus forecasts, providing a strong platform for continued EPS growth, according to Ord Minnett.

Pixel United

For FY24, Pixel United offset flat year-on-year revenue growth by optimising user acquisition (UA) spending, notes Morgans, with the Social Casino channel achieving over US$1bn in bookings for the first time.

Citi has grown more optimistic on Social Casino, which involves providing content to paying users who do not wager real money, citing resilient bookings and higher-than-expected margins.

Ahead of the results, management announced the sale of Plarium Global, a mobile gaming business within the Pixel United segment, for up to US$820m, including US$620m guaranteed and the balance contingent on performance hurdles.

Goldman Sachs highlights this deal as aligning with Aristocrat's strategy to concentrate on core areas land-based gaming and iGaming, with proceeds likely to support buybacks or acquisitions.

Macquarie emphasises the company's robust free cash flow generation after capex, projected to reach $1.7bn in FY25, will facilitate further buybacks estimated at $750m annually and enable Aristocrat to return to net cash flow by FY27, providing opportunities for M&A.

Dividend payout of 78cps for FY24 marks an increase of 22% compared to the previous corresponding period, reflecting a dividend payout ratio of 34%.

Land-based gaming

Management reported improved gaming margins in the second half, attributed to cost base leverage as the company scales and cycles elevated supply chain costs. These margins are expected to remain sustainable into FY25.

Second-half growth in gaming operations and effective cost control drove a 260bps increase in the earnings (EBITA) margin, with Citi forecasting an additional 150bps margin expansion in FY25, supported by a favourable mix shift.

Providing striking context, Macquarie highlights Aristocrat's premium machines currently represent only about 4% of the total gaming floor in North America.

Citi suggests the upcoming release of Phoenix Link is poised to drive the next phase of growth in Class III gaming operations.

Plarium sale

Macquarie points to improving earnings quality and returns for Aristocrat following the sale of the Plarium Global mobile gaming business.

Jarden explains the strategic sale to Modern Times Group will strengthen the company's balance sheet, enabling potential capital redeployment and a stronger focus on casino games operations.

Management anticipates mid-to-high single-digit dilution in FY25 net profit (NPATA) due to the sale but believes this impact could be offset by strategic focus and reinvestment.

Citi upgrades its earnings (EBITA) forecast for Digital/Pixel United (ex Plarium) by 8% in FY25.

Outlook

Jarden remains constructive on Aristocrat, citing the resilience and strong structure of the gaming sector and the company's ongoing market share growth prospects.

For a sustained positive re-rating, the analysts highlight the importance of completing the management-led Digital strategic review, including a clean exit from the underperforming Big Fish casual segment.

The need for a clearer, profitable path to achieving the US$1bn Interactive revenue target by FY29 is also emphasised, as well as a step-change in capital management to address an under-leveraged balance sheet.

Macquarie anticipates a continued re-rating, supported by attractive earnings growth, strong cash generation, and balance sheet flexibility, while Citi notes upside potential to consensus estimates due to further Gaming Operations market share gains and Interactive segment growth.

For the six brokers monitored daily by FNArena, five have Buy (or equivalent) ratings for Aristocrat Leisure, while Ord Minnett suggests investors Accumulate (in between Buy and Hold).

Since FY24 results on November 13, the average target price increased to $70.75 from $66.25 suggesting just over 5% upside to the latest share price at the time of writing.

Outside of daily monitoring, Goldman Sachs (Neutral) raised its target to $70 from $62, while Jarden (target to $61 from $59) downgraded to Neutral from Overweight (one notch below Buy in the broker's rankings) after recent share price outperformance.

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AUSTRALIA

Pros & Cons From GrainCorp's Transformation

FY25 looks like providing a bumper harvest, but weaker grain trading and crush margins due to strength in global crops will keep GrainCorp earnings under pressure.

-FY24 proves a more average year for GrainCorp
-FY25 crop set to be bumper
-Pressure on margins undermines earnings upside
-Strong balance sheet allows for ongoing capital management

By Greg Peel

The rollercoaster that is GrainCorp's ((GNC)) global weather-related earnings continued in FY24. Following three very weak years of Australian drought, two years of La Nina brought record returns in FY22-23. FY24, on the other hand, was a year of mean reversion to a more average performance.

The numbers thus look shocking, but aren't. Revenue fell -21% year on year, earnings fell -53% and profit fell -69%. Cash flow was down -77%. The result was in line with guidance, and largely in line with analyst expectations who commented the result is "solid".

Earnings fell on a combination of a smaller East Coast of Australia (ECA) crop meeting lower grain marketing margins and more normalised oilseed crush margins due to global influences. There was also a significantly smaller fair value gain in GrainCorp's remaining shareholding in United Malt Group.

Despite the big fall in cash flow, GrainCorp was able to reward shareholders with an attractive dividend thanks to a carried-over core cash holding. Make hay while the sun shines, and put it in a silo.

FY25 Outlook

GrainCorp does not typically provide quantitative guidance at its full year (September year-end) result, preferring to wait until the AGM in February when the harvest is completed. Who knows what the weather might do? But qualitatively, GrainCorp has highlighted an earlier start to the FY25 season and indications this year's crop is heading to be up there with the best.

However, the company's earnings leverage to crop size will be weaker than in recent years due to below-average grain trading margins and weak canola crush margins. There have been solid crops elsewhere in the world.

In FY25, GrainCorp will benefit from a well above-average crop following favourable seasonal conditions in Queensland and NSW, though Victoria has been dry. ABARES forecasts ECA winter grain production to be up 22%. This would be the fourth largest crop on record and is some 50% above an "average" year, with early-season grain receivals well ahead of last year. The next update on this crop from ABARES is due on 3 December.

Yet grain marketing margins are expected to fall further in FY25 given bigger global crops and lower USD grain prices versus AUD prices, Morgans notes. This means the spread is materially less than during the bumper FY22-23 period and GrainCorp's marketing margins; profit will be tight. While crush volumes will remain high, crush margins are anticipated to also fall further in FY25.

Despite record crush volumes in FY24, Nutrition & Energy segment earnings were down -33% year on year with management noting ongoing pressure on crush margins which are being exacerbated by a poor FY24-25 Victorian canola crop.

Grain production across ECA is shaping up to be near record and this is a positive for trading and export volumes. Management remains cautious on margins due to limited grower selling and amid ample global supply. As the Australian harvest progresses, selling pressure should begin to emerge which benefits export margins, Macquarie notes. A lift in the global wheat price is a key signal for further recovery in margins.

In Nutrition & Energy, volumes across Feeds & AgriEnergy look set to remain strong, but lower crush margins are a headwind.

Transformation

GrainCorp has announced a new Business Transformation Program. This program is designed to modernise the company's systems so that it can continue to improve efficiency and reduce complexity across the business. The company will effectively be transferring to an upgraded SAP software system.

GrainCorp is targeting a $20-30m earnings uplift in through-the-cycle earnings from this program in addition to its current $320m target. Some of these benefits will be seen in FY26, with the full benefits to come in FY27, Morgans notes. At the mid-point, GrainCorp is likely to spend around -$150m on this program.

Morgans assumes the majority of the spend will occur during FY25. At the mid-point of the benefits, or $25m, this would imply a return on investment of 16.7%. There will also be working capital benefits.

Renewable, One Day

Despite a weak FY24, GrainCorp's balance sheet remains solid, Macquarie notes, with $337m in core net cash underpinning growth options such as organic growth or bolt-on acquisitions, the $50m buyback which is some 59% complete, and an ongoing healthy level of dividends.

But given the material fall in crush margins, GrainCorp's potential investment in a new oilseed crush plant with a capital cost in excess of -$500m isn't looking so appealing, Morgans suggests. The company is in discussions with Ampol ((ALD)) and super fund IFM regarding a biofuel opportunity, but the large capital commitment remains some years away, with GrainCorp signalling the front-end engineering & design (FEED) stage would not be until FY26.

The decision needs government support and mandates, Morgans notes, and even if it gets the go ahead, it will take a couple of years to construct and commission. The broker recognises renewable fuel demand is forecast to grow strongly over the coming decade to meet decarbonisation commitments.

Target Price Cuts

GrainCorp's FY24 result may have been in line with expectations but FY25 is facing a balance of volume tailwinds and margin headwinds, leading brokers to cut their earnings forecasts and lower their price targets.

Morgans has cut its target to $8.81 from $9.45 and, as this represents less than 10% upside to the trading price, retains a Hold rating.

Bell Potter's Hold rating is also unchanged. Looking into FY25, this broker sees the prospect of a stronger crop balanced by headwinds in canola crush margins and variable grain trading opportunities. On face value, the upside leverage to the FY25 crop looks broadly captured in consensus expectations, Bell Potter suggests.

Bell Potter's target falls to $9.25 from $9.80.

Leverage to higher grains production across ECA drives Macquarie's expectations of 22% earnings growth in FY25. Longer term optionality via a strong balance sheet with potential growth options (M&A, crush expansion) and further capital management keeps Macquarie on Outperform with a $9.85 target, down from $10.07.

Taking a different spin, Ord Minnett's investment thesis that GrainCorp's through-the-cycle earnings and port assets are undervalued remains unchanged. This valuation gap, coupled with the capacity for further capital management initiatives, has this broker retaining a Buy recommendation with a target price of $9.80, down from $10.05.

UBS also retains Buy, cutting its target to $9.60 from $9.80.

That leaves three Buy or equivalent and two Hold ratings among the five brokers monitored daily by FNArena covering GrainCorp. The consensus target is $9.46, down from $9.83 previously.

AUSTRALIA

Rising Margins Boost ALS' Favourable Outlook

Following first half results for ALS Ltd, brokers raise target prices largely due to rising margins in life sciences and an increasing market share in geochemistry.

-ALS Ltd's first half profit exceeds the consensus forecast
-Life Sciences: expanding margins, Commodities: rising market share
-Growth assured on achieving acquisition targets, says Morgans
-Upside from water testing services?

By Mark Woodruff

At face value, testing, inspection, certification, and verification services provider ALS Ltd's ((ALQ)) first half profit of $152m declined by -4% on the year earlier, but that outcome was slightly ahead of management's guidance for a -5% decline.

Eqaly important: it was better than what market consensus had penciled in too.

Commodities margins remained robust, notes Morgans, due to ongoing market share gains in geochemistry, while Life Sciences margins (excluding acquisitions) saw significant expansion.

In addition to a positive contribution from M&A integration, Jarden highlights Life Sciences benefited from strong organic growth.

Should current commodity prices remain stable and the recent momentum in junior miner raisings continues, Morgans anticipates significant upside to its outer-year forecasts, though Jarden stresses forecasting earnings for the Commodities segment remains challenging for both management and the market.

One of the world's largest analytical and testing services companies, ALS partners across key sectors including mining, natural resources, environmental, food, pharmaceutical, industrial, and inspection services.

ALS has a global presence, operating from more than 350 sites across over 65 countries. In FY23, group revenue was split geographically as follows: Americas 40%, Asia Pacific 37%, EMENA region 21%, and Africa 2%.

The group reports results through the Commodities and Life Sciences segments which contributed 45% and 55% of FY23 group revenue, respectively.

Management reaffirmed guidance for mid-single-digit organic revenue growth, aligning with UBS's FY25 forecast of 5%. This implies a much better second half lays ahead.

Life Sciences margin and forecasts

The first half margin for Life Sciences came in at 14.4% compared to Macquarie's 13.6% forecast.

Environmental, the largest contributor to the segment at 55-60% of revenue, is seen as the standout in first half results, delivering 12% organic revenue growth alongside a 137bps margin increase.

This performance included contributions from acquisitions and efficiency gains from the advanced Laboratory Information Management System (LIMS) implemented by management.

Nuvisan, acquired in March, resides within the Life Sciences division and has returned to profitability, aiding earnings momentum in the second half, observes Jarden. Management's transformation program for Nuvisan is ahead of schedule, having achieved -EUR$13m in cost savings for the half.

UBS forecasts FY25 EBIT growth of 16% for Life Sciences, driven by 10% core growth and contributions from Nuvisan, Wessling Holding GmbH & Co, and York Analytical Laboratories.

The Wessling acquisition, completed in early June, provides environmental, food, and pharmaceutical testing services across 22 European locations and is performing slightly ahead of plan.

The York transaction, effective April 1, expanded ALS into the Northeast US environmental testing market and is meeting expectations for earnings improvement and mid-to-high single-digit revenue growth.

Morgans sees a clear path for growth if management delivers on acquisition turnaround targets over the next five years, with solid demand fundamentals expected to support a 40bps margin expansion to 16.8%, consistent with company guidance for "solid improvement."

Certainly, Macquarie remains confident in management's acquisition execution, with Nuvisan profitable, Wessling outperforming expectations, and York delivering as anticipated.

The Commodities segment

The Commodities segment delivered first-half earnings of $151m, achieving a margin of 28.2%.

The Metallurgy division within Commodities reported a -16% organic revenue decline compared to the prior corresponding period, notes Macquarie, driven by a reduced number of brownfield projects and project deferrals, particularly in lithium and nickel.

Management highlighted a significant rise in junior financings in October, reaching the highest level in two and a half years, aligning with Macquarie's recent analysis of capital raisings. A typical three-to-six-month lag is expected before ALS' sample volumes reflect the impact.

While this uptick in activity is encouraging, it will need to be sustained to positively impact, notes Macquarie.

PFAS upside?

ALS may benefit from heightened awareness of a pressing global issue.

Recent media reports noting PFAS (Per- and Polyfluoroalkyl Substances), or "forever chemicals," in Australian drinking water at levels deemed unsafe in the US have drawn attention to PFAS contamination, as noted by Jarden.

For a more detailed explanation of this topic please refer to https://fnarena.com/index.php/2024/11/21/esg-focus-the-little-big-things-21-11-2024/

ALS is positioned to capitalise on this issue via growing demand for water testing services, suggests the broker.

PFAS testing already represents around 5% of the Environmental segment, and Macquarie notes first-half organic revenue growth for PFAS testing exceeded 24%.

Outlook

For the medium-term, UBS expects a favourable regulatory environment, the turnaround of Nuvisan, and recent acquisitions should combine to provide an earnings tailwind.

Of the four brokers covering ALS Ltd monitored daily by FNArena, three have a Buy (or equivalent) rating while Ord Minnett (Accumulate) has not yet updated research for the first half result.

Including Ord Minnet's $14.90 target, the average target in the database post ierim result increased to $16.35 from $15.43.

Outside of daily monitoring, Jarden raised its target to $14.40 from $14.25 and downgraded to Neutral from Overweight, citing limited near-term earnings catalysts.

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ESG FOCUS

ESG Focus: The Little Big Things - 21-11-2024

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Tackling the lingering problem of PFAS; Founder-led companies outperform; meeting sustainability goals and the latest in ESG corporate news.

-Forever chemicals, a challenge and an opportunity
-The double-edged sword of founder-led businesses
-Macquarie believes the anti-ESG movement is showing signs of slowing
-Dissecting development goals for sustainability

By Danielle Ecuyer

PFAS: Not the Forever Story We Want

Recent media reports of PFAS (Per- and Polyfluoroalkyl Substances), or *"forever chemicals"*, in Australian drinking water at levels considered unsafe in the US have focused attention on PFAS contamination, with implications for Australian companies as regulations catch up with EU and US standards.

Jarden explains PFAS chemicals, used industrially in products resistant to heat, stains, grease, and water, include pesticides, anti-foaming agents, surface treatments for textiles, leather, cardboard, and various everyday items such as clothing, cosmetics, and food packaging.

The chemical makeup of PFAS means these substances can persist in the environment long-term, spreading through soils and water, while accumulating inside living creatures.

Research reveals PFAS impacts on health are far-reaching, with PFAS classified as a "class one" human carcinogen. PFAS-related lawsuits are rising globally.

Some recent news flashes:

-**BHP Group** ((BHP)): PFAS contamination has been identified at two WA sites, Mt Whaleback and Port Hedland. The Mt Whaleback contamination, discovered in 2020, relates to industrial uses. The Port Hedland contamination involves groundwater beneath a former power station, with both cases exceeding non-drinking water guidelines in residential areas.

-**Transurban** ((TCL)): In February 2024, a leak of hundreds of litres of firefighting foam containing PFAS occurred at a pump station in the Clem Jones Tunnel. The company confirmed no PFAS entered groundwater, storm-water, or waterways.

Jarden believes PFAS will become an "escalating" priority for the Australian government, with tighter standards for "safe" PFAS levels in drinking water expected to align with US regulations.

Companies with PFAS disclosures include BHP, **Rio Tinto** (RIO), **Woolworths Group** ((WOW)), **Coles Group** ((COL)), **Santos** (STO), **Woodside Energy Group** (WDS), and Transurban.

Companies set to potentially monetise the problem include **ALS Ltd** ((ALQ)) which is positioned to benefit from water testing demand.

In the local small cap segment, **SciDev (**(SDV)) announced its first commercial order for PFAS treatment in Europe. The $96m market cap company provides environmental solutions for water-intensive industries, offering leading-edge chemistry and water treatment technologies.

The $475m contract is for the first phase of a potentially multi-phase project to design, construct, and commission a PFAS water treatment plant with Swedish Hydro Solutions AB to remediate a contaminated landfill site in Northeast Sweden.

From the press release: *"Securing our first commercial order for PFAS remediation in Europe is a significant milestone and demonstrates the demand for our technologies and our capability to sell into new regions.*

The market opportunity in Europe is large and rapidly growing, with more than 17,000 sites confirmed for PFAS contamination and another 21,000 sites with suspected contamination. This is the tip of the iceberg. Tightening EU regulations and mandates to clean up PFAS will drive industrial and government landowners to seek cost-effective solutions, creating an ideal and ongoing market for our remediation technology,"

Founder-Led Companies: "Skin in the Game"

Founder CEOs Richard White, **WiseTech Global** ((WTC)) and Chris Ellison, **Mineral Resources** ((MIN)) have come under media scrutiny for their conduct, albeit of differing persuasions, but both prompting governance concerns.

Jarden highlights there are approximately 30 companies on the S&P/ASX 200 that are founder-led, with ownership exceeding around 5% of each company.

Compiling a list of pros and cons, the broker notes the following points on the pro side of the debate:

-On average, share price outperformance

-Usually, an in-depth knowledge of the company, its markets, and its capabilities

-A passion for the company, which may foster a positive culture and drive business success

-A longer-term mindset that improves capital allocation decisions

-Less bureaucracy

-Strong alignment with shareholders due to the proverbial "skin in the game"

On the not so positive side, the broker highlights:

-Lack of skills or adherence to governance protocols

-Strong personalities with intertwined personal lives and large shareholder stakes, making it more challenging for boards or shareholders to question behaviour or decisions

-A lack of transparency and disclosure, with some founders operating more like private businesses

-Rigidity of views

-Succession planning issues

Jarden observes a study from Bain & Co tracking 200 founder-led S&P 500 companies over 25 years found founder-led businesses consistently outperformed peers, including a group of the world's most valuable companies such as Apple, Nvidia, Facebook, Amazon, Google, and Oracle.

A study by Solaris Investment Management in August revealed that between 2019 and 2024, the twelve largest founder-led companies on the ASX delivered returns of 420%, compared to 65% for the ASX200 accumulation index.

Preparing for Trump 2.0

Macquarie's monthly ESG updates zoomed in key takeaways from the **Principles for Responsible Investment conference in Toronto** and the **Investor Group on Climate Change conference in Melbourne**, focusing on the impact of the US election on climate, energy transitions, and responsible investment.

The broker highlights investment in renewable energy did not "disappear" during the first Trump administration.

The upcoming administration is expected to withdraw the US from the Paris Agreement, accompanied by reduced environmental protections, increased support for fossil fuels, and a lowering of clean energy tax credits.

For Australia, opportunities may arise if the Inflation Reduction Act is unwound, leading to reduced competition in green product exports to Asia. The Australian government's intent to pass the **Made in Australia Act** through parliament would offer tax incentives for green hydrogen as well as critical minerals. Green hydrogen would require significant subsidies to make the economics viable.

In terms of anti-ESG bills, seven were passed in 2024 compared to 35 in 2023. Macquarie analysts believe the anti-ESG movement is showing signs of slowing.

The broker explains there is an inverse relationship between climate litigation and the robustness of climate policy. On this basis, climate litigation may begin to trend higher in the US.

More companies are setting net-zero transition plans, Macquarie highlights, with 5,900 in 2023 compared to 4,000 in 2022. Over 700 financial institutions globally are committed to net zero, with 450 establishing transition plans.

Australian banks are "tightening" lending standards for emission-intensive sectors.

In other ESG news, Macquarie highlights the proposed European Union 12-month delay to December 2025 for implementing **Deforestation Regulation**. This delay is welcomed by the Australian government because of the complex due diligence requirements for a range of Australian agricultural products, potentially impacting $234m in exports.

Companies with exposure risks include **Brambles** ((BXB)) with direct exposure, and **Coles Group** ((COL)), **Woolworths Group** ((WOW)), **GrainCorp** ((GNC)), and **Metcash** ((MTS)) with supply chain exposures. **Nufarm** ((NUF)) emphasises the benefits of its products in reducing the farmland needed, thereby mitigating deforestation.

More news snippets:

Nine Entertainment ((NEC)) published an independent review on workplace culture, including 22 recommendations to reset the company culture. An action plan is being developed for implementation in

November.

BHP reached a final settlement with Brazilian authorities for reparations on the Samarco Fundao dam failure in 2015. The US$31.7bn compensation agreement does not require BHP to lift its current US$6.5bn provision.

Origin Energy ((ORG)) announced it was ending work on hydrogen development and exiting the Hunter Valley Hydrogen Hub due to uncertainty around timing and capital risks.

United Nation's 17 Sustainable Development Goals

Morgan Stanley has initiated a new series discussing innovations, developments, policies, and regulations across sustainability, as highlighted by the UN's 17 Sustainable Development Goals.

One recent update focuses on global temperatures, natural disasters, and companies progressing towards improved "climate resilience."

Morgan Stanley details the number of disasters has risen five-fold over a 50-year period, *"driven by climate change, more extreme weather, and improved reporting"*.

Global temperatures for the boreal summer of 2024 were the hottest on record. **Copernicus Climate Change Service** is "virtually certain" that 2024 will globally be the warmest year on record and the first to exceed 1.5 degrees Celsius above pre--industrial levels.

Atlantic hurricanes Beryl and Helene are estimated to have caused over US$170bn in damages and economic losses.

Michael Mann, director of the Centre for Science, Sustainability, and the Media at the University of Pennsylvania, suggests that *"each 1 degree Celsius of global warming can increase maximum winds in the strongest storms by 12%."*

The broker explains this is equivalent to an approximate 40% increase in wind damage.

Morgan Stanley highlights reinsurance is one of the most exposed sectors. **Swiss Re's 2023 Sigma Report** revealed natural catastrophe losses reached -US$280bn, with only around 40% covered by insurance.

The report also noted a total of 142 insured loss-inducing catastrophes, setting a new annual record.

Since 1994, Swiss Re points to an increase in the incidents of these events by 7.5% on average per annum compared to a 3.9% increase in all catastrophes overall.

Reinsurers play an important role in assisting with climate change "resilience" by offering financial support for businesses and communities and aiding in recovery and rebuilding, the analysts note.

In the US, companies like Ashtead and United Rentals provided "mission-critical equipment" such as power generators, HVAC systems, pumps, and other temporary structures for post-natural disaster responses.

Generative AI is also assisting in providing more effective and timely weather forecasting.
Google's GraphCast is highlighted by Morgan Stanley as a "state-of-the-art AI model to make medium-range weather forecasts with unprecedented accuracy."

Nvidia's **FourCastNet**, a GenAI-based weather prediction model, asserts its accuracy equals that of the European Centre for Medium-Range Weather Forecasts.

Huawei's **Pangu-Weather model** claims to make more accurate weather forecasts with a system trained on 39 years of global data.

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:
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INTERNATIONAL

All On Board The Santa Rally!?

By Chris Weston, Head of Research, Pepperstone

One of the key concepts in trading is to seek out repeatable patterns and behaviours in markets, that offer a probabilistic outcome of reoccurring.

If we can identify consistent repetition, it can offer edge in trading.

Naturally, that edge is diminished if everyone is looking at the same thing, and in a world of increasing advancements in AI, if there is an edge to be had through repetition it will unlikely be the manual and discretionary trader who exploits it.

One aspect of repetition in markets which comes up every year as we approach December that can be traded by all market participants - is the idea of a "Santa Claus" rally in US equity indices and a positive expectancy and predictability of equity returns.

With the S&P500 (the most tracked US equity benchmark) having such a blistering year, we consider if the impressive 23.5% YTD performance increases the prospect of a strong seasonal rally through December.

Or is the so-called "Santa Claus" rally just a market saying thrown around, with limited statistical relevance?

Chasing returns Beating a benchmark

Assessing the performance and the seasonal form of the S&P500, NAS100 or Dow in December is complicated.

We're reviewing historical returns on a monthly basis, so essentially, we need at least 20 years of monthly returns to consider the sample statistically significant.

However, the capital markets have evolved so radically over the past 20 years, with incredible technological advancements and the rise of algorithmic trading that accounts for about 80% of the daily S&P500 volume.

New players and an increased frequency and speed of execution make contrasting how markets fared in 2004 relative to the assumption of what could play out in 2024 a tough proposition.

That said, one consideration that hasn't changed over the past 20 years is the idea that active money managers (e.g. hedge funds and investment managers) must beat benchmark returns to meet their marketed objectives and to get paid their performance fee.

Therefore, should we head into December with the S&P500 and NAS100 pushing to new highs, then regardless of an investment manager's view on valuation, or company fundamentals, if their fund is not easily outperforming the S&P500 (or the equity benchmark they track), then they simply must put capital to work in the equity market and chase the index higher.

If their fund is underperforming the S&P500 they may even need to even dial up the risk.

Reviewing the seasonal performance of US equity in December

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
20 Yr Avg	-.02	-.08	1.12	1.94	.19	-.17	2.29	-.10	-.70	.91	2.17	.87
2024	1.59	5.17	3.10	-4.16	4.80	3.47	1.13	2.28	2.02	-.99	3.30	
2023	6.18	-2.61	3.51	1.46	.25	6.47	3.11	-1.77	-4.87	-2.20	8.92	4.42
2022	-5.26	-3.14	3.58	-8.80	.01	-8.39	9.11	-4.24	-9.34	7.99	5.38	-5.90
2021	-1.11	2.61	4.24	5.24	.55	2.22	2.27	2.90	-4.76	6.91	-.83	4.36
2020	-.16	-8.41	-12.51	12.68	4.53	1.84	5.51	7.01	-3.92	-2.77	10.75	3.71
2019	7.87	2.97	1.79	3.93	-6.58	6.89	1.31	-1.81	1.72	2.04	3.40	2.86
2018	5.62	-3.89	-2.69	.27	2.16	.48	3.60	3.03	.43	-6.94	1.79	-9.18
2017	1.79	3.72	-.04	.91	1.16	.48	1.93	.05	1.93	2.22	2.81	.98
2016	-5.07	-.41	6.60	.27	1.53	.09	3.56	-.12	-.12	-1.94	3.42	1.82
2015	-3.10	5.49	-1.74	.85	1.05	-2.10	1.97	-6.26	-2.64	8.30	.05	-1.75
2014	-3.56	4.31	.69	.62	2.10	1.91	-1.51	3.77	-1.55	2.32	2.45	-.42
2013	5.04	1.11	3.60	1.81	2.08	-1.50	4.95	-3.13	2.97	4.46	2.80	2.36
2012	4.36	4.06	3.13	-.75	-6.27	3.96	1.26	1.98	2.42	-1.98	.28	.71
2011	2.26	3.20	-.10	2.85	-1.35	-1.83	-2.15	-5.68	-7.18	10.77	-.51	.85
2010	-3.70	2.85	5.88	1.48	-8.20	-5.39	6.88	-4.74	8.76	3.69	-.23	6.53
2009	-8.57	-10.99	8.54	9.39	5.31	.02	7.41	3.36	3.57	-1.98	5.74	1.78
2008	-6.12	-3.48	-.60	4.75	1.07	-8.60	-.99	1.22	-9.08	-16.94	-7.48	.78
2007	1.41	-2.18	1.00	4.33	3.25	-1.78	-3.20	1.29	3.58	1.48	-4.40	-.86
2006	2.55	.04	1.11	1.22	-3.09	.01	.51	2.13	2.46	3.15	1.65	1.26
2005	-2.53	1.89	-1.91	-2.01	3.00	-.01	3.60	-1.12	.69	-1.77	3.52	-.10
2004	1.73	1.22	-1.64	-1.68	1.21	1.80	-3.43	.23	.94	1.40	3.86	3.25

-16.94 12.68

Looking at the monthly returns of the S&P500 over the last 20 years, we see that December has on average been a historically strong month, with the S&P500 gaining 0.9% on average.

Steep monthly declines of -5.9% in 2022 and -9.2% in 2018 impacted the 20-year average.

	% Change - Jan-Nov	% change - December
2024	23.1%	?
2023	17.5%	4.4%
2022	-14.4%	-5.9%
2021	21.6%	4.4%
2020	12.1%	3.7%
2019	25.3%	2.9%
2018	3.2%	-9.2%
2017	18.3%	1.0%
2016	7.6%	1.8%
2015	3.0%	-1.8%
2014	11.8%	-0.4%
2013	26.6%	2.40%
2012	12.6%	0.70%
2011	1.1%	0.90%
2010	7.9%	6.50%
2009	20.8%	1.80%
2008	-39.0%	0.80%
2007	6.2%	-0.90%
2006	12.1%	1.30%
2005	3.0%	-0.10%
2004	7.2%	3.30%

If we remove the occurrences of negative monthly returns, in the months the S&P500 closed higher in

December, the average gain was an impressive 2.6%.

So when we have seen a positive return in December, they have historically been quite lucrative for longs.

The form guide also shows some consistency in the returns, with the S&P500 closing higher in the month of December in 70% of occurrences and in 4 of the past 5 years.

We can even blend the S&P500 daily returns over the past 20 years into one smoothed chart to help visualise the seasonal trends in returns.

We can see that after a degree of selling in early December, the Santa Rally really kicks in (on average) on 20 December.

<u>December equity returns are higher the greater the YTD performance</u>

Again using 20 years of S&P500 monthly returns, we see that in the 10 occurrences (years) where the S&P500 has gained more than 10% through January-November, the average return in December is a healthy 2.2%.

Of these 10 occurrences, 90% of these resulted in a positive return for the S&P500 in December.

Conversely, of the 9 occurrences (years) over the past 20 years where the S&P500 was up by less than 10% through January-November, the average monthly return in December was -0.6%, with the S&P500 closing higher in only 40% of occurrences.

One can then argue that the so-called Santa Claus' rally is highly conditional on the YTD performance of the S&P500 coming into December. With the odds of it playing out increasing the greater the YTD performance of the S&P500.

The fact that the S&P500 is currently up 23% YTD, suggests a higher probability of a strong December and a chase for performance from those that need to outperform.

<u>US Equity Catalysts and Risks to Consider</u>

Aside from the previously mentioned drivers of potential index returns in December, we can consider other prominent risks to equity, as we do the upside catalysts.

Bullish factors that could drive seasonal upside

Strength begets strength - The S&P500 has gained an impressive 23% YTD, suggesting that the prospects for an end-of-year performance chase increase.

Record levels of corporate equity buybacks are suppressing volatility and reducing equity drawdown risk.

When a sector within the S&P500 gets too hot and overbought, market players are rotating into other areas of the equity market that haven't participated - active rotation is the sign of a healthy bull market.

US economic growth data continues to improve while improved economic data reduces the need for the Fed to cut rates, US equity is supported by low recession risk.

A rebound in the upcoming US nonfarm payrolls report (on 6 December) would be a positive catalyst for US equity indices.

A lower-than-expected core PCE inflation print (28 Nov) and CPI print (11 Dec) should it play out - would be a big positive for both the US bond market and by extension the equity too.

A further reduction in S&P500 volatility would see the volatility-targeting funds (insurance, pension funds) increase exposures to US equity.

Potential risks to US equity markets

We see another poor US nonfarm payrolls (6 Dec) report that increases concerns about the health of the US labour market.

A higher than consensus US PCE and CPI inflation print would likely be a headwind for equity the market can absorb reduced rate cut expectations if driven by stronger growth data, but not on higher inflation risk.

A renewed sell-off in the US 10-year Treasury, with yields rising above 4.60% would be a headwind to risk especially if inflation expectations also rise.

We see concerns that US tariff negotiations could be far more protracted and sinister than feared (and what's priced).

Cross-Asset Seasonal Performance

Away from US equity indices, we review the form guide for historical December returns (over the past 20 years) and identify repetition and consistent trends in other key markets.

December is on average the worst month for USD returns, with the USD index (DXY) seeing an average monthly decline of -0.6%. The USD index (DXY) has closed lower in December for 7 consecutive years.

EURUSD has closed higher in December for 7 consecutive years, as has gold.

AUDUSD has seen positive returns in December for 5 years in a row.

USDJPY has seen negative returns in December in 5 of the past 6 years.

The German DAX and ASX200 closed higher in December in 66% of occurrences, with both indices seeing an average gain of 1.5%.

A Big December Awaits

So, the stage is set for a big December, and while much rides on the outcome of the marquee US economic data, as it does on the news flow and the sentiment in markets, given the exceptionally strong YTD performance of the S&P500 and NAS100, the backdrop is certainly there for a strong chase into year-end, and the illustrious Santa Claus' rally.

Technical limitations

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

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

RUDI'S VIEWS

Rudi's View: Knock. Knock. Volatility Is Back!

By Rudi Filapek-Vandyck, Editor

Ed Yardeni believes the S&P500 will reach 10,000 by 2030.

It seems like a bold prediction to make, typical, maybe, of the euphoric sentiment that surrounds share markets when indices are trading near all-time record highs.

More value-conscious investors have kept their eyes firmly focused on the elevated multiples and the narrow base from which equity indices have set new records this year, instead urging investors to remain vigilant and cautious.

Clearly, Yardeni is not that worried, instead predicting the absence of economic recession and the strong acceleration in growth ahead will take care of today's bloated-looking valuations.

That prospective acceleration in growth, by the way, has less to do with the new US President, but more so with the latest technological break-through that is Artificial Intelligence (AI), which, through a variety of formats, promises to deliver efficiencies to industries and companies that are able to develop, integrate and employ this new technology to their own benefit.

Less regulation and tax cuts from Trump & Co are simply an added bonus, while drawbacks from tariffs and higher bond yields amp up general uncertainty.

Different, but the same?

Adding another 4000 points on top of today's richly-valued US share market might prove less demanding than one might assume at first reflex.

Consider the long term average return of the S&P500 is around 10%, including dividends.

To achieve Yardeni's trajectory for the coming five years would require a cumulative annual return of circa 10.75%, which is above the long-term average, but surely achievable with all the potential positives in waiting?

One added observation is today's share market 'valution' is heavily skewed because of a small group of strong (out)performers. The large majority of share prices hasn't moved in any significant fashion for up to three years.

If those share prices were to close the gap, the general starting point would be a much lower level in terms of valuations and base earnings.

The situation is not significantly different in Australia where the banks, unencumbered by the lack of earnings growth, have been responsible for a little less than half of total market gains from late last year's starting point.

The other half stems predominantly from technology favourites such as Pro Medicus ((PME)), WiseTech Global ((WTC)), Hub24 ((HUB)), Netwealth Group ((NWL)), TechnologyOne ((TNE)) and Xero ((XRO)), plus data centre exposures and the occasional stand-out performer elsewhere.

For share markets to broaden their upward momentum, many are looking for today's leaders to fail, with investors' focus to return to cheaper priced laggards, but maybe that's not where the answer lays for the next five years.

For share market bulls like Yardeni, the future remains with technology and AI. You either own the companies that provide and facilitate the technology or you own those companies that successfully use it.

The latter suggests any sustainable revival from old economy companies inside media, healthcare, telecom, retail, finance, et cetera might depend on each company's ability to use AI to become more efficient, increase margins, accelerate and improve product development, grow sales and profits, and attract a higher valuation.

Tapping into that 'the future is full of promise and potential'-enthusiasm, it is not difficult to see how the next five years could extend the current bull market until the end of the decade.

Three scenarios for the future

A recent strategy update by Dutch-based asset manager Robeco, now owned by Japan's Orix Corp, suggests such a favourable outcome is by no means guaranteed.

Robeco's investment strategy blueprint for the next five years does acknowledge there is potential for an AI-driven productivity boost, for sure, and if it does announce itself, it will dramatically transform the outlook for economies and financial markets.

But such an outcome is currently only given a 20% chance of happening.

A 30% chance is given to a bearish scenario in which excessive government spending and geopolitical turmoil lead to sluggish global growth and a noticeable pick-up in inflation, resulting in a deadfull stagflation scenario for the world at large.

If developments turn into the wrong direction, Robeco can see central banks being forced to opt for hard landings in order to keep a lid on re-invigorated inflation.

The most likely scenario, at 50% chance, is a bumpy road ahead, including elements of both scenarios mentioned, but with a net positive outcome overall.

In this scenario, the US economy remains the strongest among developed economies, but Europe and the UK will close part of the existing gap, Japan will see reflation and China will stabilise its housing market by 2026. India and various other emerging economies will continue experiencing robust economic growth.

Inflation will pick up yet again, which means limited rate cuts for central banks. By 2027 or so, the next round of rate hikes will become necessary.

Climate impacts will reverberate

Unsurprising, perhaps, as Robeco's home base is in Rotterdam, the latest five-year prognosis also zooms in on climate changes and threats.

It is the forecasters assessment that weather events and changing climate have a slight negative impact on economic growth (on average) and a moderately positive influence on inflation.

That combination implies higher interest rates and bond yields for the years ahead, though not by default to the detriment of equities. The US dollar is expected to remain a strong currency.

As disruptive weather events will become more frequent, Robeco predicts financial markets will start paying attention and demanding a wider margin of safety, meaning equity valuations will be discounted to account for the added risk.

Investors are also expected to favour polluters that make genuine progress with reducing emissions and becoming a more sustainable business; i.e. pretenders will turn into cheaply valued laggards.

Contrary to the confidence expressed by Yardeni & Co, Robeco does have a problem with elevated valuation multiples for today's share market winners in US equity markets.

The expectation is that in five years from today, lagging valuations and earnings in Europe and the UK will have narrowed the gap with expensive US markets, with emerging markets outperforming.

The team of Robeco strategists does acknowledge cheap valuations do not necessarily catch-up quickly and neither are more expensively priced assets -US equities- doomed to fail soon.

Their previous five-year outlook had also identified emerging marfket equities as the likely outperformer. That forecast has proved a big fail.

<u>About bubbles that don't burst</u>

The Robeco report includes an interesting insight on historical asset bubbles with the report concluding less than half of all bubbles actually bursts and ends in tears for those invested in it.

The other 'bubbles' are standard not labelled as such as they don't burst. Both variations share many of the same characteristics.

Robeco is not a fan of current US equity valuations, but the analysts are not prepared to predict today's AI-driven 'bubble' will guaranteed burst. Detailed analysis and different methodologies all come to the same conclusion: US equities look 'expensive', but the set-up is not yet 'excessive'.

If AI drives efficiency and increased profits in the years to come, it is well possible no burst is necessary to pull valuations back to earth. Future growth will take care of it then.

This scenario also implies the upward trend needs to be broadened; the current bull market cannot remain dependent on the same small group of expensive over-achievers.

<u>The view Down Under</u>

For investors in the Australian share market, whatever happens in the US remains key for trends and overall direction for ASX-listed investments, as also shown by the strong performance of local banks and technology stocks in the slipstream of their US peers.

Equally noteworthy: when healthcare stocks are out-of-favour on Wall Street, guess what is the likely direction of CSL ((CSL)) shares locally?

Potentially the most negative outcome for the local share market would be a bubble bursting and a devastating bear market next. Robeco's research suggests a broadening of the uptrend might just be the antidote to keep that threat at bay.

Robeco's three potential scenarios also suggest the jury remains out on whether Trump 2.0's plans and policies will favour the positive over the negative.

After an initial enthusiastic response, financial markets are already zooming in on the potential threats of tariffs, higher bond yields, erratic nominations, and (potentially) an anti-vaxxer at the helm of the US healthcare department.

One of the key ingredients of Robeco's most favoured scenario is more volatility, which will be a major change from the year past that saw very little interruptions to the strong underlying uptrend (at least at the index level). It's the market's response to higher uncertainties.

Judging from price action over the past two weeks, it looks like that environment of higher volatility has already begun.

Here's how analysts at RBC Capital communicated with their clientele on Monday:

"We'll cut to the chase - over the past week we've become increasingly convinced the S&P 500 may have already begun to experience another 5-10% drawdown or garden variety pullback"

The FNArena-Vested Equities All-Weather Model Portfolio had increased its cash allocation before the US election, and has not yet reinvested any of it in the local share market. There's no hurry. Increased volatility will present opportunities.

All-Weather Model Portfolio

FY24 review for the All-Weather Model Portfolio:
https://fnarena.com/index.php/download-article/?n=DE2A4552-E2C7-4DC7-0A896CE5CF68ACD8

Prior years:

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

Video: Why FNArena & All-Weather Stocks

I've used my participation to the InvestmentMarkets' conference in July to explain how/why FNArena started & what investors get out of it, including research in All-Weathers and Gen.Ai

The video: https://bit.ly/3A1pLuz

Model Portfolios, Best Buys & Conviction Calls

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

FNArena Subscription

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

(This story was written on Monday, 18th November, 2024. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

(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: The Importance Of 'Quality' Growth

By Rudi Filapek-Vandyck, Editor

With year-end approaching for what has been, on most accounts, a positively surprising 2024 overall, strategists at **Wilsons** explained this week why their **Focus Portfolio** retains an "overarching bias" towards Quality stocks on the ASX.

Historically, explains Wilsons, higher-quality businesses generate higher returns. Among the criteria used to define what is a higher-quality company is Return on Equity (ROE).

When deciding which cyclicals to add, the focus does not waver from that higher-quality requirement.

To quote the strategists directly: *"Given cyclicals are, to some extent, exposed to the ebb and flow of the economic cycle, quality is a particularly important consideration, which is why the portfolio's cyclical exposures are principally concentrated among quality cyclicals - that is, cyclicals with quality attributes and attractive bottom-up structural growth stories."*

Wilsons focus reminded me about one observation made on social media recently which I intend to fully incorporate into my own analyses and writings from now onwards:

One often made mistake by investors is to buy into a low-quality business during great economic times. (They often won't notice their mistake until economic momentum deteriorates, of course).

Wilsons Focus Portfolio owns relatively large exposures to Aristocrat Leisure ((ALL)) and James Hardie ((JHX)), both considered high-quality cyclicals.

The FNArena-Vested Equities All-Weather Model Portfolio does not include highly cyclical businesses in its mandate, but the Portfolio has owned shares in Aristocrat almost since Day One.

We think Aristocrat Leisure's business is not half as cyclical as is James Hardie's and challenge anyone to locate 'the cycle' on a backward-looking price chart for the past decade or so in Aristocrat shares.

Of course, the shares still move in line with market sentiment and contrary to bond yields and so forth.

Wilsons has grabbed the opportunity to once again explain why its Focus Portfolio is so keen on exposure to one of the "highest quality businesses on the ASX", in reference to Aristocrat Leisure.

Let's move straight to the key points:

-The company significantly outspends its competitors on R&D
-The company continuously grabs more market share

To complement these points, Wilsons adds a largely recurring revenue profile, a high degree of pricing power, and successful new product development.

James Hardie, on the other hand, also offers a high degree of pricing power, alongside a track record of above-system growth, with attractive margins on top.

James Hardie is also leveraged to the US housing construction cycle, where it generates some 75% of sales.

Wilsons argues a cyclical recovery is in the making, plus James Hardie's structural growth story remains intact.

Both companies released their respective FY24 and 2Q25 results last week and it is Wilsons' assessment that both market updates reaffirmed why these are two of the highest quality businesses on the local bourse.

***

Reading the many share market assessments that swirl around every week, it seems the calls for at least a temporary retreat in 'share market exuberance' are being repeated with more gusto this month.

Maybe this is also what is being reflected in price action post the initial Trump euphoria; it's a lot less ebullient, with more attention to the potential negatives from whatever Trump 2.0 might have in mind.

A recent update by JP Morgan suggests the Australian share market looks overvalued in the order of 4%-5%.

The below is how strategists at **Canaccord Genuity** weighed in this week:

" ...the US election is thought to have changed everything it seems, with the further rise in bond yields and equity indices seemingly an expectation of stronger US growth and higher interest rates, while perhaps discounting higher inflation and budget deficits.

"This may prove right, but it also may not, with a wide range of outcomes considered possible and uncertainty high, around plans, implementation, timelines and results.

"To quote the Fed Chair last week in relation to potential policies, "the answer isn't obvious until we see actual policies and even then it's not obvious".

"Without recounting the voluminous discussion there has been about potential consequences, if we take the extremes at one end the optimistic view of higher US growth with low inflation on the back of tax cuts and deregulation, and at the other end the pessimistic expectation of stagflation from tariffs and deportations and envisage in reality perhaps a more likely middle ground, then the risk to markets could be a dampening of the recent exuberance.

"That would also be consistent with some easing in elevated equity valuations both in the US, where the S&P500 PE ratio is high and the earnings yield is now little above the 10-year bond yield and in Australia, where the ASX200 PE ratio excluding the resource sector looks similarly elevated to the S&P500 PE ratio."

Canaccord strategists are recommending a tactical overweight (slightly) to fixed income (bonds) and a "moderately" underweighted positioning in equities.

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Morgan Stanley's outlook for the Australian share market in 2025 suggests the route forward won't be straightforward with plenty of potholes keeping investors on their toes, but all in all the year ahead should turn out another net positive.

Morgan Stanley's base case scenario places the ASX200 near 8500 by year-end 2025. That may not look as attractive as the potential for double-digits in the US, it's still a positive outlook regardless.

At some point, the strategists suggest, the market will rotate into commodities and cyclicals, and this has been incorporated into that forecast.

Timing the rotation will remain on the strategists' mind from here onwards.

In the meantime, Quality Growth and industrials with US exposure should remain well-supported.

Morgan Stanley continues to view lower bond yields ahead, so REITs and selected defensives continue to have the strategists' blessing.

One of the key focal points for the strategists is Earnings Quality, in particular when rummaging through the 'Value' part of the local share market.

The Australian share market is currently not offering much in terms of earnings growth, as also reported in earlier updates, but by this time next year Morgan Stanley predicts local investors are looking towards 10% EPS growth ahead for the ASX200.

Shorter term, the analysts see Quality Growth supporting the Technology & Healthcare sectors.

The broker's Model Portfolio remains underweight Discretionary Retail, Staples, and Insurance.
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Part One of Weekly Insights this week: https://fnarena.com/index.php/2024/11/20/rudis-view-knock-knock-volatility-is-back/

Best Buys & Conviction Calls

Ord Minnett's list of **Conviction Calls:**

-Alliance Aviation Services ((AQZ))
-ARB Corp ((ARB))
-Cosol ((COS))
-EQT Holdings ((EQT))
-Electro Optic Systems Holdings ((EOS))
-GQG Partners ((GQG))
-Lindsay Australia ((LAU))
-Qoria ((QOR))
-Regis Healthcare ((REG))
-SiteMinder ((SDR))
-SRG Global ((SRG))
-Stanmore Resources ((SMR))
-Vault Minerals ((VAU))
-Waypoint REIT ((WPR))

****

Jarden's recent update on smaller cap ASX-listed companies ("emerging companies") has led to the release of **20 Best Ideas**, lined up in order of anticipated total return (potential):

-IPH Ltd ((IPH))
-Temple & Webster ((TPW))
-Universal Store Holdings ((UNI))
-Nick Scali ((NCK))
-SiteMinder ((SDR))
-EVT Ltd ((EVT))
-AUB Group ((AUB))

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

-Inghams Group ((ING))
-Monadelphous ((MND))
-Champion Iron ((CIA))
-Domain Holdings Australia ((DHG))
-Genesis Energy ((GNE))

And then there's another list of stocks that have equally been selected with High Conviction:

-Pointsbet Holdings ((PBH))
-Telix Pharmaceuticals ((TLX))
-Integral Diagnostics ((IDX))
-National Storage ((NSR))
-Ingenia Communities Group ((INA))
-Karoon Gas ((KAR))
-Pepper Money ((PPM))
-Michael Hill International ((MHJ))

****

Wilsons' Australian Equity Focus Portfolio:

-CAR Group ((CAR))
-Aristocrat Leisure ((ALL))
-WEB Travel Group ((WEB))
-Lottery Corp ((TLC))
-Collins Foods ((CKF))
-Breville Group ((BRG))
-Santos ((STO))
-ANZ Bank ((ANZ))
-National Australia Bank ((NAB))
-Macquarie Group ((MQG))
-Westpac Bank ((WBC))
-Hub24 ((HUB))

-Steadfast Group ((SDF))
-CSL ((CSL))
-ResMed ((RMD))
-Telix Pharmaceuticals ((TLX))
-Worley ((WOR))
-Xero ((XRO))
-TechnologyOne ((TNE))
-BHP Group ((BHP))
-James Hardie ((JHX))
-Evolution Mining ((EVN))
-South32 ((S32))
-Metals Acquisition ((MAC))
-Sandfire Resources ((SFR))
-HealthCo Healthcare & Wellness REIT ((HCW))
-Goodman Group ((GMG))
-WiseTech Global ((WTC))

****

Stock pickers at **Crestone** have released their **Best Sector Ideas**; an attempt to identify the best in breed business models for major industry group sectors for long-term oriented investors. Anticipated performance over the next three years is part of the key considerations.

The selection consists of 17 companies:

-Aistocrat Leisure ((ALL))
-Ampol ((ALD))
-APA Group ((APA))
-Beach Energy ((BPT))
-Brambles ((BXB))
-CSL ((CSL))
-Goodman Group ((GMG))
-IGO Ltd ((IGO))
-James Hardie Industries ((JHX))
-Lottery Corp ((TLC))
-Macquarie Group ((MQG))
-Metcash ((MTS))
-Monadelphous Group ((MND))
-REA Group ((REA))
-ResMed ((RMD))
-Suncorp Group ((SUN))
-Xero ((XRO))

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

-Amcor ((AMC))
-Ampol ((ALD))
-APA Group ((APA))
-Atlas Arteria ((ALX))
-Beach Energy ((BPT))
-BHP Group ((BHP))
-Car Group ((CAR))
-Coles Group ((COL))
-Dalrymple Bay Infrastructure ((DBI))
-Iress Ltd ((IRE))
-Lottery Corp ((TLC))
-Macquarie Group ((MQG))
-Metcash ((MTS))
-Mirvac Group ((MGR))
-Pro Medicus ((PME))

-QBE Insurance ((QBE))
-RAM Essential Services ((REP))
-ResMed ((RMD))
-Suncorp Group ((SUN))
-Tabcorp Holdings ((TAH))
-Telstra ((TLS))
-Westpac Banking ((WBC))

****

Ord Minnett's most preferred choices on the ASX:

-AGL Energy ((AGL))
-Alliance Aviation ((AQZ))
-ARB Corp ((ARB))
-Brambles ((BXB))
-CSL ((CSL))
-EQT Holdings ((EQT))
-Insurance Australia Group ((IAG))
-Judo Capital ((JDO))
-James Hardie ((JHX))
-Medibank Private ((MPL))
-Newmont Corp ((NEM))
-nib Holdings ((NHF))
-Pinnacle Investment Management ((PNI))
-Qantas Airways ((QAN))
-Regis Healthcare ((REG))
-Rio Tinto ((RIO))
-ResMed ((RMD))
-SRG Global ((SRG))
-Santos ((STO))
-Strike Energy ((STX))
-Telstra ((TLS))
-Vault Minerals ((VAU))
-Vicinity Centres ((VCX))
-Westpac Bank ((WBC))
-Waypoint REIT ((WPR))
-Xero ((XRO))

****

Wilsons Highest Conviction investment ideas:

-Santos ((STO))
-Car Group ((CAR))
-James Hardie
-Hub24 ((HUB))
-Aristocrat Leisure ((ALL))

Among Research Ideas, the following six names are seen as **Long Term Growth ideas**:

-Flight Centre ((FLT))
-Ridley Corp ((RIC))
-Universal Stores ((UNI))
-ARB Corp ((ARB))
-Neuren Pharmaceuticals ((NEU))
-Siteminder ((SDR))

For those with a more speculative mindset, Wilsons puts forward PYC Therapeutics ((PYC)). In the Resources sector, the choice is Beach Energy ((BPT)).

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Goldman Sachs's APAC Conviction List includes Life360 ((360)) and Xero ((XRO)).

****

The full list of **UBS's** Most Preferred Best Stock Ideas:

In Resources:

-BlueScope Steel ((BSL))
-Newmont Corp ((NEM))
-Orica ((ORI))
-Origin Energy ((ORG))
-Rio Tinto ((RIO))
-Santos ((STO))

In Financials:

-AUB Group ((AUB))
-Dexus ((DXS))
-Medibank Private ((MPL))
-QBE Insurance ((QBE))
-Suncorp Group ((SUN))

Industrials:

-Brambles ((BXB))
-Car Group ((CAR))
-Coles Group ((COL))
-NextDC ((NXT))
-REA Group ((REA))
-Telstra ((TLS))
-Telix Pharmaceuticals ((TLX))
-Treasury Wine Estates ((TWE))
-Worley ((WOR))
-Xero ((XRO))

The list of **Least Preferred exposures**:

-APA Group ((APA))
-Aurizon Holdings ((AZJ))
-ASX ((ASX))
-Bank of Queensland ((BOQ))
-CommBank ((CBA))
-Cochlear ((COH))
-Domain Holdings Australia ((DHG))
-JB Hi-Fi ((JBH))
-Reece ((REH))
-Scentre Group ((SCG))

****

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

-AGL Energy ((AGL))
-GPT Group ((GPT))
-James Hardie ((JHX))
-Santos ((STO))
-WiseTech Global ((WTC))

Plus:

-Aristocrat Leisure ((ALL))

-Car Group ((CAR))
-Macquarie Group ((MQG))
-Paladin Energy ((PDN))
-Suncorp Group ((SUN))

****

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

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

-Macquarie Group ((MQG))

-Suncorp Group ((SUN))

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

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

-James Hardie ((JHX))

-Orica ((ORI))

-Coles Group ((COL))

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

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

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

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

****

Crestone's selected list of **Best Ideas in Australia**:

-Ampol ((ALD))
-APA Group ((APA))
-Aristocrat Leisure ((ALL))
-Beach Energy ((BPT))
-Brambles ((BXB))
-CSL ((CSL))
-Goodman Group ((GMG))
-IGO Ltd ((IGO))
-James Hardie ((JHX))
-Macquarie Group ((MQG))
-Metcash ((MTS))

-Monadelphous Group ((MND))
-REA Group ((REA))
-ResMed ((RMD))
-Suncorp Group ((SUN))
-The Lottery Corp ((TLC))
-Xero ((XRO))

****

Stockbroker **Morgans'** list of **Best Ideas**:

-Acrow ((ACF))
-ALS Ltd ((ALQ))
-Amotiv ((AOV))
-Beacon Lighting ((BLX))
-BHP Group ((BHP))
-Camplify Holdings ((CHL))
-Cedar Woods Properties ((CWP))
-ClearView Wealth ((CVW))
-CSL ((CSL))
-Dalrymple Bay Infrastructure ((DBI))
-Dexus Industria REIT ((DXI))
-Elders ((ELD))
-Flight Centre Travel ((FLT))
-GQG Partners ((GQG))
-HomeCo Daily Needs REIT ((HDN))
-Karoon Energy ((KAR))
-MA Financial ((MAF))
-Maas Group ((MGH))
-Mach7 Technologies ((M7T))
-NextDC ((NXT))
-PolyNovo ((PNV))
-QBE Insurance ((QBE))
-Qualitas ((QAL))
-Reliance Worldwide ((RWC))
-ResMed ((RMD))
-Rio Tinto ((RIO))
-South32 ((S32))
-Superloop ((SLC))
-The Lottery Corp ((TLC))
-Treasury Wine Estates ((TWE))
-Universal Store Holdings ((UNI))
-WH Soul Pattinson ((SOL))
-Woodside Energe ((WDS))

****

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

-Goodman Group ((GMG))
-Seek ((SEK))
-Aristocrat leisure ((ALL))
-Northern Star ((NST))
-CSL ((CSL))
-Computershare ((CPU))
-NextDC ((NXT))
-Flight Centre ((FLT))
-Mineral Resources ((MIN))
-Cleanaway Waste Management ((CWY))
-Steadfast Group ((SDF))
-James Hardie ((JHX))
-ResMed ((RMD))

-Pexa Group ((PXA))
-Treasury Wine Estates ((TWE))
-Viva Energy ((VEA))
-Xero ((XRO))

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

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

****

In December, **Shaw and Partners** released its **10 Best Ideas** to benefit from the anticipated small caps' revival in 2024:

-AIC Mines ((A1M))
-Austin Engineering ((ANG))
-FireFly Metals ((FFM)), previously AuTeco (AUT)
-Chrysos ((C79))
-Gentrack Group ((GTK))
-Metro Mining ((MMI))
-MMA Offshore ((MRM))
-Peninsula Energy ((PEN))
-ReadyTech Holdings ((RDY))
-Silex Energy ((SLX))

****

Macquarie's ASX Quality Compounders:

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

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

-Clinuvel Pharmacauticals ((CUV))
-Redox ((RDX))

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

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

****

Key Stock Picks for the year-ahead nominated by analysts at **Bell Potter**:

-Among listed investment companies (LICs); Australian Foundation Investment Company ((AFI)), Metrics Master Income Trust ((MXT)), and MFF Capital Investments ((MFF))

-Agriculture & fast moving consumer goods; Bega Cheese ((BGA)), Rural Funds Group ((RFF)), and Elders ((ELD))

-Technology; TechnologyOne ((TNE)), Gentrack ((GTK)), and REA Group ((REA))

-Diversified Financials; Perpetual ((PPT)), Regal Partners ((RPL)), and McMillan Shakespeare ((MMS))

-Real Estate; Dexus Convenience Retail REIT ((DXS)), HealthCo Healthcare & Wellness REIT ((HCW)), and GDI Property Group ((GDI))

-Retailers; Premier Investments ((PMV)), Universal Store Holdings ((UNI)), and Propel Funeral Partners ((PFP))

-Aerospace & Defence; Electro Optic Systems ((EOS)) and Austal ((ASB))

-Industrials; Brickworks ((BKW)), IPD Group ((IPG)), and Cleanaway Waste Management ((CWY))

-Healthcare; Telix Pharmaceuticals ((TLX)), Cyclopharm ((CYC)), Aroa Bioscience ((ARX)), MedAdvisor ((MDR)), and Neuren Pharmaceuticals ((NEU))

-Gold sector; Capricorn Metals ((CMM)) and Santana Minerals ((SMI))

-Base metals; Aeris Resources ((AIS)), Nickel Industries ((NIC)), and Mineral Resources ((MIN))

-Strategic Minerals; Alpha HPA ((A4N)), IperionX ((IPX)), and Liontown Resources ((LTR))

-Energy sector; Boss Energy ((BOE)) and Paladin Energy ((PDN))

-Mining services; Seven Group Holdings ((SVW)), Mader Group ((MAD)), and SRG Global ((SRG))

****

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

-IGO Ltd ((IGO))
-TPG Telecom ((TPG))
-Domino's Pizza ((DMP))
-Bapcor ((BAP))
-Endeavour Group ((EDV))

-Santos ((STO))
-ASX Ltd ((ASX))
-Aurizon Holdings ((AZJ))
-Brambles ((BXB))
-Dexus ((DXS))
-SiteMinder ((SDR))
-APA Group ((APA))
-Fineos Corp ((FCL))
-ResMed ((RMD))

****

Ord Minnett's research analyst Athena Kospetas has communicated the following Key Preferred Ideas per sector:

Financials
-Westpac ((WBC))
-Judo Bank ((JDO))
-Insurance Australia Group ((IAG))
-Medibank Private ((MPL))
-nib Holdings ((NHF))
-Pinnacle Investment Management ((PNI))
-EQT Trustees ((EQT))

Resources
-Rio Tinto ((RIO))
-Newmont Corp ((NEM))
-Red 5 ((RED))

Energy & Utilities
-Santos ((STO))
-Strike Energy ((STX))
-AGL Energy ((AGL))

Healthcare
-ResMed ((RMD))
-CSL ((CSL))
-Regis Healthcare ((REH))

Consumer stocks
-Qantas Airways ((QAN))
-ARB Corp ((ARB))

Communication Services & Technology
-Xero ((XRO))
-Seek ((SEK))
-Telstra ((TLS))

Industrials
-James Hardie ((JHX))
-Brambles ((BXB))
-Alliance Aviation ((AQZ))
-SRG Global ((SRG))
-Qube Holdings ((QUB))

Real Estate
-Vicinity Centres ((VCX))
-Waypoint REIT ((WPR))

****

Barrenjoey's Top Picks:

-Insurance Australia Group ((IAG)) among financials, as well as GQG partners ((GQG)) and Westpac ((WBC))

-Xero ((XRO)), Pexa Group ((PXA)) and Dicker Data ((DDR)) in the technology sector
-Vicinity Centres ((VCX)) and Abacus Storage King ((ASK)) among REITs
-South32 ((S32)), Lynas Rare Earths ((LYC)) and Perseus Mining ((PRU)) among miners and Strike Energy ((STX)) in the oil&gas sector
-ResMed ((RMD))
-Metcash ((MTS))
-Aristocrat Leisure
-Reliance Worldwide ((RWC))
-Brambles ((BXB))
-Seven Group ((SVW))

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

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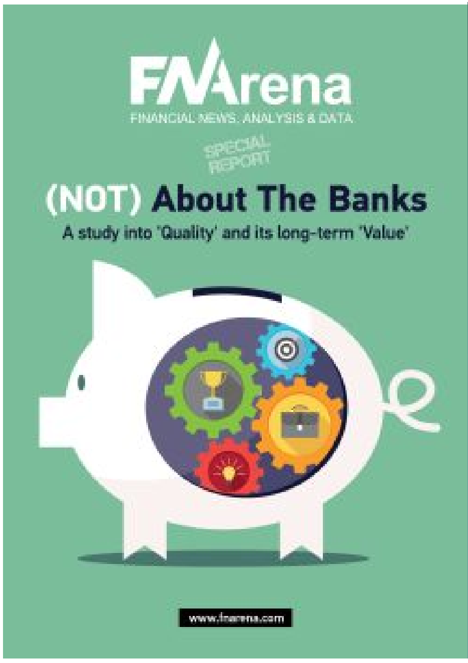

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SMALL CAPS

EVs And Capital Management Drive FleetPartners

FY24 revealed ongoing strength for FleetPartners Group's novated leasing with analysts highlighting ongoing buybacks and the prospect for the FY27 return of dividends.

-FleetPartners Group achieved strong FY24 EPS growth lead by novated leasing
-A record 21% jump for new business writings
-Ongoing buybacks and prospects for a FY27 dividend
-Two brokers upgrade ratings for the shares

By Mark Woodruff

Earnings for fleet management and vehicle leasing company FleetPartners Group ((FPR)) are being supported by favourable operating conditions, helping to offset the ongoing normalisation of elevated end-of-lease (EOL) income seen during the covid period.

During the pandemic, the company benefited from exceptionally strong conditions in the used vehicle market, which significantly boosted the profitability of EOL vehicle sales.

Following this week's FY24 results, which showed 13% growth in normalised EPS (adjusted to replace elevated end-of-lease (EOL) income with pre-covid averages), two brokers in the FNArena database have upgraded their ratings to Buy or equivalent. The two others already rated the stock as such.

FleetPartners serves corporate and small fleet customers, offering vehicle fleet leasing, fleet management, and diversified financial services through its three segments: Australian Commercial, Novated, and New Zealand Commercial.

Assets under management or financed (AUMOF) is highlighted by Macquarie as the key driver of net operating income (NOI) pre-end-of-lease (EOL) and provisions, a metric used by FleetPartners' management.

Ord Minnett notes the novated leasing business continued to drive AUMOF growth, contributing to an overall strong FY24 result.

Year-on-year AUMOF growth of 11% was supported by a record 21% increase in new business writings (NBW).

In a strong second half, electric vehicles accounted for 55% of all novated leases, observes Ord Minnett. By contrast, NBW in New Zealand softened throughout FY24 due to a challenging economic environment.

Improved vehicle supply over the financial year reduced the order pipeline, explains Macquarie, and boosted NBW growth by 16 percentage points.

Citi anticipates another leg of growth for group NBW as more electric vehicles are released in the coming 12-24 months.

The NOI pre-EOL and provisions measure for FY24 came in 1% ahead of Macquarie's forecast driven by EOL, provisions and opex, while profit (NPATA) beat by 8.3%.

Management noted upside for AUMOF and NOI pre-EOL and provisions should the group maintain its strong NBW performance of around $990m per year.

Morgan Stanley forecasts FY25 NBW will likely be flat to slightly lower compared to FY24, but still accretive to AUMOF.

The strength of FleetPartners operational performance and strong NBW is yet to flow through to earnings, highlights Citi, with management highlighting around 46 months elapses before the current NBW is reflected in

NOI.

Franking credits should start to accrue in FY26, which could see **the return of dividends in FY27**, suggests the broker.

In the meantime, Citi expects share buy-backs to continue and forecasts $52m and $50m in FY25 and FY26, respectively. A new $30m buyback was announced for the first half of FY25.

Expanding further on the group's enviable reputation for robust capital management, this broker notes 32% of the company's shares on issue have been bought back since 2021.

Normalisation of End of Lease (EOL) income

Citi anticipates FY25 will be the nadir for NOI pre EOL and provisions margins.

By that time, headwinds from excess management fees and funding commissions will have been largely absorbed, explain the analysts.

Margins will increase by 45bps over FY26-27, forecasts the broker, benefiting from both higher yielding balance sheet funding and reduced impacts from operating leases profile headwinds.

Setbacks?

Management has previously implemented "Strategic Pathways" and "Accelerate" programs to consolidate brands and technology systems to deliver annual cost savings and capitalise on the growing electric vehicle market.

Due to a slight delay in implementation of the Accelerate program, management stated benefits are unlikely to flow until the end of the first half of FY25.

Ratings and targets

Following FY24 results, Macquarie raised its target for FleetPartners Group by 5.5% to $3.65 and upgraded to Outperform from Neutral.

Ord Minnett also upgraded to Buy from Accumulate, after raising its target to $3.60 from $3.50.

Citi (Buy) lowered its target to $3.90 from $4.10, to match the unchanged target of Overweight-rated Morgan Stanley.

All four brokers are monitored daily in the FNArena database where the average target price is $3.76, suggesting around 21% upside to the share price at the time of writing.

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SMALL CAPS

Cycle Optimism Building For Elders

A dry first quarter impacted on Elders' FY24 earnings but more normal conditions are already prevalent in FY25.

-Elders' FY24 earnings in the low half of guidance
-A weak first quarter was the main culprit
-A more normal first quarter FY25 is aiding a rebound
-Acquisition of Delta Ag offers further upside down the track

By Greg Peel

Elders ((ELD)) is effectively a one-stop shop for Australian farmers, offering everything from chemicals, livestock sales agency, stock and station agency, insurance, and beyond. Recognising the volatility of agricultural cycles, Elders offers an investment case "to deliver good returns in bad years and great returns in good years".

FY24 (September year-end) was not a great year, also impacting on other listed agricultural companies having reported to date. Earnings (EBIT) came in at $128m, slightly below consensus of $130m and in the lower half of $120-140m guidance. Analysts saw the result as "mixed".

On the positive side, Elders' high-margin Agency business delivered a vastly improved second half performance, with gross profit up 35% year on year, driven by a significant increase in cattle sales yard volumes. Unfortunately, notes UBS, this was somewhat offset by further softness in Elders AgChem.

This product segment seemingly continues to be impacted by price weakness and/or poor inventory price procurement, the broker suggests. Cash generation was also disappointing with Elders delivering operating cash flow in the seasonally strong second half of just $34m versus $49m in the first. One offset is $127m of receivables (debtors) collection that has been deferred to the first quarter of FY25.

Deferred receivables contributed to Elders' gearing ratio rising to 3.1x against a target range of 1-5-2.0x, as did the cost of acquisitions made in the period and the impact of a weak (dry) FY24 first quarter, Macquarie notes.

The company's return on capital metric declined again through the second half to long-term lows of 11% versus a target of greater than 15%. The minimum ROC target of 15% reflected a key part of the Elders' aforementioned investment case to "deliver good returns in bad years and great returns in good years".

While UBS acknowledges some of the ROC deterioration is explained by an unusually poor first quarter and cost investment ahead of earnings benefits in Wool and Systems Modernisation, it is still disappointing and a key metric the broker is focused on to become more constructive on the stock.

Rebound Pending

Macquarie believes there is a pathway back for Elders' gearing ratio to fall back within the target range supported by the collection of deferred receivables and normalisation of FY24's weak first quarter (FY25 to date not so dry).

Wilsons continues to expect strong earnings growth in FY25, primarily led by the annualisation of a recovery in livestock prices and recent acquisitions.

Despite a mixed bag of a result, Elders appears to Citi to be well placed. The key question is a pathway to the $170m in earnings in FY25 the broker is forecasting. Citi thinks first quarter normalisation alone could make up more than 75% of the difference between its FY25 forecast and the $128m posted in FY24.

In the most recent four years excluding FY24, first quarter earnings have averaged $32m which is greater than 75% of the difference between Elders' FY24 earnings and Citi's FY25 forecast.

Elders provided no quantitative guidance, however, Wilsons notes management is optimistic about the 2024-25 summer crop. A gradual improvement in Rural Product margin is expected, assuming continued stability in crop protection prices.

Price stability is expected in the livestock market, but volumes may be impacted in FY25 from dry conditions in South Australia and Victoria.

Real Estate is forecast to see an increasing gross margin supported by a full-year contribution from acquisitions and improvement in market conditions, although interest rate pressures are to remain a headwind.

Delta Ag

Elders has also announced the acquisition of Delta Agribusiness for ~$475m, funded by a $246m capital raising, $190m of new shares to Delta shareholders, and $110m of debt, with $60m net of funding proceeds to be used for balance sheet flexibility.

Wilsons sums up agreement among analysts the acquisition is mildly positive, with an attractive strategic rationale partly offset by what is seen as a full price at an earnings to enterprise multiple of 11.1x (8.7x post-synergies).

The key acquisition rational is to provide immediate and improved geographic diversity filling retail presence gaps mainly in NSW, UBS notes, where Elders was underweight, but also North West Victoria, Western Australia and parts of South Australia.

The $12m of management's expected synergies largely relate to revenue synergies from backward integration of Elders-owned Titan AgChem products. UBS highlights these will be delivered over three years and back-end weighted to FY26-27.

While the multiple paid for Delta Ag appears elevated, Citi considers this to be a sound acquisition given it is highly complementary to Elders, synergies are likely to be conservative, and the company has a strong track record in acquisition and integration. This broker assesses Delta Ag will be 5% earnings per share accretive pre-synergies and 15% post-synergies.

The acquisition is subject to ACCC approval but Citi thinks the risk of the transaction being blocked is unlikely on the basis of Elders' market share. Nonetheless, analysts are not rushing to include the acquisition into their valuation models just yet, with the deal expected to be completed in the first half of 2025.

Upside Nonetheless

That said, analysts are taking Delta Ag into consideration within their recommendations.

Bell Potter had already forecast a strong rebound in FY25 earnings on improved first quarter operating conditions and recent business investment. The proposed acquisition looks likely to aid the next leg of growth into FY26-27, the broker suggests.

Bell Potter's target price, which "has consideration for the Delta acquisition" is unchanged at $9.25. The broker has not yet incorporated Delta into its earnings forecasts, enterprise value and market cap. Bell Potter retains a Buy rating.

While the industry is volatile and cyclical, Elders' dividend payout ratio being well ahead of the target range in FY24 indicates confidence around perseverance of average trading conditions in FY25, in Citi's view. Citi also has an unchanged Buy rating and target of $9.75.

Macquarie is advising Elders in the acquisition process and thus currently on research restriction.

Given restrictions, Delta forecasts are not incorporated into UBS' valuation and this broker's target remains unchanged at $9.00. As noted earlier, UBS was disappointed in Elders' low return on capital and the broker will focus on this key metric before coming more constructive on the stock. UBS retains a Neutral rating.

Shaw and Partners last had a Buy rating and a $9.10 set following the release of ABARES June 2024 Australian Crop Report, but is yet to update on the FY24 result.

Of the five brokers monitored daily by FNArena covering Elders three are Buy or equivalent rated at this stage with one Hold and one on restriction. The consensus target is $9.33, noting no target changes were made among this group.

Wilsons, on the other hand, has lifted its target to $8.38 from $8.07 reflecting a 5% premium to the broker's fundamental valuation to account for the initial expected accretion from the Delta acquisition. Wilsons continues to view the share price as broadly fair value and retains a Market Weight rating.

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 15-11-24

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday November 11 to Friday November 15, 2024
Total Upgrades: 9
Total Downgrades: 12
Net Ratings Breakdown: Buy 58.90%; Hold 32.89%; Sell 8.21%

For the week ending Friday November 15, 2024, FNArena recorded nine upgrades and twelve downgrades for ASX-listed companies by brokers monitored daily.

Reversing the recent trend, rises in average earnings forecasts and average target prices convincingly outweighed falls, as can be seen in the tables below.

Paladin Energy featured atop the tables for negative change to earnings and target prices after management reduced FY25 production guidance to 3.0-3.6mlbs from 4.0-4.5mlbs and withdrew all other guidance.

Management cited ongoing issues with stockpile processing and greater ore grade variability during the ramp-up of Langer Heinrich, along with disruptions to water supply from the Namibia Water Corporation.

The stock price declined by around -29% post the market update.

The analysts at Morgan Stanley felt the negative share price reaction was overdone, especially as management highlighted the short-term nature of the setback, with nameplate capacity of 6mlbpa expected by the end of 2025.

Shaw and Partners felt the update should not have been a surprise as management had already flagged the issues at the company's first quarter update.

Neither of these two brokers made large adjustments (Morgan Stanley no change) to existing targets, but Citi applied a 90% risk rating to its Langer Heinrich valuation to reflect ramp-up uncertainty, and this broker's target was reduced to $11.50 from $14.60.

Bell Potter lowered its target to $9.70 from $14.40 and suggested management has a significant reputational rebuild ahead.

This broker also noted Paladin would be in a tough position to progress viable growth projects should the current Fission Uranium acquisition deal not complete.

To return the transaction to a premium for Fission shareholders, the Paladin share price will need to climb above $10, noted the analysts. Shares closed the week at $7.29.

The average broker earnings forecast for Liontown Resources rose significantly last week after management provided initial FY25 production and cost guidance as part of a revised mine plan for the Kathleen Valley lithium mine in Western Australia.

The analyst at Macquarie noted management's forecast sustaining and growth costs were higher-than-expected due to increased underground mining and infrastructure costs as Kathleen Valley transitions to underground mining from open-pit.

Improving processing grades, explained the broker, the updated mine plan is for 2.8mt per annum production by the end of FY27, down from 3mt per annum.

Unfortunately, higher-than-expected capex pulls forward Citi's balance sheet concerns. On the analyst's spot estimates, additional liquidity will be needed by FY26.

This broker decided to reduce its 12-month target price to 75c from 85c and downgraded to Sell from Neutral on valuation, noting Liontown stock had outperformed peers by 10-20% in the quarter-to-date.

Silk Logistics received two ratings downgrades from separate broker last week.

Morgans increased its target to $2.14 from $2.00 to align with the offer price in the Scheme Implementation Agreement with DP World (Australia).

Silk's Board unanimously recommended Silk shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to an independent expert concluding the Scheme is in the best interests of Silk shareholders.

Major shareholders controlling around 46% of shares on issue have already confirmed their intention to vote in favour of the scheme, noted Morgans, which downgraded to Hold from Add after raising its target to $2.14 from $2.00.

As covered in https://fnarena.com/index.php/reporting_season/ ANZ Bank also received two ratings downgrades last week after FY24 results missed consensus forecasts.

Last week, analysts raised their targets materially for Life360, Aristocrat Leisure and Xero after releasing third quarter, FY24 and first half results, respectively,

Average earnings forecasts for Life360 and Aristrocrat rose by around 15% and 12%, respectively, but were preceded on the positive earnings change table by two agricultural stocks Nufarm and GrainCorp, as well as Orica.

On the flipside, Light & Wonder is listed second in the table below behind Paladin Energy on the negative change to earnings table after releasing third quarter results.

For explanations of these changes to earnings forecasts and targets relating to the recent mini reporting season please refer to the abovementioned link.

Total Buy ratings in the database comprise 58.90% of the total, versus 32.89% on Neutral/Hold, while Sell ratings account for the remaining 8.21%.

Upgrade

APA GROUP ((APA)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 2/2/1

APA Group is upgraded to Buy from Accumulate by Ord Minnett with target price retained at $8.60 due to more constructive view as a result of dissipating regulatory risks.

The broker notes the Australian Energy Regulator's recent decision not to regulate APA's South-West Queensland pipeline has lessened re-regulation concerns.

Despite the end of APA's WallumbillaGladstone pipeline contract with Shell in 2035, Ord Minnett sees a decade of low-risk revenue.

Distribution yields are projected at over 8% from FY25 to FY30, supported by inflation-protected earnings.

The broker finds the prospective yield is very attractive for investors.

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

Bell Potter upgrades Brickworks to Buy from Hold. The analyst believes the stock's pullback offers a bottom-of-the-cycle entry point with potential for a valuation "uplift" based on the broker's in-house view of an interest rate pivot.

The first rate cut in Australia is expected in February 2025.

Assessing the earnings mix for Brickworks, the analyst highlights the valuation ascribed to its building materials business, excluding Washington H. Soul Pattinson & Co ((SOL)), is 7x EV/EBITDA versus a bottom-of-the-cycle 6.0x.

The analyst estimates a cash rate cut of -50bps equates to an EPS accretion between 3%-4%, as most of the company's earnings are generated from investment dividends and lower-yielding property.

The broker posits an underappreciated aspect of the company's valuation is "rent reversion" and property development.

Buy. Target price rises to $32 from $31.

LIFESTYLE COMMUNITIES LIMITED ((LIC)) Upgrade to Hold from Sell by Bell Potter .B/H/S: 2/2/0

Bell Potter upgrades Lifestyle Communities to Hold from Sell following the AGM trading update and the underperformance of the stock relative to the XPJ REIT index.

Management highlighted adverse media and challenging Victorian market conditions have resulted in only 25 net new home sales year-to-date to 31 December 2024. 1H25 guidance for settlements is 120-130 versus the broker's forecast of 125. No FY25 guidance was offered.

The VCAT hearing decision remains a headwind, along with a decision on the replacement CEO and deferred management fees.

Bell Potter lowers EPS estimates by -5% and -11% for FY25/FY26 due to expected lower settlements and concerning below-trend sales rates.

Target price lifts to $8.90 from $8.20. Hold rated.

LIGHT & WONDER INC ((LNW)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 5/0/0

Ord Minnett upgrades Light & Wonder to Buy from Accumulate with target price raised to $187 from $155.

The broker notes the company's September-quarter earnings were slightly below expectations due to weaker gaming division performance, but revenue from the Dragon Train game series has largely been replaced.

Ord Minnett anticipates 22% EPS growth in 2025, driven by strong operating leverage, continued growth in gaming installations, and double-digit expansion in iGaming.

Post-results, the broker lowers earnings forecast by -2% in 2024 but increases estimates for 2025/2026 by 9% and 8%, respectively.

NUFARM LIMITED ((NUF)) Upgrade to Add from Hold by Morgans .B/H/S: 2/4/1

Morgans upgrades Nufarm to Add from Hold, raising the target price to $4.53 from $4.23, as the analyst believes the company appears to be through the worst of a challenging period.

The broker describes FY24 results as "weak," with net profit falling -103%, in line with management's downgraded guidance.

The company was impacted by high inventory levels and destocking in the crop protection industry, with margins under pressure as higher-priced inventory was sold.

Management provided no guidance, but Morgans believes the outlook for crop protection has improved. Nufarm is focusing on cost reduction and improved working capital, including annualised savings of -$50m.

Morgans lowers earnings forecasts by -3%, with higher depreciation/amortisation charges offset by lower net interest costs.

ORICA LIMITED ((ORI)) Upgrade to Add from Hold by Morgans and Upgrade to Buy from Hold by Ord Minnett .B/H/S: 5/1/0

Morgans upgrades Orica to Add from Hold, raising the target price to $19.72 from $18.85 due to lower net debt levels and higher earnings forecasts for FY25/FY26.

Following acquisitions, Morgans notes Orica is now the world's largest explosives company and the largest producer of sodium cyanide. The analyst believes the company will achieve solid earnings over the next few years due to strong demand and recontracting benefits.

The company's FY24 earnings slightly exceeded expectations, with higher-margin businesses, digital solutions, and specialty mining chemicals boosting the EBIT margin to 10.5%. Morgans describes the earnings result as strong.

Cash flow conversion increased to 90%, and gearing came in lower than the target.

Ord Minnett upgrades Orica to Buy from Hold with a target price increase to $22 from $20, following strong FY24 earnings, FY24 results met consensus expectations, driven by its blasting solutions segment.

The company saw robust performance in the Asia-Pacific region and improved cash flow, leading to a better-than-forecast debt position, the analyst notes.

Management expects further EBIT growth in FY25. The broker forecasts 24% growth in EBIT for FY25 on FY24, supported by an enhanced product mix, higher prices, and contributions from recent acquisitions, including Terra Insights.

The company's low leverage may support potential capital returns, such as a buyback, with an updated capital policy expected in March, although the analyst does not expect a buyback at this stage.

Ord Minnett lifts its EPS forecast by 2% for FY26.

QBE INSURANCE GROUP LIMITED ((QBE)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 6/1/0

Macquarie upgrades QBE Insurance to Outperform from Neutral with a rise in the target price to $20.80 from $17.10.

The broker flags the rise in portfolio exits in anticipation of a pickup in the North American pricing cycle, as the insurer has "streamlined" its disclosures.

Quarterly filings with the insurance commissioner suggest gross written premium has contracted by -5.8% in 3Q24 year-to-date, with crop down -10%, while 2Q24 catastrophe losses were in line with expectations, including US hurricanes, European flooding, and Canadian events.

Macquarie lifts EPS estimates by 7.5% in FY24 and 10% in FY25 due to higher insurance margins as bond yields flatten and North America continues to improve.

QBE Insurance will report its 3Q24 trading update on Nov 27.

STOCKLAND ((SGP)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 3/1/0

To allow for the recent acquisition of 12 master-planned communities from Lendlease Group, explains Ord Minnett, management at Stockland has raised guidance for FY25 funds from operations (FFO) to 33-34cpu from 32-33cpu.

Guidance for full-year settlements has been upgraded to 6,200-6,700 as management forecasts FY25 settlements from master-planned communities will rise by approximately 950 lots.

The broker now forecasts settlements for FY25-FY27 of 6,600, 7,950, and 8,400 lots, respectively, and upgrades its rating for Stockland to Accumulate from Hold. The target is increased to $5.30 from $5.20.

Downgrade

ANZ GROUP HOLDINGS LIMITED ((ANZ)) Downgrade to Reduce from Hold by Morgans and Downgrade to Neutral from Buy by UBS.B/H/S: 0/2/4

After reviewing FY24 results, Morgans considers ANZ Bank's share price overstretched relative to valuation and fundamentals and downgrades to Reduce from Hold.

A lack of additional capital management also disappointed the analyst.

While 2H earnings missed expectations, with cash EPS down by -10%, the broker acknowledges the Suncorp Bank acquisition may have skewed results.

The final dividend was held flat with 5% additional franking, notes Morgans. The FY24 and FY25 dividend forecast remains at $1.66 until the payout ratio aligns with the target range.

The target falls to $25.29 from $26.13.

ANZ Bank is downgraded to Neutral from Buy by UBS as the share price has reached the broker's target price of $32.

The bank reported FY24 results meeting expectations, with diversification supporting the earnings profile. The 2H24 results suggest to the analyst a quicker-than-forecast integration of Suncorp Bank, which may yield stronger results from the acquisition.

UBS lifts EPS estimate by around 3% for FY25 and lowers FY26 EPS by -2%. Net interest margin assumptions are lowered by -2bps FY26 from continued competition in an expected lower interest rate environment.

LIONTOWN RESOURCES LIMITED ((LTR)) Downgrade to Sell from Neutral by Citi .B/H/S: 1/1/3

Following a trading update, Citi downgrades Liontown Resources.

Management outlined a higher margin of 2.8mt p.a. for FY28-FY30, projecting 530kt of spodumene concentrate but a lower lithium carbonate output of around -8kt to -19kt.

Costs are expected to trend higher in 2H2025 and decrease into FY27-FY30, with capex flagged as exceeding expectations, raising balance sheet concerns for the analyst.

Citi flags another $100m in financing from the LG Solutions convertible terms is available to be drawn down.

Based on the projected 2.8mt p.a., the target price falls to 75c from 85c. Due to the stock's recent outperformance, the rating is downgraded to Sell from Neutral.

MADER GROUP LIMITED ((MAD)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 0/1/0

Following a review of cyclical drivers for Mader Group and after recent share price strength, Bell Potter raises its target to $7.20 from $6.80 and downgrades to Hold from Buy.

The broker's assumed weighted average cost of capital (WACC) was also lowered to 10% from 10.5%.

The analysts see limited upside risk to FY25 guidance in the current environment as North American mining activity remains challenged.

MATRIX COMPOSITES & ENGINEERING LIMITED ((MCE)) Downgrade to Speculative Hold from Speculative Buy by Bell Potter.B/H/S: 1/1/0

A lack of major Subsea contract awards prompts Bell Potter to lower its target for Matrix Composites & Engineering to 33c from 44c and downgrade to Speculative Hold from Speculative Buy.

The broker highlights a year-long drought of these contracts and is becoming cautious around near-term project delivery, facility utilisation, and earnings growth.

NIB HOLDINGS LIMITED ((NHF)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 3/2/1

Macquarie downgrades nib Holdings to Underperform from Neutral.

The health insurer announced FY25 guidance of $235m-$250m, compared to consensus at $262m and the broker's forecast of $264m, as NZ is expected to generate a 1H25 loss of -$10m due to rising claims inflation.

Promotional activity remains at an all-time high for the first four months of FY25, the analyst states, and the history of re-pricing shows the rate is usually lower by -60bps in the lead-up to a federal election.

Macquarie lowers EPS forecasts by -18.2% and -12.5% for FY25/FY26 due to increased claims inflation. The target price falls to $5.45 from $6.30.

SIMS LIMITED ((SGM)) Downgrade to Neutral from Buy by Citi .B/H/S: 2/2/1

The AGM trading update by Sims confirms to Citi near-term improvement in the US market, but the A&NZ region remains tough reflecting lower Asian steel prices/margins given high China steel exports.

In line with rising market multiples, the broker raises its multiple for Sims and the target increases to $13.50 from $13.00. The rating is downgraded to Neutral from Buy following a 34% rise in share price in the last six months.

SILK LOGISTICS HOLDINGS LIMITED ((SLH)) Downgrade to Hold from Buy by Shaw and Partners and Downgrade to Hold from Add by Morgans .B/H/S: 0/2/0

The Silk Logistics share price is now trading broadly in line with Shaw and Partners' unchanged $2.10 target price after management entered into a Scheme Implementation Deed with DP World Australia.

DP World Australia intends to acquire 100% of the issued capital of Silk Logistics for a cash price of $2.14 per share.

In the absence of a superior offer, the board recommends Silk Logistics shareholders vote in favour of the Scheme.

The broker's rating is downgraded to Hold, High Risk from Buy, High Risk.

Morgans increases its target for Silk Logistics to $2.14 from $2.00 to align with the offer price in the Scheme Implementation Agreement with DP World (Australia) Limited and considers it a credible offer.

The board unanimously recommends shareholders in Silk Logistics vote in favour of the proposed scheme.

Major shareholders controlling around 46% of shares on issue have already confirmed their intention to vote in favour of the scheme, notes the broker.

The rating is downgraded to Hold from Add.

STRAKER LIMITED ((STG)) Downgrade to Hold from Speculative Buy by Ord Minnett .B/H/S: 0/1/0

Ord Minnett downgrades Straker to Hold from Speculative Buy, with a target price cut to $0.38 from $0.89, following management's reduction in revenue guidance of -12% for FY25.

The analyst observes the decline is driven by the non-renewal of two low-margin European Union contracts.

Straker expects stable gross margins and positive adjusted EBITDA but Ord Minnett continues to see risk in its legacy Language Services revenue with the FY24 decline of -24% in the business revenue as likely to remain into FY25.

The company is pivoting to higher-margin AI products, but Ord Minnett awaits further demand evidence before reassessing the operating outlook.

WEB TRAVEL GROUP LIMITED ((WEB)) Downgrade to Underweight from Equal-weight by Morgan Stanley .B/H/S: 3/3/1

In what appears to be a reaction to Web Travel's 1H preliminary results back in mid-October, Morgan Stanley lowers its target to $3.70 from $7.00 and downgrades to Underweight from Equal-weight, preferring other travel exposures. Industry View: In-line.

In the broker's view, the October trading update was not just an earnings downgrade but also a downgrade to long-term earnings potential.

Further, channel checks conducted by the analysts indicate competition between wholesalers, in the form of take-rates, has
intensified, and major online travel agents (OTAs) and competitor Hotelbeds have a relative scale advantage.

XERO LIMITED ((XRO)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 4/2/0

Ord Minnett downgrades Xero to Hold from Accumulate, raising the target price to $180 from $160 following strong 1H FY25 results, which exceeded expectations due to strict cost control.

The downgrade is based on valuation grounds, the analyst states due to the 14% appreciation in the share price in November.

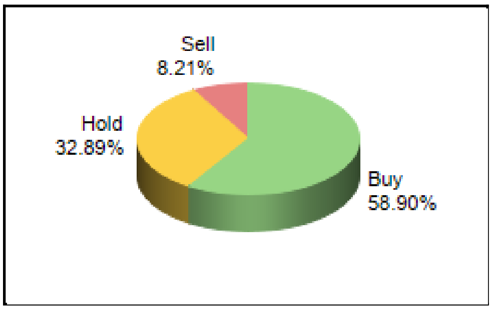
Ord Minnett views the company's prospects as positive, estimating around 20% revenue growth out to FY27, which could allow Xero to meet the "rule of 40" for SaaS companies.

On Ord Minnett's observation, market consensus is more conservative, expecting 17% growth by FY27, declining to 14% growth by the end of the decade.

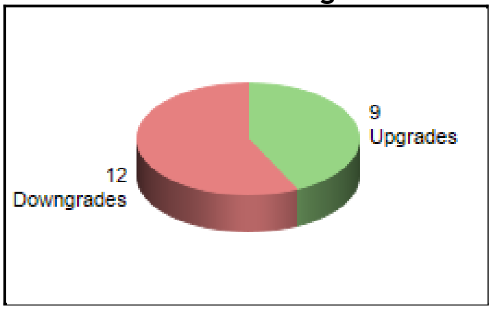
Xero may also accelerate US subscriber growth and expand into Australia's middle market where the total addressable market could be as large as NZ$2bn.

Post-results, earnings forecasts for FY25-FY27 have been increased by 4-6%, respectively.

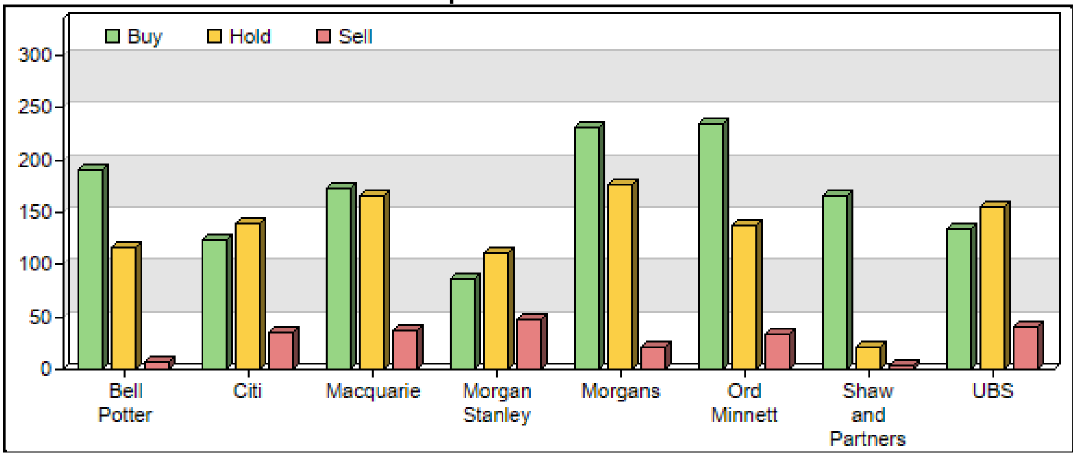
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	APA GROUP	Buy	Buy	Ord Minnett
2	BRICKWORKS LIMITED	Buy	Neutral	Bell Potter
3	LIFESTYLE COMMUNITIES LIMITED	Neutral	Sell	Bell Potter
4	LIGHT & WONDER INC	Buy	Buy	Ord Minnett
5	NUFARM LIMITED	Buy	Neutral	Morgans
6	ORICA LIMITED	Buy	Neutral	Morgans
7	ORICA LIMITED	Buy	Neutral	Ord Minnett
8	QBE INSURANCE GROUP LIMITED	Buy	Neutral	Macquarie
9	STOCKLAND	Buy	Neutral	Ord Minnett
Downgrade				
10	ANZ GROUP HOLDINGS LIMITED	Sell	Neutral	Morgans
11	ANZ GROUP HOLDINGS LIMITED	Neutral	Buy	UBS
12	LIONTOWN RESOURCES LIMITED	Sell	Neutral	Citi
13	MADER GROUP LIMITED	Neutral	Buy	Bell Potter
14	MATRIX COMPOSITES & ENGINEERING LIMITED	Neutral	Buy	Bell Potter
15	NIB HOLDINGS LIMITED	Sell	Neutral	Macquarie
16	SILK LOGISTICS HOLDINGS LIMITED	Neutral	Buy	Morgans
17	SILK LOGISTICS HOLDINGS LIMITED	Neutral	Buy	Shaw and Partners
18	SIMS LIMITED	Neutral	Buy	Citi
19	STRAKER LIMITED	Neutral	Buy	Ord Minnett
20	WEB TRAVEL GROUP LIMITED	Sell	Neutral	Morgan Stanley
21	XERO LIMITED	Neutral	Buy	Ord Minnett

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	360	LIFE360 INC	24.963	21.593	15.61%	4
2	ALL	ARISTOCRAT LEISURE LIMITED	69.750	61.300	13.78%	6
3	XRO	XERO LIMITED	184.150	165.283	11.41%	6

4	AVH	AVITA MEDICAL INC	4.853	4.520	7.37%	3
5	NIC	NICKEL INDUSTRIES LIMITED	1.212	1.134	6.88%	6
6	ORI	ORICA LIMITED	20.713	19.568	5.85%	6
7	LNW	LIGHT & WONDER INC	178.600	169.200	5.56%	5
8	DEG	DE GREY MINING LIMITED	1.913	1.830	4.54%	4
9	IFL	INSIGNIA FINANCIAL LIMITED	3.045	2.915	4.46%	4
10	JHX	JAMES HARDIE INDUSTRIES PLC	59.142	56.808	4.11%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	PDN	PALADIN ENERGY LIMITED	12.325	14.325	-13.96%	4
2	IPH	IPH LIMITED	7.252	7.965	-8.95%	5
3	EDV	ENDEAVOUR GROUP LIMITED	5.013	5.472	-8.39%	6
4	WEB	WEB TRAVEL GROUP LIMITED	5.260	5.731	-8.22%	7
5	LTR	LIONTOWN RESOURCES LIMITED	0.833	0.880	-5.34%	6
6	IFM	INFOMEDIA LIMITED	1.977	2.083	-5.09%	3
7	FLT	FLIGHT CENTRE TRAVEL GROUP LIMITED	22.810	23.810	-4.20%	5
8	NHF	NIB HOLDINGS LIMITED	6.835	7.052	-3.08%	6
9	GNC	GRAINCORP LIMITED	9.630	9.834	-2.07%	5
10	ILU	ILUKA RESOURCES LIMITED	6.830	6.970	-2.01%	5

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	NUF	NUFARM LIMITED	23.286	9.414	147.36%	7
2	GNC	GRAINCORP LIMITED	53.360	29.940	78.22%	5
3	LTR	LIONTOWN RESOURCES LIMITED	-1.200	-5.350	77.57%	6
4	ORI	ORICA LIMITED	101.600	87.150	16.58%	6
5	360	LIFE360 INC	26.082	22.659	15.11%	4
6	ALL	ARISTOCRAT LEISURE LIMITED	266.740	238.340	11.92%	6
7	AVH	AVITA MEDICAL INC	-131.317	-139.244	5.69%	3
8	XRO	XERO LIMITED	147.127	139.566	5.42%	6
9	JLG	JOHNS LYNG GROUP LIMITED	18.075	17.550	2.99%	5
10	IFL	INSIGNIA FINANCIAL LIMITED	36.600	35.767	2.33%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	PDN	PALADIN ENERGY LIMITED	19.539	37.249	-47.54%	4
2	LNW	LIGHT & WONDER INC	380.600	434.350	-12.37%	5
3	EDV	ENDEAVOUR GROUP LIMITED	26.800	29.120	-7.97%	6
4	WEB	WEB TRAVEL GROUP LIMITED	19.886	21.529	-7.63%	7
5	CKF	COLLINS FOODS LIMITED	42.975	45.900	-6.37%	6
6	NHF	NIB HOLDINGS LIMITED	41.760	43.900	-4.87%	6
7	ASK	ABACUS STORAGE KING	6.000	6.250	-4.00%	3
8	JIN	JUMBO INTERACTIVE LIMITED	69.160	71.950	-3.88%	6
9	MIN	MINERAL RESOURCES LIMITED	-91.783	-88.650	-3.53%	7
10	CMM	CAPRICORN METALS LIMITED	33.500	34.700	-3.46%	3

Technical limitations

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

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WEEKLY REPORTS

Uranium Week: From Russia With Love

Uranium spot prices received an extra fillip from Russia's temporary export ban on enriched product in retaliation to US government sanctions.

-U308 spot price rises US$6/lb over the week
-Nuclear energy part of zero emission energy solutions
-Paladin & Peninsula Energy ramp-ups downgraded

By Danielle Ecuyer

Russia retaliates against US uranium bans

While scant on details, last Friday's announcement from the Russian government to impose temporary limits on enriched uranium exports to the US proved enough to ignite an upward surge in the U308 price to US$83/lb from US$77/lb a week earlier, as reported by industry consultants TradeTech.

The last time uranium spot rose US$6/lb in a week was on 2 February 2024, when the US Congress announced a restriction on Russian imports. On that occasion, the spot price advanced US$7 to US$107/lb.

Friday's announcement was a retaliatory move by Russia against the US ban on Russian uranium products. Since then, TradeTech observes "range-bound" price behaviour for U308 following a period of volatility. Whether this trend continues remains to be seen.

Over the course of last week, the spot U308 price increased to US$77.50/lb on Tuesday from US$77/lb on Monday, with another US$1/lb rise on Wednesday, US$2/lb on Thursday to US$80.50/lb, and to US$83/lb by Friday. TradeTech's mid-term U308 Price Indicator is US$84/lb, and its long-term Price Indicator is US$82/lb.

Russia's announcement has the capacity to impact the conversion market more significantly, even though the U308 spot price market reacted. The consultants point out the Russian conversion component is required to '*bridge the gap"* between existing capacity and demand for US and non-US utilities. TradeTech envisions the Russian announcement could complicate decision-making for the nuclear fuel markets.

Bloomberg reports Russia represented 27% of US enriched uranium demand in 2023 and controls almost half of the world's capacity to separate uranium isotopes needed in reactors. A Cameco spokesperson was reported by Bloomberg as saying, *"To break the dependence on Russia and other state-owned enterprises, coordinated Western responses are required."*

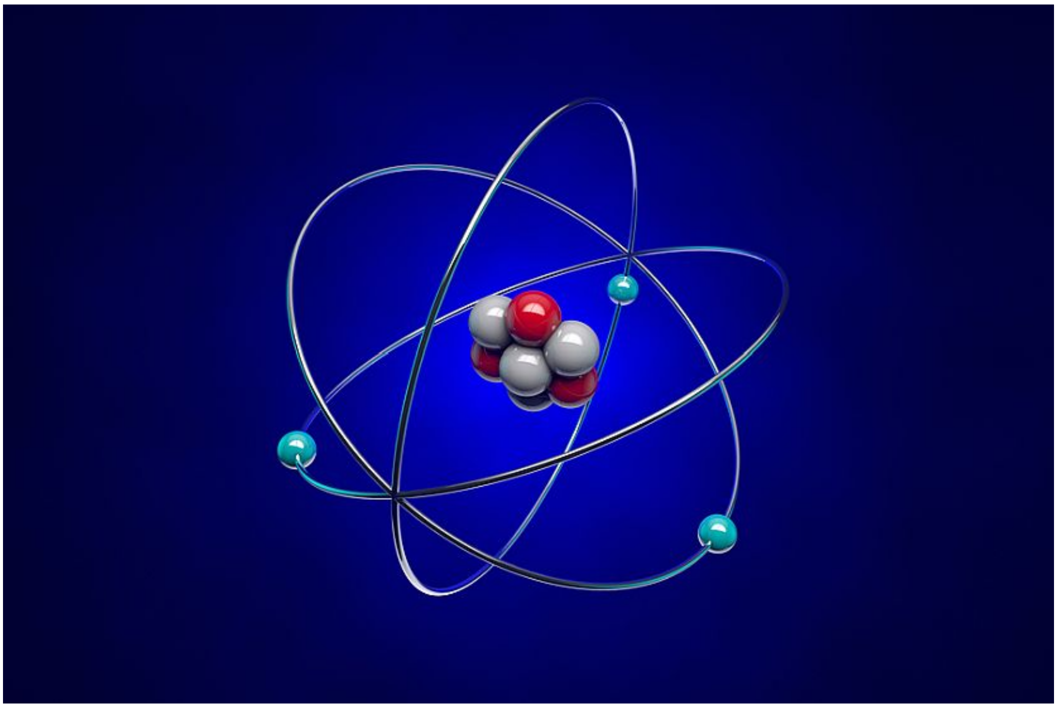
The US has one commercial enrichment facility in New Mexico, owned by a consortium of the British, Dutch, and Germans called Urenco Ltd. The facility supplies one-third of enriched uranium used in US reactors and aims to expand capacity by 15% by 2027.

COP29 making nuclear energy great

In a boost to the longer-term outlook for nuclear energy, the US announced at COP 29 in Baku, Azerbaijan, new nuclear energy targets and a framework for 200GW of new nuclear energy capacity by 2050.

The target, if met, would triple the US' domestic nuclear energy capacity from existing levels, derived from new plants, upgrading existing reactors, and restarting reactors. Other countries also committed to tripling global nuclear capacity by 2050, including El Salvador, Kazakhstan, Kenya, Kosovo, Nigeria, and Turkey.

RBC Capital noted the US election result is "neutral" for the nuclear industry as the build-out of capacity remains a bipartisan issue. RBC analyst foresee the potential for reduced regulation for permits for new nuclear reactor construction and domestic production. Changes to IRA funding for nuclear could be an offsetting factor if the act is repealed.



Production Hiccups Galore

Paladin Energy ((PDN)) shocked the market with another downgrade to FY25 production guidance to 3-3.6mlbs from 4-4.5mlbs and a withdrawal of other guidance due to ongoing higher unit costs on stockpile processing, greater ore grade variability, and water supply disruptions from Namibia Water Corporation.

Traders took no prisoners, sending the share price down by over -25% on the day. Shaw and Partners believes the market overreacted, highlighting the issues had already been flagged at the 1Q25 update two weeks earlier.

Morgan Stanley considers the update short-term in nature, with the share price reaction overstated as management highlighted the nameplate capacity at Langer Heinrich remains at 6Mlbpa, expected to be achieved by the end of 2025.

RBC Capital stressed Langer Heinrich is a "key source" of new uranium supply coming online, emphasising the challenges of delivering production from a brownfield site. This broker also highlighted the time required to start new production.

FNArena daily monitored brokers remain undeterred in their Buy-equivalent ratings for Paladin, with a consensus target price of $12.325.

Short interest in the stock advanced to 15.75% on 11 November from 14.88% a week earlier and 13.58% a month earlier. Paladin has the second-highest short interest on the ASX, after **Pilbara Minerals** at 17.74%.

Peninsula Energy ((PEN)) announced a slower ramp-up at the Lance Uranium Project with reduced 2025 production guidance to 600klbs of uranium from 700-900klbs, with no changes flagged to medium- or long-term outlooks.

First production is expected in December 2024, with a ramp-up to steady-state at 1.8Mlb by 2029. Peninsula agreed with the contractor on a final cost US$9.5m higher than the previous estimation.

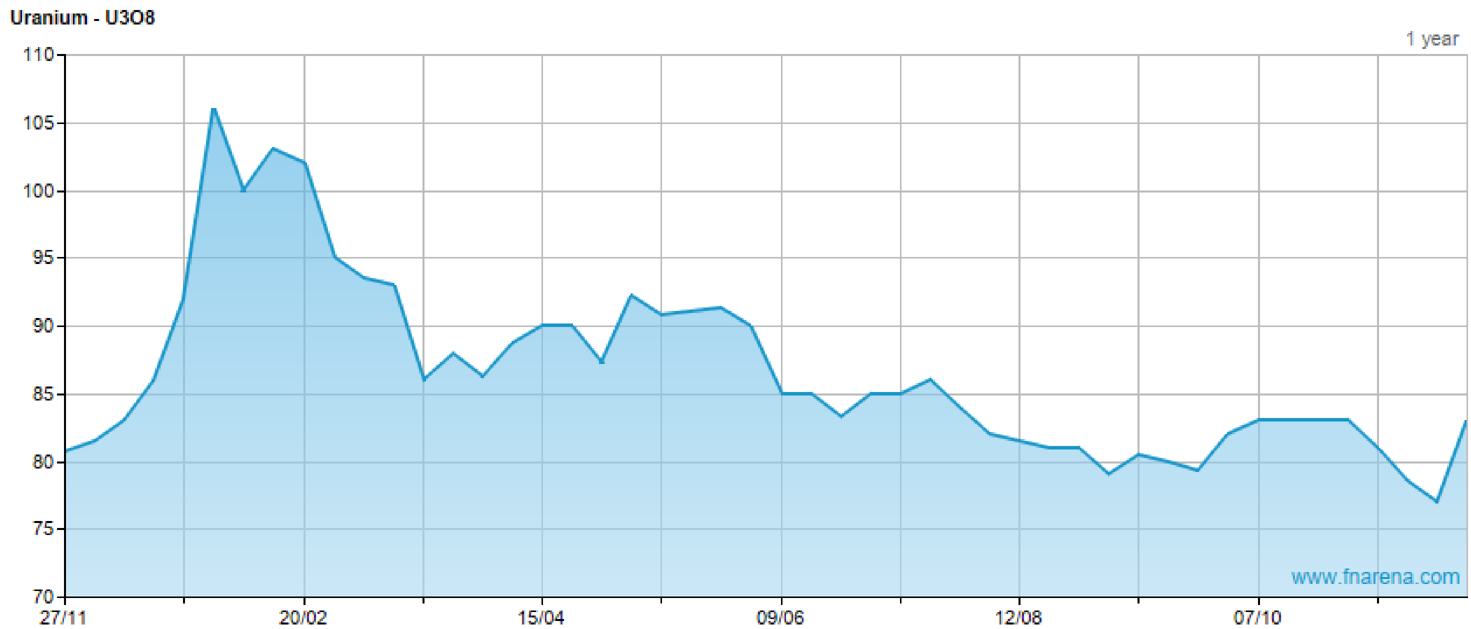
The company also announced management changes, with Managing Director Wayne Heili expected to resign in 2025 and Chairman John Harrison to step down in 2025 after a new Managing Director is appointed.

Shaw and Partners retains a Buy rating with a reduced target price of 24c from 26c. Canaccord Genuity has a Speculative Buy rating, with its target price declining to 16c from 20c.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	15/11/2024	0.0400	▼-20.00%	$0.19	$0.03			
AEE	15/11/2024	0.1500	0.00%	$0.33	$0.11			

AGE	15/11/2024	0.0400	▼- 2.50%	$0.08	$0.03		$0.100	▲150.0%
AKN	15/11/2024	0.0100	0.00%	$0.07	$0.01			
ASN	15/11/2024	0.0700	▼- 5.71%	$0.17	$0.06			
BKY	15/11/2024	0.3300	▼- 8.33%	$0.45	$0.26			
BMN	15/11/2024	2.8200	▼- 6.67%	$4.87	$1.90		$7.400	▲162.4%
BOE	15/11/2024	3.0700	▼- 8.33%	$6.12	$2.38	20.3	$4.200	▲36.8%
BSN	15/11/2024	0.0300	▼-10.00%	$0.21	$0.02			
C29	15/11/2024	0.0900	0.00%	$0.12	$0.06			
CXO	15/11/2024	0.1000	▼- 2.00%	$0.38	$0.08		$0.090	▼- 10.0%
CXU	15/11/2024	0.0200	▲100.00%	$0.06	$0.01			
DEV	15/11/2024	0.1200	▼- 4.17%	$0.45	$0.10			
DYL	15/11/2024	1.2300	▼-12.31%	$1.83	$0.91	-68.9	$1.900	▲54.5%
EL8	15/11/2024	0.3100	▼-10.00%	$0.68	$0.26			
ERA	15/11/2024	0.0030	0.00%	$0.08	$0.00			
GLA	15/11/2024	0.0100	0.00%	$0.04	$0.01			
GTR	15/11/2024	0.0030	0.00%	$0.02	$0.00			
GUE	15/11/2024	0.0600	▼-14.29%	$0.18	$0.05			
HAR	15/11/2024	0.0600	0.00%	$0.28	$0.03			
I88	15/11/2024	0.4600	▼-10.00%	$1.03	$0.14			
KOB	15/11/2024	0.0800	0.00%	$0.18	$0.07			
LAM	15/11/2024	0.8500	0.00%	$1.04	$0.48			
LOT	15/11/2024	0.2300	▼-10.42%	$0.49	$0.20		$0.547	▲137.7%
MEU	15/11/2024	0.0400	0.00%	$0.06	$0.04			
NXG	15/11/2024	11.9000	▲ 4.23%	$13.66	$7.89		$16.200	▲36.1%
ORP	15/11/2024	0.0300	▼-25.00%	$0.12	$0.03			
PDN	15/11/2024	7.7900	▼-24.69%	$17.98	$6.83	39.8	$12.325	▲58.2%
PEN	15/11/2024	0.0600	▼-31.11%	$0.15	$0.06		$0.240	▲300.0%
SLX	15/11/2024	5.7700	▼- 9.95%	$6.74	$3.01		$7.200	▲24.8%
TOE	15/11/2024	0.3000	▼- 5.36%	$0.70	$0.01			
WCN	15/11/2024	0.0200	0.00%	$0.03	$0.01			



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WEEKLY REPORTS

The Short Report - 21 Nov 2024

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

Summary:

Week Ending November 14th, 2024 (most recent data available through ASIC).

10%+

PLS 17.41
BOE 15.17
IEL 14.52
PDN 14.41
SYR 13.39
MIN 10.26

In: MIN

9.0-9.9%

DMP
DYL
LYC
LTR
ADT

In: ADT Out: MIN

8.0-8.9%

KAR
LIC

In: LIC Out: ADT, SYA

7.0-7.9%

SYA

CTD
JLG
CTT
SEK

In: JLG, SYA Out: BGL, LIC, SGR

6.0-6.9%

RIO
GMD
STX
FLT
AD8
SLX
NUF
CUV
IMU

In: FLT Out: JLG, WBT

5.0-5.9%

DXS
BGL
WBT
APE
NVX
ALD
LOT
NCK
CHN
SFR
IDX

In: BGL, WBT Out: FLT, LOT

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.4	0.3	NAB	0.8	0.8
ANZ	0.6	0.6	QBE	0.5	0.5
BHP	0.4	0.3	RIO	6.9	6.5
CBA	1.4	1.4	STO	1.0	0.8
COL	0.8	0.9	TCL	0.7	0.8
CSL	0.5	0.4	TLS	0.3	0.3
FMG	1.0	0.9	WBC	0.8	0.9
GMG	0.6	0.5	WDS	2.1	2.1
JHX	0.9	0.7	WES	0.7	0.7
MQG	0.7	0.6	WOW	0.5	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.

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WEEKLY REPORTS

In Brief: Shape, Netwealth & Wesfarmers

Retail management adapts for macro headwinds and a challenged consumer, while Netwealth catches tailwinds

-Order backlog a boon for Shape Australia
-Netwealth's riding the structural growth levers
-Wesfarmers flexes its muscles to gain market share

By Danielle Ecuyer

Quote of the week comes from ...drumroll......

"The global economy is entering a new era marked by higher fiscal spending, increased capital investment, and stronger economic growth," said Kerry Craig, Global Market Strategist, J.P. Morgan Asset Management. *"The overall outlook remains optimistic with investment levels picking up and rates normalizing. While inflation is expected to be slightly higher than pre-pandemic levels, the starting point for inflation is lower than in last year's forecasts, leading to modestly lower long-term inflation assumptions."*

Shape stays in shape

Commercial builder and construction company **Shape Australia Corp** ((SHA)) reported a positive trading update, which Moelis views as a sign of management's operational execution despite a challenging macro backdrop, including delays in project commencements.

Year-to-date, Shape has won $350m in projects, a 20% increase on the previous corresponding period, with a 5% rise in the order backlog to $480.3m. FY24 concluded with a backlog of $457.4m.

From a macro perspective, management noted "continuing pricing pressures are impacting client budgets," though the order backlog supports the medium-term outlook.

Shape's modular division achieved $10.9m in project wins, with year-to-date wins of $29.7m. The broker notes this division is also experiencing commencement delays.

New capabilities in the Design & Build division are expected to be validated by *"a major project win for an undisclosed ASX-listed client,"* with construction scheduled to begin in early 2025.

Moelis believes this contract win demonstrates the potential for future large contracts in this emerging division. Following the update, the analyst lifts EPS forecasts by 2% for FY25/FY26.

The stock is rated Buy, with a $3.24 target price and a forecast dividend yield of 6% for FY25.

Netwealth, shame about the valuation

Wilsons wins the title of the week for In Brief with *"A Multi-Lever Momentum Story"* following Netwealth Group's ((NWL)) AGM update.

Operationally, Netwealth reported custodial funds under administration (FUA) growth to $98.6bn as of 18 November, an increase of 12.5% since the end of FY24. The analyst notes net flows for the last six weeks have moderated from the notably strong 1Q25.

Including a 2% rise due to market movements, Wilsons estimates net inflows of over $1bn in the last six weeks. Inflows can be "lumpy," the analyst explains, with an acceleration expected in late 2024 to achieve an estimated 2Q25 result of $3.2bn in net fund flows, a 25% increase year-on-year but a -17% decline from 1Q25.

With forced migrations from competitors like MLC Wrap, CFS FirstWrap, and BT Asgard, Netwealth is benefiting from positive tailwinds, buoyant markets, and increased value and volume in FUA.

Pooled cash growth has "re-accelerated," driven partly by the beginning of the global interest rate easing cycle, as funds are reinvested into riskier assets as short-term maturity deposits roll off.

Wilsons raises the target price to $30.33, noting the momentum across earnings drivers and the quality of earnings justify an "above-average" valuation.

Alas, much of the future earnings growth is already seen as discounted at current stock price levels. Netwealth thus remains stuck on a Market Weight rating.

Are Wesfarmers' earnings under the pump?

Goldman Sachs revealed insights into the retail environment from its latest channel checks. As competition from Amazon and Temu grows, an increasing number of incumbent retailers are exploring vertical marketplaces to complement their first-party (direct-to-consumer) retail strategies.

The broker highlights **Wesfarmers** ((WES)) and **JB Hi-Fi** ((JBH)) as examples of retailers leveraging eCommerce platforms, with optionality for **Coles Group** ((COL)).

The outlook for the Australian consumer remains *"pessimistic,"* with a focus on *"value"* and *"down-trading"* across most categories. Retailers are launching peak-period promotions earlier, focusing on sales and market share. Events like Click Frenzy (11-17 November) and Black Friday/Cyber Monday (19 Novembe-r2 December) precede traditional Boxing Day sales.

Technology and health and beauty are seeing mid-single-digit growth driven by replacement and innovation cycles. Home improvement, furniture, and department stores are facing challenges due to a weak housing market and increased online competition.

Retailers are increasingly using AI to mitigate profit margin pressures from heightened promotions, though consumer adoption of AI tools remains slower than expected.

Goldman views Wesfarmers as a market share winner and retains a Hold-equivalent rating. Bunnings continues to gain market share, while **Metcash Holdings**' ((MTS)) hardware DIT business is losing ground.

Kmart's own-label strategy with Anko defends against competitive pressures by offering quality products at great prices through an omni-channel approach. Big W and Myer ((MYR)) face pressure as Wesfarmers' Target and Kmart operate 446 stores combined, the broker explains.

In health and beauty, there is a shift from *"prestige" to "masstige,"* with duplicate brands like MCo Beauty achieving $500m in sales over five years and becoming exclusive to **Woolworths Group** ((WOW)). Wesfarmers' Priceline is believed to be performing well, benefiting from a strategic shift to health/beauty and price reductions initiated in 2H24 to increase market share.

Sector analysts at Jarden remain cautious about Wesfarmers' earnings outlook and see risks to EPS estimates. The stock is rated Sell-equivalent, with a $61 target price.

Goldman Sachs holds a Hold-equivalent rating, with a $69.50 target price, citing resilience in Bunnings' earnings and future growth opportunities.

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WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 22-11-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

NUIX LIMITED ((NXL)) Upgrade to Buy from Hold by Petra Capital.B/H/S: 0/0/0

Nuix has reiterated its guidance for annual contract value (ACV) growth of 15% and revenue exceeding costs for FY24, with a stronger second-half weighting due to renewal cycles in June and December, notes Petra Capital.

Management anticipates these renewals will incorporate value-based pricing models and productivity-focused solutions like NEO, supporting long-term revenue growth.

While no changes have been made to forecasts, the broker highlights Nuix's ability to secure better pricing terms through value-based selling, incentivised by newly introduced KPIs.

Petra Capital upgrades the rating to Buy from Hold and raises the target price to $6.91 from $6.73.

Downgrade

ARISTOCRAT LEISURE LIMITED ((ALL)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Jarden highlights Aristocrat Leisure reported strong FY24 results with NPATA reaching $1.6bn, up 17%, supported by a 12% increase in segment profits and 5% revenue growth.

Gaming operations saw record installations, with margins expanding due to strong product performance. Pixel United delivered 12% profit growth despite flat bookings, benefiting from cost controls. The sale of Plarium and the strategic review of Big Fish reflect the company's focus on higher-margin businesses.

Jarden revised EPS forecasts slightly upwards for FY25-FY27, with the target price raised to $61.00 from $59.00.

The broker remains positive on the company's market position, but downgrades the rating to Neutral from Overweight, due to valuation concerns after recent share price outperformance.

ALS LIMITED ((ALQ)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

ALS Ltd's 1H25 core profit of $152m came in slightly ahead of consensus at $150m, driven by stable performance in Life Sciences and resilience in Commodities margins despite volatile geochemistry sampling flows, notes Jarden.

Commodities division EBIT margins remained robust at 31%, driven by larger miners contributing 70-75% of testing flows, though the broker observes sampling flow growth declined by -0.5% year-on-year.

Life Sciences achieved growth through organic expansion and contributions from recent M&A (including Nuvisan), highlights the analyst.

Jarden downgrades ALS Ltd to Neutral from Overweight, citing limited near-term earnings catalysts, and increases the target price to $14.40 from $14.25.

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

The Healius AGM revealed a downgrade in the outlook for the Pathology division, with no details provided on the margin deterioration, notes Jarden.

The recent sale of Lumus Imaging, expected to complete in early 2H25, leaves management focusing on remaining operations. Stranded costs from the sale and potential funding cuts pose challenges to the earnings outlook, suggest Jarden.

Management intends to return proceeds from the Lumus sale to shareholders via a special dividend, unlocking $160m in franking credits.

The broker downgrades FY25-27 EPS forecasts by -88.7%, -47.9%, and -42.7%, respectively, and lowers the target price to $1.25 from $1.67. The rating is downgraded to Underweight from Neutral.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	NUIX LIMITED	Buy	Neutral	Petra Capital
Downgrade				
2	ALS LIMITED	Neutral	Buy	Jarden
3	ARISTOCRAT LEISURE LIMITED	Neutral	Buy	Jarden
4	HEALIUS LIMITED	Sell	Neutral	Jarden

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
ALL	Aristocrat Leisure	$67.61	Jarden	61.00	59.00	3.39%
ALQ	ALS Ltd	$15.66	Jarden	14.40	14.25	1.05%
APZ	Aspen Group	$2.50	Moelis	2.73	2.53	7.91%
ATA	Atturra	$1.09	Moelis	1.31	1.28	2.34%
CAT	Catapult International	$3.50	Canaccord Genuity	3.50	1.70	105.88%
CBA	CommBank	$156.24	Jarden	108.00	107.00	0.93%
CMM	Capricorn Metals	$6.54	Canaccord Genuity	8.30	7.60	9.21%
			Jarden	6.93	7.03	-1.42%
			Jarden	6.96	7.03	-1.00%
CPU	Computershare	$30.86	Goldman Sachs	31.00	30.00	3.33%
DEG	De Grey Mining	$1.52	Canaccord Genuity	2.90	2.85	1.75%
ELD	Elders	$7.50	Wilsons	8.38	8.07	3.84%
EVS	EnviroSuite	$0.06	Moelis	0.07	0.06	16.67%
FLT	Flight Centre Travel	$16.98	Jarden	23.10	23.70	-2.53%
HLS	Healius	$1.32	Jarden	1.25	1.67	-25.15%
IFL	Insignia Financial	$3.15	Jarden	3.35	3.25	3.08%
IPH	IPH	$5.14	Petra Capital	8.00	8.25	-3.03%
JHX	James Hardie Industries	$53.48	Jarden	54.00	52.00	3.85%
LNW	Light & Wonder	$141.86	Goldman Sachs	171.90	172.20	-0.17%
			Jarden	173.00	174.00	-0.57%
NHF	nib Holdings	$5.57	Goldman Sachs	6.50	6.75	-3.70%
NXL	Nuix	$6.14	Petra Capital	6.91	6.73	2.67%
PDN	Paladin Energy	$7.74	Canaccord Genuity	15.20	16.30	-6.75%
PEN	Peninsula Energy	$0.06	Canaccord Genuity	0.16	0.20	-20.00%
PLT	Plenti Group	$0.70	Wilsons	1.50	1.30	15.38%
RDY	ReadyTech Holdings	$2.98	Wilsons	3.70	3.74	-1.07%
RIC	Ridley Corp	$2.72	Wilsons	2.94	2.54	15.75%
S32	South32	$3.73	Canaccord Genuity	2.35	2.25	4.44%
SHA	Shape Australia	$2.88	Moelis	3.24	2.95	9.83%
SHL	Sonic Healthcare	$27.65	Jarden	28.06	25.88	8.42%
SLC	Superloop	$2.02	Canaccord Genuity	2.27	2.07	9.66%
SMI	Santana Minerals	$0.59	Canaccord Genuity	1.22	1.16	5.17%
SPZ	Smart Parking	$0.95	Canaccord Genuity	1.10	0.75	46.67%
STO	Santos	$6.80	Jarden	7.85	7.90	-0.63%
WGX	Westgold Resources	$2.81	Canaccord Genuity	4.50	4.40	2.27%

XRO Xero	$173.43	Jarden	177.00	151.00	17.22%
Company	Last Price	Broker	New Target	Old Target	Change

More Highlights

APZ ASPEN GROUP LIMITED

Real Estate Overnight Price: $2.43

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

In mid-October, Aspen Group reported Q1 FY25 underlying EPS of 4.4c, up 20% year-on-year and well above the run-rate needed to achieve prior FY25 guidance of 15.2c, notes Moelis.

Management has now upgraded FY25 guidance for underlying EPS to 16.0c and announced plans to double its production of houses and land sites to 200 in FY25, compared to 97 settlements in FY24, highlights the broker.

Aspen divested -50% of its stake in Eureka Group ((EGH)), reducing its gearing to below 22% from 25.7%, and signalling a shift toward development income, which Moelis views as incrementally positive for long-term value creation.

Moelis raises its target price to $2.73 from $2.53 and retains a Buy rating.

This report was published on November 18, 2024.

Target price is **$2.73** Current Price is **$2.43** Difference: **$0.3**
If **APZ** meets the Moelis target it will return approximately **12%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **9.70** cents and EPS of **16.00** cents.
At the last closing share price the estimated dividend yield is **3.99%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.19**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **10.20** cents and EPS of **16.60** cents.
At the last closing share price the estimated dividend yield is **4.20%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **14.64**.

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

ATA ATTURRA LIMITED

Software & Services Overnight Price: $1.09

Moelis rates ((ATA)) as Buy (1)

Atturra recently hosted its first investor day, announcing three potential acquisitions and a capital raise to support its inorganic growth strategy, Moelis highlights.

The broker states these acquisitions could add over 1,000 clients, expand the company's presence in A&NZ, enhance revenue quality, and be immediately accretive to EPS in FY25.

The acquisitions, valued at approximately $45m, will be funded by a $70.5m placement and a $6.1m share purchase plan. Management pointed to expected FY25 benefits including $22m-$30m in revenue and $3.0m-$3.5m EBITDA.

Buy rated with a target price of $1.31 with possible re-rating potential from successful integration of the acquisitions, the broker suggests.

This report was published on November 14, 2024.

Target price is **$1.31** Current Price is **$1.09** Difference: **$0.215**
If **ATA** meets the Moelis target it will return approximately **20%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **0.00** cents and EPS of **5.40** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.28**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **0.00** cents and EPS of **6.80** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **16.10**.

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

DUG DUG TECHNOLOGY LIMITED

Cloud services Overnight Price: $1.60

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

DUG Technology delivered FY24 revenue growth of 29% year-on-year and anticipates further growth of 11% in FY25, supported by a record sales pipeline, notes Canaccord Genuity.

The company's Elastic MP-FWI technology has gained validation from leading players like Chevron and Shell, positioning it as a key tool for seismic reservoir management, suggests the analyst.

While quarterly performance has been volatile, management aims to achieve $8m for earnings EBITDA per quarter in 2H25 with a margin near 36%, highlights the broker, driven by pipeline conversion and increased demand for Elastic MP-FWI.

Canaccord retains a Buy rating and a $3.20 target price, viewing the recent share price sell-off as overdone.

This report was published on November 20, 2024.

Target price is **$3.20** Current Price is **$1.60** Difference: **$1.595**
If **DUG** meets the Canaccord Genuity target it will return approximately **99%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **1.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **160.50**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **4.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **40.13**.

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

IPH IPH LIMITED

Legal Overnight Price: $5.13

Goldman Sachs rates ((IPH)) as Buy (1)

First quarter FY25 like-for-like revenue and earnings (EBITDA) for IPH increased moderately compared to the prior corresponding period, though earnings were slightly impacted by currency headwinds, notes Goldman Sachs.

The A&NZ region showed solid improvements, according the analysts, while Canada traded in line with expectations but facing delays in patent revenue due to system issues at the Canadian Intellectual Property Office. Asia experienced moderate revenue declines.

Management remains focused on narrowing the filings gap in A&NZ and integrating acquisitions in Canada, while client wins in Asia provide early signs of recovery.

Goldman maintains a Buy rating and a target price of $7.50, citing potential for an improving outlook in 2H25.

This report was published on November 15, 2024.

Target price is **$7.50** Current Price is **$5.13** Difference: **$2.37**
If **IPH** meets the Goldman Sachs target it will return approximately **46%** (excluding dividends, fees and charges).
Current consensus price target is **$7.21**, suggesting upside of **40.6%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Goldman Sachs forecasts a full year **FY25** dividend of **36.00** cents and EPS of **47.00** cents.
At the last closing share price the estimated dividend yield is **7.02%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **10.91**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **46.2**, implying annual growth of **84.2%**.
Current consensus DPS estimate is **34.3**, implying a prospective dividend yield of **6.7%**.
Current consensus EPS estimate suggests the PER is **11.1**.

Forecast for FY26:

Goldman Sachs forecasts a full year **FY26** dividend of **39.00** cents and EPS of **51.00** cents.
At the last closing share price the estimated dividend yield is **7.60%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **10.06**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **49.9**, implying annual growth of **8.0%**.
Current consensus DPS estimate is **36.5**, implying a prospective dividend yield of **7.1%**.
Current consensus EPS estimate suggests the PER is **10.3**.

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

PLT PLENTI GROUP LIMITED

Business & Consumer Credit Overnight Price: $0.74

Wilsons rates ((PLT)) as Overweight (1)

Plenti Group reported 1H25 results with cash profit up 260% year-on-year to $5.5m and a 14% increase in its loan book to $2.3bn, driven by strong origination growth across all verticals, notes Wilsons.

The cost-to-income ratio improved by 442 basis points to 24.3%, reflecting strong operating leverage, while net credit losses remained below 1%, underscoring the quality of the loan book, explains the analyst.

The National Australia Bank (NAB) partnership is advancing, with the first NAB/Plenti product now available, and Wilsons highlights significant long-term growth potential as new products are rolled out and the partnership's loan portfolio expands.

Wilsons retains an Overweight rating and a target price of $1.50, citing enhanced earnings quality and growth optionality from the NAB partnership.

This report was published on November 20, 2024.

Target price is **$1.50** Current Price is **$0.74** Difference: **$0.76**
If **PLT** meets the Wilsons target it will return approximately **103%** (excluding dividends, fees and charges).
The company's fiscal year ends in March.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **0.00** cents.

Forecast for FY26:

Wilsons forecasts a full year **FY26** dividend of **0.00** cents.

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

SPZ SMART PARKING LIMITED

Hardware & Equipment Overnight Price: $0.93

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

Smart Parking reported Q1 FY25 revenue of $17m, up 24% year-on-year, with adjusted earnings (EBITDA) of $5.4m, reflecting a 32% margin, notes Canaccord Genuity.

The company surpassed its December 2024 site target of 1,500 sites early, with 1,529 sites currently operational, and announced a new organic target of 3,000 sites by 2028, highlights the broker.

Management confirmed ambitions to expand into over ten geographies, including potential entries into the US and Scandinavia.

Canaccord Genuity raises its target price to $1.10 from $0.75 due to the roll-forward of the broker's financial model and upgrades to long-term forecasts. A Buy rating is kept.

This report was published on November 18, 2024.

Target price is **$1.10** Current Price is **$0.93** Difference: **$0.17**
If **SPZ** meets the Canaccord Genuity target it will return approximately **18%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **2.40** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **38.75**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **2.90** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **32.07**.

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

TYR TYRO PAYMENTS LIMITED

Business & Consumer Credit Overnight Price: $0.95

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

Tyro Payments retained FY25 guidance at the AGM, Canaccord Genuity observed, with management expecting gross profit growth of 3%-7%.

The broker highlights the company may reach the top end due to smaller-than-expected churn from Lightspeed merchants. EBITDA margins are projected to rise to 31% by FY27 from the current 28%, supported by gross profit growth of around 10% in FY26/27.

On the broker's assessment, Tyro shares trade at a substantial discount to peers, with an EV/gross profit multiple of 1.8x and EV/EBITDA of 6x.

Despite recent concerns over potential regulatory impacts from the Reserve Bank's payments review, management expects minimal effects on gross profit.

Canaccord Genuity considers the shares undervalued and anticipates operating leverage to improve as economic conditions stabilise.

The $1.65 target and Buy rating are maintained.

This report was published on November 13, 2024.

Target price is **$1.65** Current Price is **$0.95** Difference: **$0.7**
If **TYR** meets the Canaccord Genuity target it will return approximately **74%** (excluding dividends, fees and charges).
Current consensus price target is **$1.52**, suggesting upside of **60.2%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **5.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **19.00**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **3.0**, implying annual growth of **-38.9%**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **31.7**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **6.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.83**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **4.6**, implying annual growth of **53.3%**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **20.7**.

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

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