WEEK 5

STORIES TO READ FROM FNArena

Friday, 31 January 2025

Is Santos A Re-Rating In Waiting?

DeepSeek & More AI Excitement For 2025

Rudi's View: Cochlear, Guzman y Gomez, SiteMinder, Wesfarmers & Xero

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FNArena
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AUSTRALIA

The Market In Numbers - 25 Jan 2025

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

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

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

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

Australia & NZ

Index	25 Jan 2025	Week To Date	Month To Date (Jan)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
NZ50	13024.700	-0.81%	-0.66%	-0.66%	-0.66%	11.16%
All Ordinaries	8660.40	1.20%	2.85%	2.85%	2.85%	8.07%
S&P ASX 200	8408.90	1.19%	3.06%	3.06%	3.06%	8.26%
S&P ASX 300	8338.40	1.16%	2.96%	2.96%	2.96%	8.18%
Communication Services	1643.10	0.49%	0.96%	0.96%	0.96%	9.45%
Consumer Discretionary	4016.30	2.25%	2.69%	2.69%	2.69%	14.38%
Consumer Staples	11661.10	-0.06%	-0.92%	-0.92%	-0.92%	-5.79%
Energy	8885.50	-2.41%	3.05%	3.05%	3.05%	-11.42%
Financials	9000.10	3.11%	4.48%	4.48%	4.48%	17.54%
Health Care	45163.50	0.66%	0.62%	0.62%	0.62%	2.05%
Industrials	7853.30	1.16%	2.71%	2.71%	2.71%	15.29%
Info Technology	2782.80	3.50%	1.53%	1.53%	1.53%	18.85%
Materials	16588.60	-1.31%	2.88%	2.88%	2.88%	-1.72%
Real Estate	3954.30	0.66%	5.13%	5.13%	5.13%	10.98%
Utilities	9229.80	0.26%	2.18%	2.18%	2.18%	-0.59%
A-REITs	1808.40	0.60%	5.24%	5.24%	5.24%	11.33%
All Technology Index	3893.00	3.38%	2.30%	2.30%	2.30%	24.06%
Banks	3753.90	3.13%	4.09%	4.09%	4.09%	17.49%
Gold Index	9445.60	0.16%	12.13%	12.13%	12.13%	28.38%
Metals & Mining	5389.60	-1.51%	2.55%	2.55%	2.55%	-2.90%

The World

Index	25 Jan 2025	Week To Date	Month To Date (Jan)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
FTSE100	8502.35	-0.03%	4.03%	4.03%	4.03%	4.14%
DAX30	21394.93	2.35%	7.46%	7.46%	7.46%	17.33%
Hang Seng	20066.19	2.46%	0.03%	0.03%	0.03%	13.25%
Nikkei 225	39931.98	3.85%	0.09%	0.09%	0.09%	0.88%
DJIA	44424.25	2.15%	4.42%	4.42%	4.42%	13.56%
S&P500	6101.24	1.74%	3.73%	3.73%	3.73%	11.73%
Nasdaq Comp	19954.30	1.65%	3.33%	3.33%	3.33%	12.53%

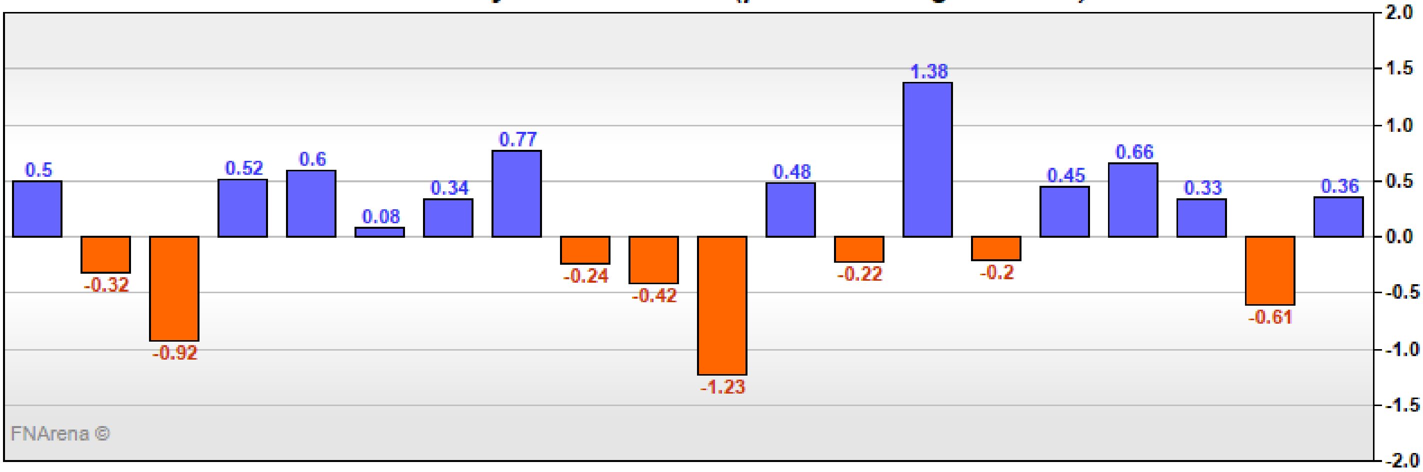
Metals & Minerals

Index	25 Jan 2025	Week To Date	Month To Date (Jan)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
Gold (oz)	2761.29	0.53%	5.12%	5.12%	5.12%	18.11%
Silver (oz)	30.83	-2.45%	2.02%	2.02%	2.02%	5.41%
Copper (lb)	4.3268	-2.51%	5.62%	5.62%	5.62%	-0.15%
Aluminium (lb)	1.1841	-0.15%	3.59%	3.59%	3.59%	5.30%
Nickel (lb)	7.0101	-0.33%	-1.89%	-1.89%	-1.89%	-9.88%
Zinc (lb)	1.2808	-1.04%	-5.22%	-5.22%	-5.22%	-3.42%
Uranium (lb) weekly	73.75	-0.34%	2.43%	2.43%	2.43%	-11.41%
Iron Ore (t)	101.34	0.85%	-2.41%	-2.41%	-2.41%	-4.85%

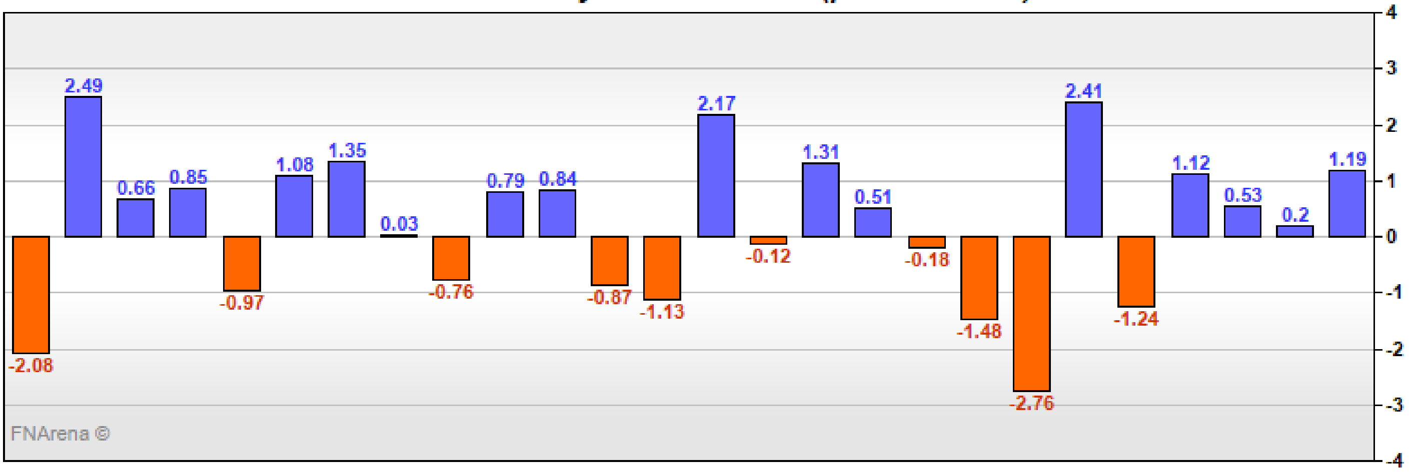
Energy

Index	25 Jan 2025	Week To Date	Month To Date (Jan)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
West Texas Crude	74.25	-4.64%	6.87%	6.87%	6.87%	-9.30%
Brent Crude	77.91	-4.15%	7.37%	7.37%	7.37%	-8.81%

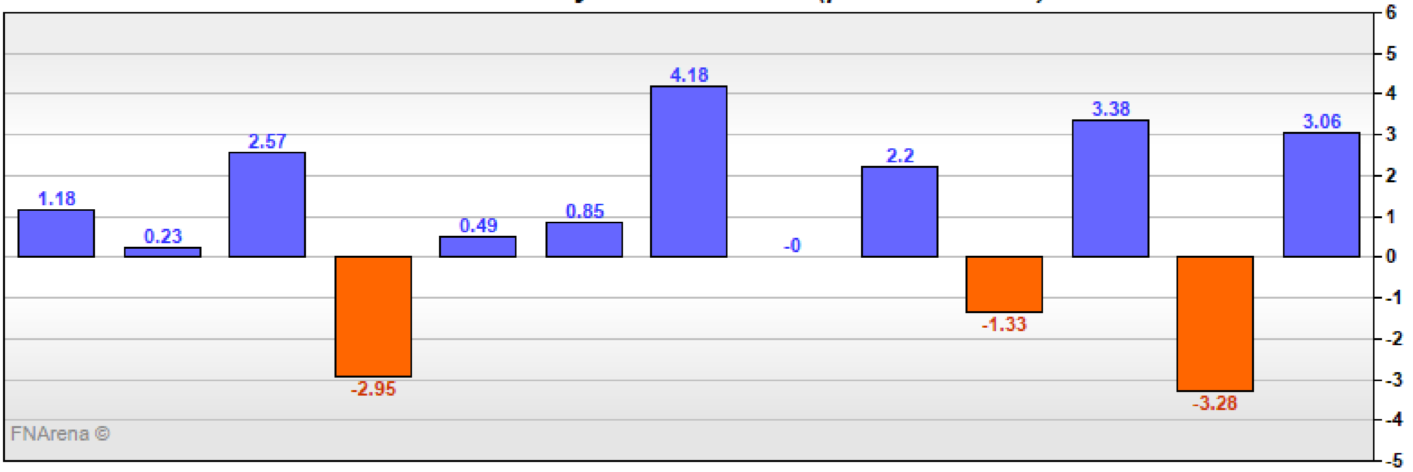
ASX200 Daily Movement in % (past 20 trading sessions)



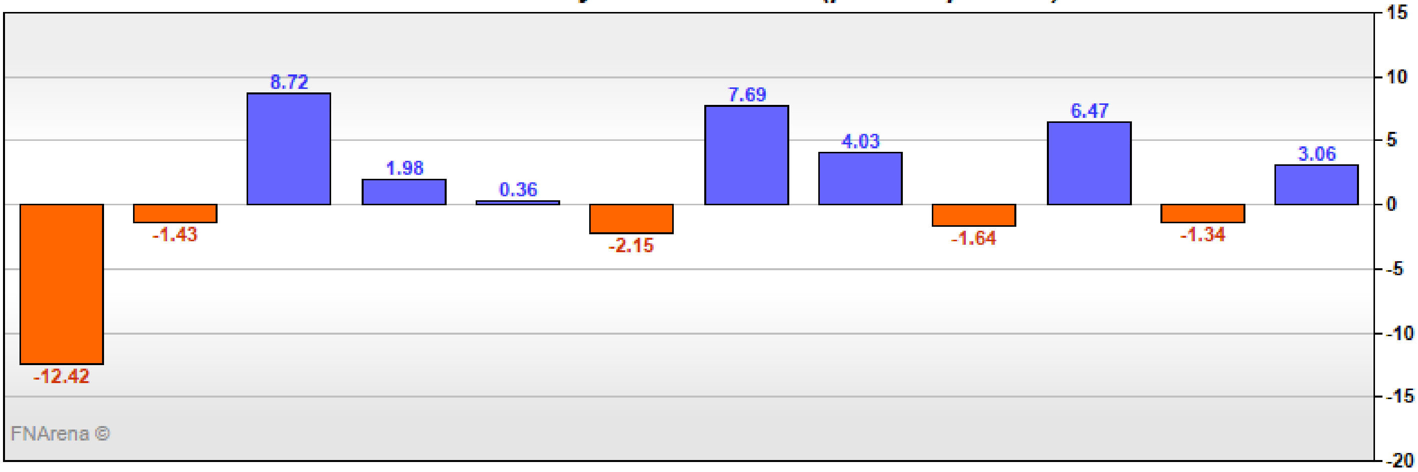
ASX200 Weekly Movement in % (past 26 weeks)



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.

FNArena is not responsible for any glitches, omissions or data errors. This feature is not investment advice. It is offering a quick status on raw price movements for information purposes only.

FNArena welcomes comments and suggestions at info@fnarena.com

AUSTRALIA

ResMed: Another Positive Quarterly Surprise?

Tomorrow's release is expected to reveal another strong quarter from ResMed.

-Management re-jig a positive for ResMed
-Anecdotal data suggesting a strong quarter
-Weight loss drugs mightn't be so bad
-What the brokers say

By Danielle Ecuyer

Strategic realignment starts to pay off

CPAP machines and masks manufacturer ResMed ((RMD)) is due to report December quarter earnings on January 31 (tomorrow) with an 8.30am conference call before the open in Australia (January 30 in the US where the company is listed too).

ResMed undertook a major reset in 2023 when management outlined 2030 strategic goals, including a new operating model. Management roles have been restructured across product functions rather than geographies for better end-patient engagement.

Goldman Sachs, which recently re-initiated coverage on the stock, highlights the application of AI to raise obstructive sleep apnoea (OSA) awareness and compliance with therapies, as well as growing the business-to-business channel into other private pay markets outside the US.

These include China, India, and Australia, with subscription models offering increased payment optionality. ResMed has also increased the cadence of new product launches for better outcomes, including improved comfort.

The upcoming quarterly update is expected to showcase ongoing positive impacts from the strategic shift.

Goldman Sachs highlights ResMed should continue to benefit from growth in Continuous Positive Airway Pressure therapy, known as CPAP devices, as awareness of OSA rises.

Market share in masks, the products that deliver airflow from CPAP, is also expected to advance. As the product mix shifts to more digital investment, margins are expected to continue improving.

The analyst stresses management has delivered **"stellar US devices growth"** of around 20% per annum between FY21-FY24,

The outlook for ResMed's margins

UBS estimates the company's gross margin will advance 20bps to 59.9% from the previous quarter. This analyst highlights the market offers insufficient credit for operational cost controls exhibited over the last few quarters.

Jarden is looking for a gross margin in the December quarter of 59.4% versus 59.2% in the previous quarter, which is within management's guidance range of 59%-60%. This analyst states gross margin improvements are expected more in the June quarter of FY25.

Channel checks from Jarden and data observed from Citi Research Innovation Lab point towards a strong operational quarter.

Citi notes US app downloads grew 17% year-on-year, with consensus forecasts for December quarter US device sales growth of 8.2% versus the broker's estimate of 10%.

Ex-US app downloads advanced 33% annually versus consensus sales growth of 7.1% for ex-US devices, and Citi's estimate of 9.3% growth.

US monthly users lifted 22% year-on-year, with this analyst emphasising the US 12-month utilisation rose to 87% in December 2024 from 80% the previous year. The rate measures monthly active users/cumulative downloads over 12 months.

Jarden's channel checks suggest ResMed's US device growth of 10% for 2Q25, with momentum sustained into January.

This analyst believes growth is being supported by AirSense 11 moving off allocation, while home test providers are alleviating pressure on "bottlenecks" in sleep labs. Physicians are also showing a strong preference for ResMed.

Jarden is currently forecasting mask growth of 14.8% for the December quarter against consensus of 11.2%.

UBS points to concerns investors may have over cost increases associated with freight.

GLP-1's a head or tailwind for ResMed?

The contentious topic of the impact of GLP-1s from Eli Lilly and Novo Nordisk on the treatment of sleep apnoea via weight loss saw ResMed's share price fall near $20 in the third quarter of 2023. Shares have since recovered to above $40.

Over the last six months, the narrative has shifted 180 degrees, with brokers stressing GLP-1 drugs can "co-exist" with CPAP therapy. Goldman Sachs points to published clinical data and payor policies supporting this view.

UBS makes a similar conclusion, noting the treatment of obese patients using Lilly's Zepbound for OSA, recently approved by the US FDA, can assist new business development for ResMed.

IQVIA data revealed people with an OSA diagnosis and a GLP-1 prescription are more likely to start CPAP therapy than those with only a diagnosis.

UBS states the market remains wary of weight loss medications' impact on device and mask uptake, and improved information should help address these concerns.

Goldman Sachs states GLP-1 growth for obesity treatment is a tailwind for OSA diagnosis over the next three to five years.

Broker views diverge in the near term

Non-daily monitored broker Jarden suspects there's upside risks to its $36.60 target price as confidence improves around GLP-1 impacts and gross margins might improve beyond the analyst's 60.6% target for FY29.

Jarden has a Buy-equivalent rating on the stock and highlights, as gearing turns to a net positive from cash flow generation, management may offer more definitive commentary about the share buyback.

Goldman Sachs re-initiated coverage with a Buy rating and a $48.90 target price, noting the current share price values the company below the last five to ten years' average price-to-earnings multiple.

UBS makes a similar comment, stating ResMed shares are trading at 23x FY26 earnings. Although this represents a 40% premium to the ASX200, it remains below the pre-covid average by -60%. Multiple expansion remains possible, but more clarity is needed on GLP-1s' impact with wearables and revenue.

UBS has a Hold-equivalent rating with a US$255 price target (for the US listed shares, which compare 10 to one in Australia).

Citi also has a Hold-equivalent rating with a $38 target price.

In contrast, Ord Minnett recently revised earnings models for healthcare companies, including ResMed, for forex assumptions over the December quarter. This broker's target price lifted to $43.90 from $40, and the stock was upgraded to Buy from Hold.

ResMed remains a top stock pick in the sector, with the analyst forecasting double-digit earnings growth over FY25 and FY26.

Brokers point to possible risks from US reimbursement pressures, product recalls, lower therapy compliance, and GLP-1s allowing OSA patients to cease therapies.

On current consensus forecasts, derived from FNArena's daily monitored brokers, ResMed is projected to grow earnings per share in USD by 36.2% in FY25, followed by 9.1% growth in FY26. On that basis, the PE ratio (translated into AUD) is currently 26.4x for FY25. That multiple falls to 24.2x on FY26 projections.

The author owns ResMed shares.

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

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

BOOK REVIEWS

FNArena Book Review: How Not To Lose 1 Million

How not to lose 1 million by John Addis.

By Rudi Filapek-Vandyck

We all make mistakes, while investing and otherwise, and that's not necessarily a bad thing if those mistakes teach us a lesson and we learn from them.

This is the true value from John Addis's book How *not* to lose $1 million. The co-founder of Intelligent Investor draws from more than two decades of making mistakes, with plenty of self-criticism and some humour, allowing investors the opportunity to (potentially) learn from mistakes they never made themselves.

It is this approach that sets Addis's self-reflections apart from most other investment books written by peers in Australia and abroad who usually focus on the nitty gritty of how to properly value a company or sing the praises of many success stories instead.

Both story lines are noticeably absent from this book. Instead, the reader can indulge in the many errors Addis and his team at The Intelligent Investor have made.

There are plenty to choose from; from selling out too early (and never buying back in), to staying loyal and ignoring all the red flags, to underestimating real risk and falling in love with a charismatic business leader (and many more variations).

Addis is a traditional value' investor. Selling out of Cochlear ((COH)) ahead of many more share price gains is explained as one of his career-defining mistakes.

Harry Hindsight is a wise man, of course, and always 100% accurate.

Whether Addis would stay on board of a company whose PE multiple is more than three times the local market's average is a question only the author can answer, but the lesson has been learned:

"Quality is easily recognised, which is why the best companies rarely trade at cheap prices. Even when they stumble, investors generally recognise their ability to quickly recover. This is the price of quality. Usually, it is worth paying for. It is better to own a great business purchased at a reasonable price than a poor one purchased cheaply only to watch it become cheaper still."

On my own observations, value investors that would in the past never consider paying up for above-average corporate quality nowadays own shares in the likes of Car Group ((CAR)) and CSL ((CSL)), so clearly some important lessons have been learned across the industry in recent years.

This book is written with 100% hindsight, and wouldn't we all be able to travel back in time and approach many of our investment decisions in a different manner?

Yet, the fact a share price doubled or tripled does not by definition mean we made a mistake or missed an opportunity. This is probably the most difficult case study to explain to investors and Addis does it by referencing Afterpay, a local success story he does not regret not having owned.

As an investor, the author proclaims, it is important to stay true to one's investment style and risk-assessment and Afterpay simply never appealed because it was always too risky and unproven as an emerging new business.

For those who did enjoy the stellar gains made in the company's short life as an independent, ASX-listed business, Afterpay is now the prime example for the risk of underestimating how exceptional its business experience has been, argues the author.

If Afterpay somehow has awoken the taste for more of the same, Addis highlights those who seek the next one hundred bagger are far more likely to end up accumulating losses. Because the risks involved are tangible and one never knows when exactly those risks rise to the surface.

In Afterpay's case, we will simply never know as Block bought the business in January 2022 and kept the operation hidden inside group accounting since.

Better not to feel sad about such missed opportunities, Addis insists, the rear-view mirror is staring at the past.

"Select a few well-researched, high-quality investments, purchase them at reasonable prices and let compounding do its work. By not seeking, you may find."

And also:

"[] there is no substitute for expertise and research. Things can and will go wrong, even for those on the inside playing with smart money. We can all fall victim to tightly held beliefs. If you want to improve, learn from your failures and those of others. Unfortunately, there is no other way, and sometimes the lessons will be expensive."

How not to lose 1 million. Win at investing by losing less by John Addis, published by Major Street Publishing, 185 pages.

Technical limitations

If you are reading this story through a third party distribution channel and you cannot see the book cover 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

COMMODITIES

Is Santos A Re-Rating In Waiting?

The key highlights from Santos' quarterly report were upgraded guidance and progress on two major projects the company will complete before switching focus to shareholder returns over growth.

-Santos' 2025 production guidance upgraded, costs reduced
-Barossa gas and Pikka oil are on-track
-Dorado gas delayed, for now
-Increased dividends ahead for loyal shareholders

By Greg Peel

Santos' ((STO)) strategy day last November excited brokers, underscoring across-the-board Buy or equivalent ratings. In recent times, noted Morgans at the time, a key point of differentiation between Santos and its larger local peer Woodside Energy ((WDS)) has been that Santos held a stronger growth profile, while Woodside enjoyed better earnings quality from its concentrated portfolio of high-quality assets.

The strategy day outlined that was about to change.

The focus of the 2024 annual investor briefing was the planned introduction of a new capital framework that would slow growth and increase shareholder returns. Macquarie described it as a simplified and more disciplined framework, while Morgan Stanley saw the shift as positive, improving comparability and signalling smoother returns from Santos' growth profile.

The new framework will apply from the second half of 2026 when growth projects are commissioned at Barossa gas (offshore Northern Territory) in the September quarter 2025 and Pikka oil (Alaska) in the first half of 2026. The new framework will return more cash to shareholders than the current policy and confirms Santos will prioritise shareholder returns over committing to its available growth opportunities, including Papua LNG, backfill opportunities into PNG LNG, Dorado (offshore WA), Narrabri (NSW) & Beetaloo (offshore NT).

Last week, Santos released its December quarter production and sales numbers. Analysts are once again excited, albeit not so much by the quarterly performance, which was largely in line with expectation, but by the progress being made at Barossa and Pikka.

Upgraded Guidance

Santos reported a quarterly result in line with consensus expectations, albeit with sales revenues ahead due to stronger realised LNG pricing. The company released 2025 guidance, providing a positive outlook for 2025, with the midpoint of production guidance 4.5% ahead of consensus and the midpoint of unit production cost guidance -10% below.

The expected start of production from the Barossa field in the upcoming September quarter underpins the upgraded production guidance for 90-97 million barrels of oil equivalent (mmboe) this year, which compares with previous market expectations of 90mmboe.

Meanwhile, the inclusion of Barossa volumes is the primary driver of the guidance for lower unit operating costs. Guidance is for US$7.0-7.50 per barrel of equivalent (boe), compared with a prior consensus estimate of US$7.90 along with some older higher-cost projects reaching the end of their productive life.

The Barossa project was 88.3% complete at the end of December 2024, with drilling underway at the fourth and fifth production wells. Drilling results to date have been in line to ahead of expectations. The project remains on track versus the current budget and is still tracking to first gas production in the September quarter.

Given how difficult this project has been for Santos (permitting, and legal challenges from climate activist-backed groups), Macquarie believes first LNG is particularly significant.

Pikka is also progressing but it's too soon to know if first oil flow will be this year, Jarden suggests. No formal update on timing was provided but management commentary stated "strong progress was achieved to date" in relation to winter season pipelay activities. Pipeline installation is on the critical path for the project and early completion could allow first oil to commence as soon as December, although management had targeted mid-2026.

Goldman Sachs continues to assume start-up in the June quarter 2026, slightly ahead of management expectations, reaching nameplate capacity in the September quarter.

Dorado Deferred

Significant to the outlook, suggests Macquarie, is that the Dorado gas project (offshore WA) appears to have been deferred. The project is a joint venture between Santos (80%) along with Carnarvon Energy ((CVN)) and Taiwan's CPC Corp owning 10% each. While no mention was made of Dorado with Santos' quarterly release, Carnarvon recently reported the project would not enter FEED (front-end engineering and design) at this stage.

The decision is consistent with Goldman Sachs' assumptions and Santos' strategic focus on shareholder returns over production growth (following the revised capital framework in November), and the broker believes Santos can phase the Papua LNG, Dorado and Pikka Phase 2 projects to maintain strong earnings and cash flow through the decade.

Goldman considers Dorado an attractive development opportunity and continues to model the project online by 2031. The broker does expect an investment decision would be supported by additional gas discoveries to bolster Phase 2 for potential LNG tolling.

The indefinite delay limits capital expenditure on growth, notes Ord Minnett.

Meanwhile, decommissioning in Western Australia continues with four of eleven wells plugged and abandoned (Mutineer, Exeter, Fletcher, and Finucane). Harriet Alpha platform removal is next.

Unlock Value?

Management was confident at its November strategy day of delivering Barossa and Pikka on time before the new capital framework, prioritising shareholder returns over growth for growth's sake, kicks in.

In Ord Minnett's view, the broader market is not positive enough on how keen Santos is to boost shareholder returns or its ability to generate strong free cash flow. This is also reflected in consensus expectations for a dividend yield of 6-7% over the 2026-28 period, versus the broker's own estimates for a yield of 10-12%.

In the five years ending 2028, Citi estimates dividends per share increase at a 17% compound annual growth rate while gearing (ex-leases) falls some -330 basis points. This assumes Pikka Phase 2 and PNG backfill are both sanctioned, bringing production to in excess of 120mmboe. This suggests the portfolio is not being cannibalised to pay much higher distributions. Notably for Citi, this top line growth occurs at a return on invested capital some 300bps above Santos' weighted average cost of capital. "This is the kind of oil business we want to own," says Citi.

UBS lifts its 2025 capex forecast in line with new guidance and expects an update at the FY24 result on the cost-out initiatives and targets planned for 2025. Santos remains this broker's most preferred Australian Energy exposure offering 8% compound annual growth in free cash flow over 2024-27 and 25% growth in dividends, while maintaining an attractive long-term growth outlook which UBS believes can support a re-rate over the next six months as the inflection point in free cash flow, when Barossa gas and Pikka oil come online, draws near.

A fork in the road is approaching, notes Macquarie. Santos has turned the corner on key growth projects, has outlined a (credible) path to stronger shareholder distributions, and yet the market continues to materially undervalue the company.

That perceived undervaluation has led to some hedge funds with sizeable shareholdings to push management for a demerger of the company's Australian and PNG assets. This, they believe, will unlock significant value. Not all are convinced, nonetheless.

At the November strategy day, the Santos CEO admitted the company was assessing options to revive a "frustrating" share price.

With Dorado delayed, and WA decommissioning work progressing, a demerger looks to Macquarie to be a prudent path to realising full intrinsic value for shareholders -- more than $10 per share on forward curve pricing.

Investors now await any further news at the upcoming 2024 result release. In the meantime, there is no change to Buy or equivalent ratings from the five brokers monitored daily by FNArena covering the stock; Macquarie, Morgan Stanley, Citi, Ord Minnett and UBS.

Nor have Goldman Sachs or Jarden shifted from Buy-equivalent ratings.

The consensus target among daily-monitored brokers is $8.16, up from $8.04 following the strategy update, while Goldman Sachs is on $7.90 and Jarden on $7.65.

COMMODITIES

Coronado Global Counts On Better Times Ahead

Following Coronado Global Resources' fourth quarter update, analysts focus on operational improvements and upside from the Mammoth underground deposit.

-Operational improvements in Q4 for Coronado Global Resources
-Ramp-up at Mammoth underground key for costs, highlights Macquarie
-Balance sheet risks weighing on the share price
-Brokers largely Buy-rated, despite some balance sheet concerns

By Mark Woodruff

Following the December quarter operational update by coal miner Coronado Global Resources ((CRN)), broker Morgans sets aside the company's vulnerability to short-term, cyclically driven pricing pressures.

Instead, the broker focuses on Coronado's strength as a volume-leveraged proxy to compelling, structurally driven pricing tailwinds for hard coking coal (HCC) over the medium-term.

A 2025 rebound in steel market fundamentals is key to Morgans' investment thesis for Coronado, along with sound execution by management at the company.

Management anticipates stable near-term Chinese demand fundamentals, contingent on potential stimulus measures, and a substantial boost in US steel demand on an improved economic outlook and potential re-shoring policies.

Coronado is largely a metallurgical coal miner with operations in the Bowen Basin of Australia (Curragh mine) and the Buchanan, Logan and Greenbrier mines in the Appalachian region of the US.

Supplying coal to steel making customers located in the Americas, Europe and Asia, Coronado sells several grades of metallurgical and thermal coal.

Weighing a forecast for minimal free cash flow in 2025 against the deep value at which shares of Coronado are currently trading, Ord Minnett decides the organic growth outlook remains compelling, pointing to an anticipated 23% production lift by FY28.

The 2027 expiry of Coronado's long-term contractual obligation to supply thermal coal to Stanwell Corp should also result in higher realised prices, notes this broker.

Stanwell Corp is a Queensland government-owned entity that operates the Stanwell Power Station. At present, the company pays Stanwell a tiered rebate for coal access.

Coronado is currently ranked outside the top 300 for market capitalisation on the ASX, after experiencing a share price fall to circa 65c from around $2.45 in May, 2022.

<u>December quarter results</u>

Over the December quarter, the company made gains on production and executed on cost improvements, but a metallurgical coal sales mix decline weighed on realised prices, resulting in an expanded net loss for the December half, observes UBS.

Operational progress was evident at the Mammoth deposit at Curragh with the delivery of first coal in December, while the Buchanan expansion performed better-than-expected by UBS, despite a longwall move completed during November.

Costs of US$97/t were -9% lower than the consensus expectation, a fall of -17% quarter-on-quarter, reflecting productivity improvements and a cost reduction program at Curragh. UBS observes inventory builds also had a positive impact on costs.

The Mammoth underground ramp-up is a key near-term catalyst to lower costs, highlights Macquarie.

Run-of-mine (ROM) coal production (i.e. prior to processing) of 6.8mt in the fourth quarter beat the consensus forecast by 4%, but saleable production of 4.0mt and sales of 4.1mt missed by -4% and -6%, respectively.

Goldman Sachs attributes the lower-than-expected saleable production mainly to lower production from the Buchanan mine due to poor geotechnical conditions and a 10-day outage during December.

Curragh production was in line with the analysts' forecast despite the impacts of heavy rainfall throughout the Bowen Basin.

The sales miss and lower proportion of met coal sales at 77% resulted in revenue of US$558m, missing the consensus estimate by -12%.

The lower met coal mix translated to met coal realised price for the group of US$163.2/t, an 81% realisation to the quarterly average HCC index, highlights Bell Botter.

This broker believes quarterly group earnings (EBITDA) were -US$2m, in line with its own forecast, taking estimated earnings to US$108m for 2024.

<u>Balance sheet concerns</u>

At quarter's end, Coronado held net debt of US$85m, 11% higher than the consensus forecast, and available cash liquidity of US$468m.

Rightly, suggests Morgans, **the market is placing a sharp focus on liquidity and balance sheet buffers due to cash leakage.**

This broker estimates free cash outflows of circa -US$65m in the fourth quarter, prior to tax and working capital adjustments, which has effectively been funded from the September quarter debt re-financing.

A US$400m senior secured notes issue was completed in early-October 2024.

Coranado can weather another three quarters or so, believes Morgans, before total available liquidity tests management's notional comfort level of US$250m.

Upside from underground operations at Mammoth

Bell Potter believes Coronado's production profile has de-risked with the commencement of ramp-up to 1.5-2.0mtpa incremental saleable production from the lower cost and less weather-affected Mammoth underground operation.

One continuous miner is operating, with an additional two scheduled to be added in the first and second quarter of 2025.

Following a troubled 12 months at Mammoth due to weather, inventory movement and unplanned outages, management expects unit costs will normalise.

Outlook for earnings and coal pricing

Ord Minnett anticipates improved earnings in 2025, forecasting a 155% improvement in EBITDA to US$304m, thanks to production growth and the annualised benefits of recent cost savings.

2025 production and cost guidance is expected at the full year financial result release on February 20.

A new $1.35 price target set by Buy-rated UBS assumes a long-term real US$200/t met coal price.

This broker forecasts premium low-volatile (PLV) coking coal, the high-quality grade of metallurgical coal used primarily in steelmaking, will recover to US$250/t by the end of 2025 versus the current US$190/t spot price.

Of the five brokers updated daily covering Coronado Global Resources in the FNArena database, three have Buy ratings, while Morgans has a Speculative Buy rating and Ord Minnett is on Hold.

The average target price of $1.17, down from $1.29 prior to the December quarter operational update, suggests around 83% upside to the current share price of 64c.

Outside of daily coverage, Goldman Sachs is rated Buy and Barrenjoey is Neutral with respective targets of $1.05 and 90c.

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COMMODITIES

Whitehaven Coal: Sales Up, Prices Down

Whitehaven Coal's December quarter production was solid and sales surprised to the upside, but on weaker pricing.

-Whitehaven Coal's production on track with guidance
-Sales exceed forecasts
-Queensland realised prices disappoint
-Positive views on longer term coal prices

By Greg Peel

Whitehaven Coal's ((WHC)) December quarter production was in line with or ahead of broker forecasts, while sales were a clear beat of consensus. Managed run-of-mine production of 9.7mt for the quarter was in line with the September quarter, while total sales of produced coal of 7.8mt for the quarter were up 22% on September.

Despite operational challenges across the first half in Queensland (weather), Whitehaven is tracking well to achieve FY25 guidance across Queensland and NSW, Macquarie notes, with each division having produced 53% and 51% of their run-of-mine guidance range mid-points respectively. Managed coal sales are also tracking ahead of the guidance range mid-points, achieving 54% and 56% respectively. FY25 consensus managed sales are now 2% above guidance range mid-point.

In Queensland, Daunia sales were strong, up 34% quarter-on-quarter, offsetting unplanned lightning-induced downtime at Blackwater. In NSW, Narrabri run-of-mine inventories were drawn following a longwall chain failure; the chain was replaced and further engineering works will be undertaken at a scheduled longwall move in February 2025.

Whitehaven looks on track to achieve the upper end of volume guidance and the lower end on costs, Morgans suggests. The flagged removal of -$100m of annualised costs by end-FY25 is also on track. Very pleasing momentum all round, the broker declares, matching consensus expectations and recent management tone.

Weak Pricing

Whitehaven's coal price realisations disappointed in the quarter. The miner has missed guided Queensland metallurgical price realisation ranges by an average -900 basis points in two out of the three quarters of Queensland asset ownership. Product mix and volatility in prevailing spreads across the met coal suite (currently impacted by discounted Russian product) play into this, and Morgans agrees normalised metrics across a longer period matter far more.

However, this is likely to be a lingering focus, Morgans suggests, especially while some abnormal weakness plays out in global steel. Solid customer interest and uptake offer comfort, but the broker thinks it's prudent to temper long-term realisation assumptions slightly which has trimmed some value from Morgans' net present value estimation.

In Queensland, realised prices fell to US$152/t from US$176/t despite flattish quarter-on-quarter index pricing, Macquarie notes. This meant realisations fell to 75% from 84%. While lagged pricing is able to explain some differences, Macquarie estimates Queensland hard and semi-hard coking coal was sold at an additional -10% discount to what the company disclosed at the time of the acquisition of the Queensland assets.

Management believes Queensland met coal realisations should improve in the second half to around 80%, mostly due to an expected improvement in hard coking coal production at Daunia and an increase in Vickery thermal coal in NSW.

Citi notes coal prices have become more volatile over the past five years as the historically bulk-traded market has moved to a more terminal market approach.

Balance Sheet

Unit costs continue to track towards the bottom of the guidance range of $140-155/t, Goldman Sachs points out, and net debt at end of December declined to $1bn, noting this is before the $360mn stamp duty payment to the Queensland government, and proceeds from the US$1bn post tax sale of -30% of the Blackwater mine, which is expected to close in the March quarter.

At a high level, Bell Potter estimates Whitehaven could hold around $0.2bn net debt at FY25-end, with significant second half cash flows, including receipt of the Blackwater selldown proceeds and the first -US$500m deferred acquisition payment to the BHP Group ((BHP))/Mitsubishi Development JV from which Daunia and Blackwater were acquired.

The coal miner intends to review its capital allocation framework at the end of FY25. Whitehaven's significantly de-risked balance sheet should provide increased capacity for shareholder returns, Bell Potter suggests.
This broker believes Whitehaven holds capacity to deliver above its targeted dividend payout of 20-50% of profit from its NSW operations.

Surplus cash (perhaps some $500m) should provide flexibility for Whitehaven to deliver, or potentially exceed, Ord Minnett's dividend forecast of 32cps (5% yield), subject to its liquidity needs and growth priorities (eg Vickery).

Steel Demand

Morgans maintains a bullish medium-term structural view, suggesting investors should buy the current dip in the steel cycle. Near term catalysts look elusive nonetheless, and Morgans looks to better clarity on the reality of Trump's trade agenda, momentum in global rate cuts and possible China stimulus as possible catalysts.

Citi remains constructive on met coal pricing, noting Indian steel production was up 9.5% year-on-year in December, and with the prospects of steel tariffs plus expanded infrastructure spend to come.

Bell Potter holds a positive long-term met coal outlook and sees upside risks given a constrained and increasingly consolidated supply base.

Targets Trimmed

Of the six brokers monitored daily by FNArena covering Whitehaven Coal (UBS, the seventh, is currently on research restriction), all maintain Buy or equivalent ratings following the December quarter release.

Macquarie has cut its price target by -6% to $8.50 on a lower earnings outlook. While sales volumes were healthy, the broker has revised product mix and discount assumptions taking a more conservative stance. Macquarie nevertheless remains constructive on Whitehaven despite the cut, with met coal prices at cost-curve support levels.

Morgans adjusts forecasts for the December quarter results, lower short-term hard coking coal forecasts, a significantly lower short-term AUD, and re-shaped costs. This leads to a target cut to $9.50 from $9.65.

Morgan Stanley sticks with its target price of $8.95, Bell Potter is happy with $9.00, and Citi is unchanged on $8.30 as is Ord Minnett on $9.60. This leaves a consensus target among daily-monitored brokers of $9.06, suggesting a significant 47% upside to the last traded price.

Goldman Sachs has adjusted its earnings forecasts driven by a decrease in near-term realised pricing, changes to product mix and one-off costs associated with the cost reduction program at the Queensland assets.
This broker's net asset value estimate rises 5% to $9.50 from $9.00 mostly on a -30% decrease in net debt (timing of one-off payments).

Additionally, Goldman has decreased its enterprise value to earnings multiple to 3.5x from 4.0x to be in line with the median average for the global coal sector. Overall, this results in the broker's target falling -2% to $8.90 from $9.10.

On FNArena's consensus forecasts, derived from the daily monitored brokers, the shares offer dividend yields of respectively 3.4% and 3.8% for FY25 (running, halfway through) and FY26.

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FEATURE STORIES

DeepSeek & More AI Excitement For 2025

The rapid pace of AI evolution continues, what's new, and which sectors/stocks are in focus

-Trump flicks the AI switch
-China challenges US innovation
-Morgan Stanley's latest AI survey in focus
-The next big thing in AI
-Beyond textual data to the optical data transformation
-E&P's update on Australian Tech Stocks

By Danielle Ecuyer

At the outset of the first update on GenAI in 2025, a brief definition reset is apposite.

Such is the scope and scale of change in the megatrend that, without defining the different forms of AI, the investor and reader are left proverbially up the technology river without a paddle.

The following definitions should assist:

-**Inference AI** focuses on applying trained models to infer results or make predictions. Currently widely used with chat bots, generating or predicts outputs from inputs, such as the current large language models

-**Generative AI** are systems designed to create new content, data, or ideas that resemble human-produced outputs. It uses machine learning models, often powered by neural networks, to generate text, images, music, videos, code, or other content based on patterns learned from existing data.

-**Agentic AI** acts on its own to achieve goals, requiring autonomy and real-time decision-making. Agentic is in development and includes autonomous vehicles and virtual assistants.

-**AGI** or artificial general intelligence, would embody human-level cognition and versatility, transcending the limitations of current AI. In development, theoretical, and referred to as singularity,' a point at which machine intelligence supersedes human intelligence.

Source: ChatGPT

<u>2025 starts with a Big Technology Bang</u>

Trump 2.0 has hit the ground running and seemingly already upped the ante in the race for developing artificial general intelligence, having declared he was softening the regulatory safety guardrails for generative AI development on day one.

Unlike Trump 1.0, America's tech titans are clearly in the President's orbit. The Stargate announcement at the Oval Office for a joint venture, where an initial US$100bn will be spent on the construction of the "physical and virtual infrastructure to power the next generation of advancements in AI and this will include the construction of colossal data centres," further confirmed the President's newfound enthusiasm for AI.

The joint venture is between Oracle, SoftBank, and OpenAI, with funds from additional investors, such as Microsoft yet to be announced in full. The Stargate project has a target to reach US$500bn in AI projects.

According to Bloomberg, the Chief Executive Officer of Google DeepMind told the agency in Davos, *"the administration is getting advice from the people who really understand what's happening at the cutting edge."*

Nigel Green, CEO of deVere Group, an independent financial advisory and asset manager, said:

"Many analysts argue the AI rally is going to dampen this year, but this news reaffirms we're merely in a recalibration phase, not a revolution in market leadership. AI is not a fleeting trend, it's the foundation of the future. Investors who fail to recognise this risk missing out on one of the most transformative opportunities of our time."

And:

"Trump's AI initiative is a wake-up call to the immense and ongoing potential of artificial intelligence. The time to build exposure to the defining economic shift of our era is today."

The AI race continues to heat up

As described by Geninnov founder and investment manager Nilesh Jasani, world powers and corporations are confronting the prisoner's dilemma: if they do not pursue AI developments, their biggest competitors will.

The Trump Administration's incoming announcements suggest caution around intelligent AI concerns and sufficient clean energy to power the mega data centres is seemingly swept away in favour of significantly advancing America's technologies.

The fear of China beating the US in the AI race is a highly motivating factor, see also the DeepSeek development over the Australia Day long weekend.

Both Bloomberg and Jasani lay bare the challenges involved in progressing AI.

Confronted with substantial investment costs and potential challenges in securing the necessary GPUs, China is adopting a different pathway to bypass the "compute constraints," Jasani proposes.

Instead of projects such as Stargate, where billions of dollars are invested in large-scale infrastructure for large-scale language models, China is moving to use new technologies at a lower cost and lower energy use.

If necessity is the mother of invention, Cathy Wood, the founder and CEO of ARK Invest, emphasises the transformative potential of disruptive innovation through the phrase *"cheaper, faster, better, and more scalable."*

DeepSeek, a Chinese start-up, showcased the release of DeepSeek-V3, an open-source AI language model using old Nvidia GPUs, H800s, at a cost of US$5.5m, or, as Jasani highlights, at costs 15 to 20 times less than usually assumed.

The H800 GPU was launched on March 21, 2023, and priced at US$17,800, in contrast to the Blackwell GPUs expected to cost US$30,000 to US$70,000..

ChatGPT underscores the DeepSeek-V3 model outperforms Meta's Llama 3.1 and Alibaba's Qwen 2.5 and is competitive with ChatGPT-4.0 and Claude 3.5 Sonnet.

Jasani also highlights MiniMax-01 succeeded in developing a model that can use 20 to 30 times bigger input than the best current models. The model proved it could extract data from a 450-page IPO document and compute DuPont analysis (a method of financial analysis to break down a company's return on equity into multiple components).

Other existing models are unable to handle the large size of the data input and computation. Jasani proposes there are alternatives to developing compute with lower costs and increased efficiencies.

As the DeepSeek development spread across the five continents, shares in US technology companies and AI beneficiaries sold off with follow-through implications for peers on other exchanges.

Nvidia continues to challenge the status quo

Nvidia's latest GB10 chip, cost US$3000, was showcased at the January Consumer Electronics Show in Las Vegas. Jasani details how the chip allows for decentralised computation on devices, obviating the need for large data centres with high-cost barriers.

Latency, security, and privacy issues have the potential to be reduced with local processing on an AI-powered device or tool, and the lag between image capture and analysis, for example, is minimised for the medical industry.

Jensen Huang believes the shift to physical AI is a burgeoning new era, Jasani details, where more powerful PCs and physical devices will be supported by Edge AI, new AI internet-of-things platforms, and networks of connected devices.

Although the innovations suggest the death knell of large-scale data centres, Jasani stresses AI-driven solutions will require "robust infrastructure" to handle growing inference loads.

A layperson might visualise the evolution and development as a mix-and-match combination of different solutions and outcomes. The earlier quoted Nigel Green highlights AI is no longer just a tech story; increasingly there is evidence of its application changing healthcare, logistics, energy, and financial services.

"It's become a critical driver of productivity and efficiency, making it a foundational component of the global economy."

<u>AI adoption is just getting started</u>

Morgan Stanley's third AI Adopter survey, with the first in January 2024 and second in June 2024, has revealed a surprising rate at which AI continues to evolve.

The analysts' coverage of over 3,700 global stocks showed 585 stocks had changed their AI exposure or AI materiality worth US$13trn in market capitalisation.

Materiality refers to the relevance or significance of artificial intelligence (AI) in terms of its impact on companies.

The broker states the capabilities of AI models and costs are developing apace, with adoption by corporations still at an early phase.

Five new findings emerged from Morgan Stanley's third study:

-275 stocks with a US$5.7trn value changed exposure, and 310 stocks with a US$7.8trn value changed materiality, with 115 stocks or US$2.2trn in value changing both exposure and materiality. Within those findings, some stocks changed categories and exposures either up or down.

-24 stocks (net) moved from Adopters to Enabler/Adopter, and seven stocks were disrupted.

-AI is more material for 17% of Financial coverage, with Financials having the highest AI materiality over the analysts' global coverage. Consumer Staples, in contrast, experienced a net -3% lower importance.

-139 adopters were identified as possessing "High Pricing Power" and outperformed "Low Pricing Power" adopters by 30% since the release of ChatGPT. Eight companies have been included in the high pricing power and high AI materiality adopters category since the last survey.

-Interestingly, the companies that increased exposure and materiality in Survey 2 outperformed the MSCI World by 25% in 2024, predominantly over the second half.

Morgan Stanley proposes the rate of AI change in adoption will remain a "differentiating factor" for stocks in 2025. Expanding further, the broker details the speed of AI evolution in foundational models, such as ChatGPT.

In the last two years, model capabilities have moved from a reliable output or supplement for five-second or five-minute tasks, the analyst details, to models offering reliable output for 15 minutes to one hour.

The latest models, which require more compute intensity, are transitioning to the inference or "greater thought" stage rather than data "regurgitation." These models are evolving to four-hour and ultimately five-day tasks being automated.

Morgan Stanley stresses the rate of "evolution" and level of corporate adoption and materiality remains underappreciated by investors.

Agentic AI, on the rise

Both Citi and Morgan Stanley agree 2025 brings forth the new "New Thing," Agentic AI, in what Citi describes as the "Do it For Me" economy.

Agentic AI is artificial intelligence that can implement autonomous decisions without humans and solve complex problems independently and proactively, Citi explains.

From the broker's perspective, **agentic AI will have a bigger impact on the US economy and finance than the internet era**.

Morgan Stanley's head of software believes 2025 will mark the escalation of the agentic layer onto enterprise software.

The broker highlights Gartner's research, which proposes by 2028, 33% of enterprise software applications will include agentic AI, up from 1% today. Industry analysts estimate 15% of daily work decisions will be made autonomously.

In Morgan Stanley's third study, the banking sector showed the highest percentage of stocks evidencing AI materiality. The study illustrated Financials exhibited the highest degree of "low-hanging opportunities" across revenue and costs.

Citi highlights the Financial sector as the second-largest user of GenAI after telecoms and media; historically it is the largest IT spender.

The broker isolates applications across personalised offers, customer engagement, operational efficiency, risk and underwriting, financial forecasting, know-your-client/onboarding, and fraud prevention in the financial sector for agentic AI, specifically the wealth management/retail banking, corporate banking, institutional investor, and insurance sectors.

Morgan Stanley concludes investors should continue to play the followings three themes for AI in 2025:

-Enablers/Adopters will continue to play the most significant role in AI evolution, which is believed to be a decade-long thematic. 2025 will start to reveal "software layer monetisation," which is viewed as an opportunity. Infrastructure continues to be important. This category is represented by 234 companies with high AI materiality, US$29trn in market cap, and US$5trn in revenue.

-The rate of change. Morgan Stanley views the surveys as providing valuable inputs into tracking the rate of change, and results indicate companies adopting new AI technologies can achieve "structural advantages." Financials are viewed as potential AI beneficiaries with rising AI importance.

-Adopters with pricing power have a "key advantage." Sifting through the 1,300 list of AI Adopters, the broker views high-pricing-power companies as in the strongest position to generate value from improved efficiencies.

Changing the industrial complex

The Tesla analyst at Morgan Stanley, Adam Jonas, recently discussed the multiplicity of technological challenges Elon Musk is trying to address.

Jonas refers to them as Tesla's economy of DREAMS (data, robotics, energy, AI, manufacturing, and space) when GenAI and large language models are employed as the "great unlock" for Musk's companies' power, like Tesla.

The analyst depicts how AI will move from the digital world to the physical or atomic world with autonomous vehicles and robotics. Instead of written input to the models, sensory data such as optical data are fed into the models.

Chatbots apply textual data to train foundational models, while physical robots require vision data to train their vision and language foundational models.

Jonas expects a race to collect passive visual data to create a "hyper-realistic digital twin of the physical world." The evolution of the use of optical sensors in spectacles and vacuum cleaners to the US$10trn global transportation market could be a potential game changer.

E&P stock analysis for reporting season

NextDC ((NXT)) remains one of the broker's top picks again in 2025, with a valuation of $29.27 compared to the

FNArena average target price for daily monitored brokers of $20.117. The analyst at Evans & Partners (E&P) believes the recent weakness in the share price is due to impatient sentiment around deal announcements.

And that was before DeepSeek triggered a sell-off for AI beneficiaries around the world.

The trading pattern aligns with historic trends with a positive setup from a trading perspective for the stock as the valuation multiple has been compressed and significant construction activity in Melbourne is usually a forerunner to deal announcements.

The macro backdrop for data centre demand remains robust. E&P anticipates the prospect of "significant deals" across all three of the company's facilities in M2, M3, and S3. The 1H25 result is believed likely to bring back investors' attention to the stock.

Megaport ((MP1)) is highlighted as a recovery story, although there is no specification on guidance from management as to when revenue growth will significantly start to pick up. With a lot of negative news and low expectations already in the stock price, the broker doesn't envisage a lot of downside to the price, nor is there at this stage any reason for upside risks.

The stock is valued at $14.16. FNArena's daily monitored brokers' average target price is $10.142.

Although the backdrop is positive for the broker, **Macquarie Technology Group** ((MAQ)) is expected to have a "quiet first half year" with guidance already issued and the VMware hypervisor repricing last year which impacted the company's Cloud Managed Services margins.

As construction on IC3W advances over the year, investors are anticipated to place more attention on the potential news for a contract with a hyperscale client, the analyst explains. E&P's valuation for the company stands at $109.43 versus the FNArena daily monitored average broker target of $100.

<u>ASX software companies</u>

Amidst E&P's software coverage, none of the stocks are trading at "cheap" valuation multiples, the analyst highlights. There are near-term risks to share price performance due to the collective outperformance in 2024.

WiseTech Global ((WTC)) is the broker's top software stock, although the analyst does not have high conviction on any of the software companies covered.

The performance of Wisetech is seen as dependent on the success or not of the new Container Optimisation product which was due to launch in 2024. Post discussions with CargoWise customers, the broker is on balance "excited" about the product and views the upside potential as significant, assuming it works out.

The new product allows the customer to reduce the cost of goods sold, which is easier for a freight forwarder to integrate and achieve efficiencies than CargoWise's traditional scope of lowering opex-per-container, which results in the forwarder needing to restructure down the track with workforce reductions to achieve efficiencies, the broker explains.

E&P's valuation is $153.41 compared to the FNArena daily monitored brokers' average target price of $141.393.

Block ((XYZ)) is one of E&P's top picks for 2025. The analyst highlights optionality for the company to beat consensus earnings from one of a few levers, including cost control for operating leverage; Square simplifying customer onboarding by unifying the Square App; the build-out of an improved sales effort; Afterpay to potentially launch a Cash App card; paycheck deposit growth; and bitcoin mining facilities. Valuation stands at $337 (not a typo).

Xero ((XRO)) stands as a "low-risk proposition" for investors from an earnings perspective for 1H25, according to the analyst, with last year's price rises leading to upside risks on consensus earnings.

Customer checks at the end of 2024 and the start of 2025 have given way to concerns the analyst has on the stock due to complaints from domestic accountants and UK users on the price rises, which has resulted in small reductions to subscribers forecasts.

By contrast, there is more positive feedback from the US market, but this has yet to evolve into customer growth.

The valuation stands at $164m versus the FNArena daily monitored broker average target price of $196.15. The broker believes the market will dismiss subscriber growth concerns if the average revenue per user supports revenues. The consensus growth revenue forecasts for 1H25 are quite modest, and forex tailwinds should support revenue growth for FY25/FY26, the broker states.

SiteMinder ((SDR)) is likely to be more impacted by new product launches than the cyclicality of the travel sector, according to E&P. The travel industry is showing signs of momentum returning to more "normal" levels post the exuberant post-covid bounce-back, the broker explains.

From a product perspective, channel checks with the industry have been very positive and "hopefully" are a positive indication the company can meet investor expectations on new product adoption.

Valuation comes in at $7.33 against the FNArena average broker target price of $6.94.

TechnologyOne ((TNE)) comes up squeaky clean on the investment proposition and the financials for 2025; the issue remains the valuation for E&P. The company reports out of cycle and will not release earnings until May.

Post mark-to-market of forex changes, the broker's valuation lifts 10.8% to $27.27 against the FNArena average broker target price of $29.191.

The author owns Microsoft, Nvidia, WiseTech Global, TechnologyOne, and Xero shares.

For more on these topics and robotics refer to our dedicated GenAI section on the FNArena website: https://fnarena.com/index.php/tag/gen-ai/

as well as: https://fnarena.com/index.php/2024/12/12/the-2024-gen-ai-xmas-special-incl-2025-outlook/

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RUDI'S VIEWS

Rudi's View: Cochlear, Guzman y Gomez, SiteMinder, Wesfarmers & Xero

By Rudi Filapek-Vandyck, Editor

Morningstar's selection of **Best Buys** on the ASX (with no changes from the prior update in December):

Morningstar has a typical value' oriented methodology, which does not apply well for Growth and Technology stocks, plus, on my personal observation, a very outdated view on what makes a moat'.

As undervalued stocks can be quite often "cheap" for very good reasons (like: no earnings growth) selected companies can remain on Morningstar's list for a long while; in some cases literally multiple years.

The two exceptions from what you just read are Brambles and SiteMinder.

-APA Group ((APA))

-ASX ((ASX))

-Aurizon Holdings ((AZJ))

-Bapcor ((BAP))

-Brambles ((BXB))

-Domino's Pizza ((DMP))

-Dexus ((DXS))

-Endeavour Group ((EDV))

-Fineos Corp ((FCL))

-IDP Education ((IEL))

-IGO Ltd ((IGO))

-Ramsay Health Care ((RHC))

-SiteMinder ((SDR))

-Santos ((STO))

-TPG Telecom ((TPG))

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Healthcare sector analysts at RBC Capital have used their preview to the February results season to express their preferences:

-Cochlear ((COH))
-Integral Diagnostics ((IDX))
-Australian Clinical Labs ((ACL))
-Ansell ((ANN))
-Regis Healthcare ((REG))
-Monash IVF ((MVF))

Ironically, Australian Clinical Labs has been identified as at risk for delivering a negative surprise next month, alongside Sonic Healthcare ((SHL)) and Healius ((HLS)).

Among Australia's **Small Cap Industrials**, RBC Capital's three top picks are:

-G8 Education ((GEM))
-Temple & Webster ((TPW))
-Zip Co ((ZIP))

That last nominee released a rather disappointing market update on Thursday, which pulled down the share price more than -20%.

RBC analysts foresee multiple catalysts for the company in the year ahead, so maybe this won't change their positive view?

Among ASX-listed **Technology companies** Xero ((XRO)) and TechOne ((TNE)) are the two Key Picks.

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Morgan Stanley's two key picks among **consumer-related companies** on the ASX ahead of February are Guzman y Gomez ((GYG)) and IDP Education ((IEL)).

The first nominee has potential to deliver a positive margin surprise while IDP Education is expected to release better-than-feared visa data and ongoing progress in China.

Morgan Stanley is Underweight-rated on JB Hi-Fi ((JBH)), Harvey Norman ((HVN)), Super Retail ((SUL)) and Wesfarmers ((WES)); all should report solid sales numbers, but the broker sees risk in margins.

This broker's preferred local Real Estate stocks are Goodman Group ((GMG)), Charter Hall ((CHC)), Stockland ((SGP)), Scentre Group ((SCG)), GPT Group ((GPT)), and Centuria Capital Group ((CNI)).

All nominations have in common that each have small short term concerns heading into Feb-25 reporting, the broker highlights.

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When it comes down to consumer related stocks on the ASX, analysts at **Goldman Sachs** are suggesting a two-pronged strategy:

-Buy industry leaders gaining market share, with long-term growth options, like Wesfarmers ((WES)) and BRG Group ((BRG)), also known as Breville;

-Buy industry leaders with short-term earnings risk for a re-rating later in the year, such as Woolworths Group ((WOW)) and Endeavour Group ((EDV)).

Best Ideas & Conviction Calls

Stockbroker Morgans harbours positive expectations ahead of the upcoming February results season for the following 12 companies:

-Expecting forecast-beating results from the renamed Breville, BRG Group ((BRG)), Computershare ((CPU)), Guzman y Gomez ((GYG)), and Tasmea ((TEA))

-Expecting a strong outlook from Lovisa Holdings ((LOV)), Megaport ((MP1)), Pinnacle Investment Management ((PNI)), ResMed ((RMD)), Superloop ((SLC)) and Universal Store Holdings ((UNI))

-Regal Partners ((RPL)) is expected to announce capital management

-Treasury Wine Estates ((TWE)) is expected to report better-than-feared financials

On the negative side, Morgans sees earnings risk for Healius ((HLS)), HealtCo Healthcare and Wellness REIT ((HCW)), IDP Education ((IEL)), Monadelphous ((MND)), Ramsay Health Care ((RHC)), Tourism Holdings Rentals ((THL)), and Ventia Services Group ((VNT)).

A soft market update might feature results from ARB Corp ((ARB)), Domino's Pizza ((DMP)), Endeavour Group ((EDV)), and Woolworths Group ((WOW)).

Other companies that might be under threat of releasing a weaker-than-expected result in February are nib Holdings ((NHF)) and PeopleIn ((PPE)).

Taking into account the local share market is trading at a notable premium to its long-term valuation multiples, Morgans prefers caution, suspecting that companies that fail to deliver on high valuations will be punished.

The broker's **best tactical calls** among small caps include Acrow ((ACF)), Lovisa, Megaport, Pinnacle Investment

Management, Regal Partners, Superloop, Tasmea and Universal Store.

Preferred exposures on current weakness for resources stocks include BHP Group ((BHP)), Sandfire Resources ((SFR)), South32 ((S32)), Whitehaven Coal ((WHC)) and Woodside Energy ((WDS)).

Key calls for the Financial Services sector are QBE Insurance ((QBE)), Suncorp Group ((SUN)), Challenger ((CGF)), MA Financial ((MAF)) and Tyro Payments ((TYR)).

Taking all of the above, and more, into account, Morgans' **key calls for February** include Computershare, Guzman y Gomez, Lovisa Holdings, Megaport, Pinnacle Investment Management and Superloop.

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Morgan Stanley's six **High Conviction calls** ahead of next month's results releases are:

-Corporate Travel Management ((CTD))

-Data#3 ((DTL))

-Fleetpartners Group ((FPR))

-Life360 ((360))

-Lovisa Holdings ((LOV))

-Tuas ((TUA))

This broker's team of Quant analysts has identified Rio Tinto ((RIO)) and Pro Medicus ((PME)) as top-ranked ideas ahead of February.

The short list of top ranked ideas for the Asia-Pacific region ex-Japan also includes REA Group ((REA)).

The negative side has equally three ASX-listed companies; TPG Telecom ((TPG)), TechnologyOne ((TNE)), and Transurban Group ((TCL)).

***

January's re-assessment of the **global mining sector** by **RBC Capital** has triggered a downgrade for recommended portfolio exposures to Diversified & Bulk miners, but RBC retains Overweight recommendations for base metals, precious metals, and uranium.

In terms of individual stocks, and readers should keep in mind this is a global exercise, RBC's selection of Best Ideas has seen the inclusion of Westgold Resources ((WGX)).

Northern Star ((NST)), on the other hand, was removed even before this week's market update.

As reported previously, RBC Capital's global selection of Best Ideas among energy producers includes Woodside Energy ((WDS)) as the sole ASX representation.

***

Healthcare analysts at Citi have placed a positive Catalyst Watch on both ResMed ((RMD)) and Australian Clinical Labs ((ACL)) implying both are expected to surprise positively with their upcoming financial updates.

Their colleagues at the retail desk have done the same for both JB Hi-Fi ((JBH)) and Harvey Norman ((HVN)) as industry feedback over the Christmas sales period suggests upside risk to market expectations.

***

Ord Minnett has identified Aristocrat Leisure ((ALL)) and Brambles ((BXB)) as two strong (out)performers from 2024 that are most likely able to continue performing in the year ahead.

Sticking with that theme, analysts at **Wilsons** believe the following four outperformers remain poised to see ongoing upgrades to consensus forecasts in 2025:

-Xero ((XRO))

-Hub24 ((HUB))

-TechnologyOne ((TNE))

-WiseTech Global ((WTC))

****

Evans and Partners sees potential for ongoing strong performances from local **Tech companies and AI beneficiaries.**

The broker has kept a positive view on:

-NextDC ((NXT))

-Megaport ((MP1))

-Macquarie Technology Group ((MQG))

As well as on:

-WiseTech Global ((WTC))

-Block ((SQ2))

-SiteMinder ((SDR))

While sticking with a Neutral rating for the time being on (with positive view nevertheless):

-Xero ((XRO))

-TechnologyOne ((TNE))

***

UBS has retained its forecast for a US$2,900/oz gold price by mid year, which equates to A$4,500/oz or even higher if the weak AUD prevails, the broker suggests.

UBS currently has a Buy rating for Northern Star ((NST)), Perseus Mining ((PRU)), Gold Road Resources ((GOR)), and Bellevue Gold ((BGL)).

***

Bell Potter has lined up its **Key Ideas among A-REITs** ahead of February market updates.

Preferred sector exposures are Centuria Industrial REIT ((CIP)), Dexus ((DXS)), Aspen Group ((APZ)), Cromwell Property Group ((CWP)) and HMC Capital ((HMC)).

Sector analysts at JP Morgan believe 2025 is the year when investor interest will broaden from Goodman Group ((GMG)), and to a lesser extent Charter Hall ((CHC)) and Scentre Group ((SCG)).

JPMorgan analysts have upgraded Vicinity Centres ((VCX)) and Abacus Storage King ((ASK)) to Overweight, and Region Group ((RGN)) to Neutral.

Both Goodman Group and Hotel Property Investments ((HPI)) have been downgraded to Neutral, with Charter Hall Long WALE REIT ((CLW)) downgraded to Underweight.

****

Shaw and Partners' Model Large Cap Portfolio currently consists of the following:

-Block ((SQ2))

-CSL ((CSL))

-Flight Centre ((FLT))

-Paladin Energy ((PDN))

-ResMed ((RMD))

-Suncorp Group ((SUN))

-Telix Pharmaceuticals ((TLX))

-Xero ((XRO))

The broker's favourites among **Emerging Companies**:

-Amaero International ((3DA))

-Australian Vanadium ((AVL))

-Bannerman ((BMN))

-Chrysos ((C79))

-Humm Group ((HUM))

-Metro Mining ((MMI))

-Santana Minerals ((SMI))

-Southern Cross Electrical ((SXE))

****

Morgan Stanley's international selection of 31 **Best Businesses**, which aims to combine elements of corporate Quality with 'valuation', forecasts and Quant analysis, for a two-year investment horizon (which can be extended, of course), includes two ASX-listed companies: Macquarie Group ((MQG)) and Rio Tinto ((RIO)).

****

Ord Minnett's selection of **Conviction Calls** ("*our best small cap stock ideas as selected by our analysts*").

-ARB Corp ((ARB))
-Aussie Broadband ((ABB))
-Brazilian Rare Earths ((BRE))
-Cosol ((COS))
-Cuscal ((CCL))
-EQT Holdings ((EQT))
-Electro Optic Systems Holdings ((EOS))
-GQG Partners ((GQG))
-Qoria ((QOR))
-Regis Healthcare ((REG))
-SiteMinder ((SDR))
-Stanmore Resources ((SMR))
-Vault Minerals ((VAU))
-Waypoint REIT ((WPR))
-Zip Co ((ZIP))

****

January's update on the **APAC Conviction List at Goldman Sachs** has seen the inclusion of Worley ((WOR)) and Iluka Resources ((ILU)), for which the broker harbours bullish forecasts for the next four years.

Both are the only ASX-listed stocks included in a selection of 26 stocks.

****

The team of analysts and strategists at **Shaw and Partners** is convinced the time is right to invest in Australian small cap companies.

Shaw's **Top 10 list of Small Cap Ideas for 2025**:

-Amaero International ((3DA))
-Australian Vanadium ((AVL))
-Beforepay ((B4P))
-Bannerman Energy ((BMN))
-Chrysos ((C79))
-Humm Group ((HUM))
-Metro Mining ((MMI))
-Santana Minerals ((SMI))
-Silex Systems ((SLX))
-Southern Cross Electrical Engineering ((SXE))

****

In December, analysts at **Bell Potter** published their most favoured stock picks for the year ahead, with multiple ideas put forward per sector.

-Listed Investment Companies (LICs): Australian Foundation Investment Company (AFI), Qualitas Real Estate Income Fund ((QRI)), and MFF Capital Investments ((MFF))

-Technology & Gaming: Life360 ((360)), Light & Wonder ((LNW)), and Gentrack Group ((GTK))

-Diversified Financials: Perpetual ((PPT)) and Regal Partners ((RPL))

-Real Estate: Aspen Group ((APZ)), Cedar Woods ((CWP)), and Dexus Convenience Retail REIT ((DXC))

-Retailers: JB Hi-Fi ((JBH)), Premier Investments ((PMV)), and Accent Group ((AX1))

-Industrials: GenusPlus Group ((GNP)), SRG Global ((SRG)), and Duratec ((DUR)) as well as Austal Ltd ((ASB)), Brickworks ((BKW)), and IPD Group ((IPG))

-Healthcare: PolyNovo ((PNV)), Clarity Pharmaceuticals ((CU6)), and CSL ((CSL)) as well as EBR Systems ((EBR)), Biome Australia ((BIO)), and Genetic Signatures ((GSS))

-Gold companies: Genesis Minerals ((GMD)), Gold Road Resources ((GOR)), and Santana Minerals ((SMI))

-Base Metals: AIC Mines ((A1M)) and Nickel Industries ((NIC))

-Strategic Minerals: Alpha HPA ((A4N)) and IperionX ((IPX))

-Bulks & Energy companies: Boss Energy ((BOE)), Champion Iron ((CIA)), and Fenix Resources ((FEX))

****

Jarden's December update reduced the number of **Best Ideas** from the circa 110 smaller cap companies covered (ex-AS100) to 18 from 20 previously.

The broker's Emerging Companies' Key Picks (in order of total shareholder return) are:

-Qualitas ((QAL))
-Universal Store Holdings ((UNI))
-SiteMinder ((SDR))
-Temple & Webster ((TPW))
-Nick Scali ((NCK))
-EVT Ltd ((EVT))

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

-Champion Iron ((CIA))
-Domain Holdings Australia ((DHG))
-Genesis Energy ((GNE))
-Integral Diagnostics ((IDX))
-Ingenia Communities Group ((INA))
-Inghams Group ((ING))
-Karoon Gas ((KAR))
-Michael Hill International ((MHJ))
-Monadelphous ((MND))
-Pointsbet Holdings ((PBH))
-Pepper Money ((PPM))
-Telix Pharmaceuticals ((TLX))

****

Macquarie's selection of **best fundamental picks among quality mid-cap companies** on the ASX:

-AUB Group ((AUB))
-Breville Group ((BRG))
-Ebos Group ((EBO))
-Flight Centre ((FLT))
-Fisher & Paykel Healthcare ((FPH))
-Integral Diagnostics ((IDX))
-Lovisa Holdings ((LOV))
-Nick Scali ((NCK))
-Megaport ((MP1))
-Monash IVF ((MVF))
-Propel Funeral Partners ((PFP))
-Pinnacle Investment Management ((PNI))
-Qualitas ((QAL))
-Reliance Worldwide ((RWC))
-Ventia Services ((VNT))

****

Crestone's Best Sector Ideas are 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.

December's updated selection consists of 17 companies:

-Aristocrat 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 stock pickers remind investors, companies that grow dividends consistently can offer superior long-term return 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))

****

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

-AGL Energy ((AGL))
-Aristocrat Leisure ((ALL))
-Car Group ((CAR))
-GPT Group ((GPT))
-James Hardie ((JHX))
-Macquarie Group ((MQG))
-Paladin Energy ((PDN))
-Santos ((STO))
-Suncorp Group ((SUN))
-WiseTech Global ((WTC))

****

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))

****

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))
-Cleanaway Waste Management ((CWY))
-Steadfast Group ((SDF))
-James Hardie Industries ((JHX))
-ResMed ((RMD))
-Pexa Group ((PXA))
-Pinnacle Investment Management ((PNI))
-Treasury Wine Estates ((TWE))
-Viva Energy ((VEA))
-Xero ((XRO))
-IGO Ltd ((IGO))

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))

****

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))

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

See also 2024's final update: https://fnarena.com/index.php/2024/12/23/rudis-view-final-best-buys-conviction-ideas/

as well as last week's: https://fnarena.com/index.php/2025/01/16/rudis-view-best-buys-convictions-for-2025/

(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.)

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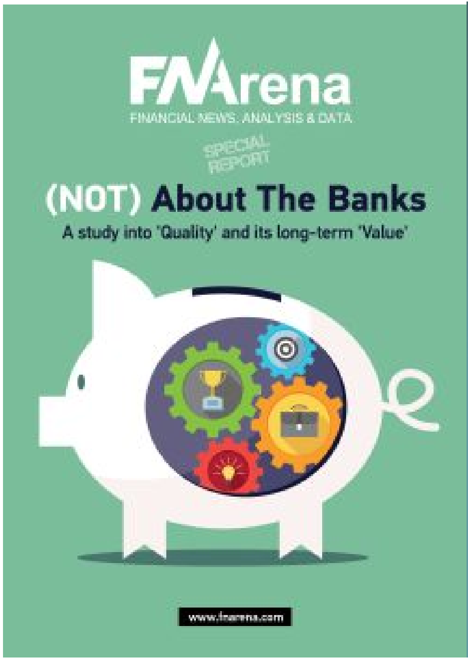

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((SQ2)) BLOCK INC has changed its code to ((XYZ)).

SMSFUNDAMENTALS

SMSFundamentals: Living Longer? Get Ready To Pay The Price!

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

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

Congratulations on Living Longer Now Get Ready to Pay The Price!

By Aadil Abbas, Licensed Financial Adviser/Aged Care Specialist

We've all heard the adage "the only two constants in life are death and taxes", I believe we can add inflation to that list.

Whilst everyone is busy dealing with cost-of-living crisis in the present, late last year in September 2024 the government introduced legislation into Parliament to usher in significant aged care reforms intended to be effective from 1 July 2025.

Whilst these are steps in the right direction to ensure a viable Aged Care system for all of us (currently it's the fastest growing line item in the government budget) these reforms will also increase the cost of growing old in our homes or in an aged care facility in the coming years.

It is important to note the government also announced grandfathering provisions for those already accessing the home care and aged care system. So, changes discussed in this article only apply to those who will look to access support services from 1 July 2025 onwards.

And whilst you may not consider yourself as one of those people who will need any support as you grow old, the stats tell a different story.

Based on ABS data, in 2022, 4 out of 10 older Australians (those above the age of 65) needed assistance with at least one personal or everyday activity such as household chores, visiting the GP/medical appointments, grocery shopping or property maintenance. This increases to 7 out 10 individuals needing assistance for those aged 85 years or over.

So it may be best to start planning in your 'active' years for the support you may require in the Quiet and Frailty years of retirement, because remember that life expectancy number in the picture below is an average. And if you have long bucket list, then you probably don't want to be average in this regard.

Source – Aged Care Steps, 2024

Let's start with support and services costs associated with growing old in the comfort our home.

Most people when they first seek support services from 1 July 2025 will deal with a revised home care program which will now be called Support at Home. These were until now called Home Care Packages (CHP) or the Commonwealth Home Support Program (CHSP) depending on the support required.

The revised Support at Home program will provide funding for:

1. Clinical care (e.g. nursing care, occupational therapy)

2. Independence (e.g. help with showering, getting dressed or taking medications)

3. Everyday living (e.g. cleaning, gardening, shopping or meal preparation)

The Government has confirmed it will pay 100% of clinical care services, with individual contributions going towards independence and everyday living costs.

However, from a cost perspective the most significant change being introduced is that amount payable for independence and everyday living costs will be based on the Age Pension income and assets test. Under the current rule, the income tested fee was based on income only.

As the table below show bringing the means testing for home care support in line with the age pension means test will result in people who have the financial means to pay more will be asked to contribute more.

Estimated percentage contribution by consumer to care services based on revised means testing :

	Clinical care	Independence	Everyday living
Full pensioner	0%	5%	17.5%
Part-pensioners and Commonwealth Seniors Health Card holders		5-50% depending on income and assets	17.5 – 80% depending on income and assets
Self-funded retiree		50%	80%

Source – Challenger, Aged Care Reforms from 1 July 2025 paper

Now let's look at changes to the cost of moving into an aged care /nursing home facility.

Summary of key changes:

1. Introduction of new fees
2. Aged care facilities to be able to retain 10% of the Refundable Accommodation Deposit (RAD) versus a full refund of this deposit currently. For example, a $500K RAD payment from 1 July 2025 will see a maximum deduction of -$50K over a 5 year stay period versus a full refund to the estate as per current rules.
3. Twice a year indexation of the Daily Accommodation Payment (DAP) versus a fixed percentage determined at time of entry currently

Below is an indicative analysis of increase in annual costs based on financial asset (excluding the family home)

Value of Financial Assets (excluding the family home)	Est. Annual Cost currently	Est. Annual Cost if moving into Aged Care facility from 1 July 2025
$250K	$23,100	$23,254
$500K	$26,951	$27,906
$750K	$30,776	$46,038
$1MN	$35,792	$63,641
$1.5MN	$45,818	$63,641
$2MN	$55,924	$63,641

NB: Based on current means testing rules and thresholds

So, someone with $1m in financial assets, which includes your super balance, who moves into an aged care facility from 1 July 2025 onwards, will need to find an additional $28K of cashflow each year moving forward compared to current rules.

Given an average stay of 3.5 yrs in an aged care home that's an additional -$100K of costs. If you add in the -$35K deduction (over a 3.5yr period) on the initial $500K initial deposit it's total additional cost of -$135K. Not an insignificant amount of money I'd say.

Given the large sums of money involved, advance planning and getting professional advice maybe become critical to ensure sustainability of funding these increased costs and minimising impact on your legacy/estate planning goals.

Your future self, your partner and your kids will thank you for getting started today and not ignoring financial realities of ageing. Remember death, taxes and inflation aren't going away anytime soon, at least on this planet.

Aadil Abbas, Licensed Financial Adviser/Aged Care Specialist

Own Financial Planning

Ownfinancialplanning.com.au

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TREASURE CHEST

Treasure Chest: Generation Development

FNArena's Treasure Chest reports on money making ideas from stockbrokers and other experts.

Whose Idea Is It?

Morgan Stanley

The subject:

Generation Development's ((GDG)) latest quarterly report underscored the company's momentum in the strategic growth area of tax-effective Investment Bonds with strong input from Lonsec. The company is considered well positioned to generate operating leverage with M&A options, assisted by underlying tailwinds from a retiring population.

More info:

In the sometimes hit-and-miss world of investment and retirement solutions services, Generation Development has been elevated to one of the standout companies on the ASX, boosted by yet another strong 2Q25 trading update.

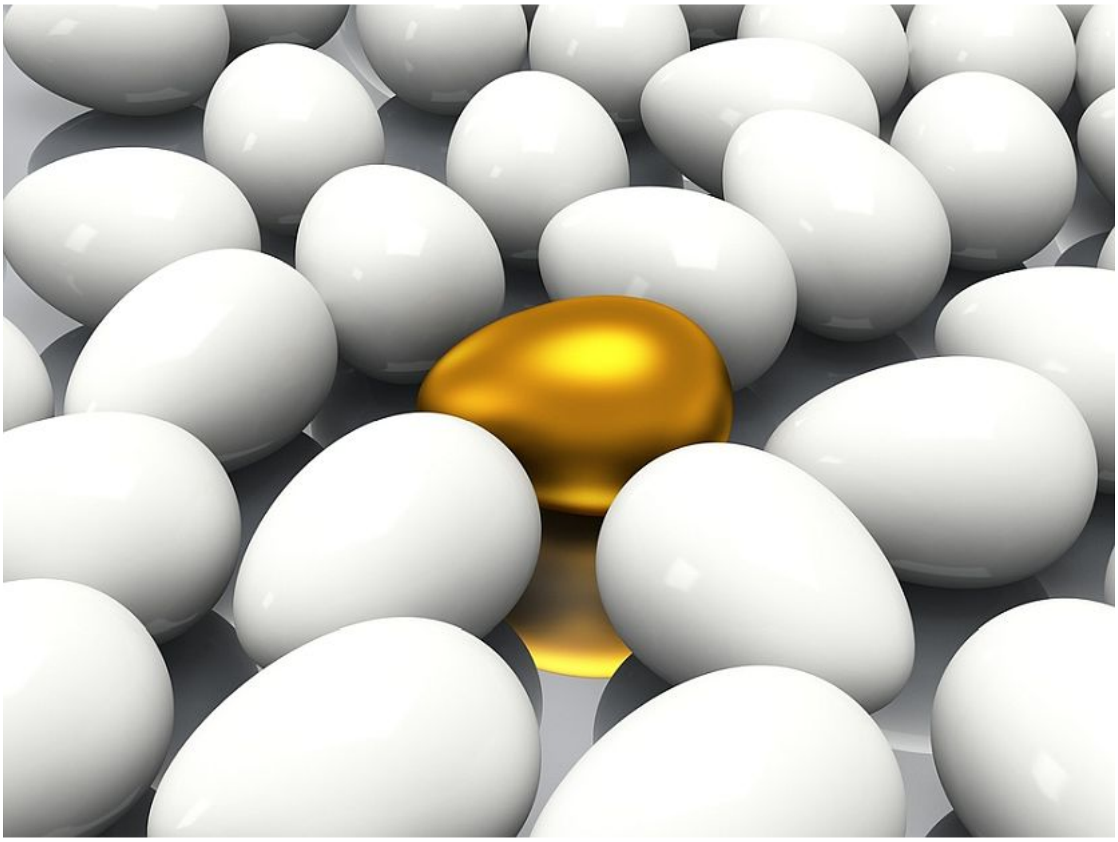
Morgan Stanley has extended its positive tone with no less than two updates following the quarterly activities report, stressing a "keep" Overweight, Buy-equivalent, plus a general revision of its positive investment thesis.

In 2Q25, the company grew funds under management (FUM) 7.1% on the previous quarter to $3.84bn, equaling growth of 31% year-on-year, which came in above Morgan Stanley's estimate by 2.5%.

Net inflows jumped 112%, and gross inflows rose 61% versus the previous corresponding period.

A record performance from Generation Life Investment Bonds and Lonsec made up the secret sauce during the quarter.

Morgan Stanley tests its positive thesis, emphasising the company offers an "attractive risk-reward" with forecast compound average EPS growth of 32% over the next three fiscal years, valued at a price-to-earnings multiple of 41x FY26 earnings.



The broker dissects the company's growth levers.

The total addressable market is expected to double by FY29 as advisers look for more scale and efficiencies. Both Generation Development and Lonsec possess optionality to leverage robust market positions to obtain market share growth organically and via M&A.

Investment or insurance bonds are a tax-effective investment vehicle for long-term savers. Generation Development's investment bonds, with a growing suite of investment alternatives, offer a tax-efficient product as an alternative to superannuation. The fixed cost base offers tremendous earnings leverage as the FUM grows.

Importantly, the FUM is sticky, Morgan Stanley details, as the investment bonds are most tax-efficient when held for 10-plus years.

The proposed 30% superannuation concessional tax rate versus 15% currently on super earnings over $3m, whether implemented or not, shows the "unpredictability" of super, providing more positive macro tailwinds for investment bonds.

Research is lower growth, but Morgan Stanley counters Lonsec delivers an industry-leading market position with highly predictable earnings streams.

The broker points to even higher growth potential in annuities than investment bonds as Australians transition to the retirement phase. Lonsec carries potential earnings upside risks, according to the analyst.

Pointing to further impetus for share price gains, Morgan Stanley believes Generation Development is well positioned to be considered for inclusion in the ASX300 at the next quarterly review on March 7.

An acceleration in net inflows and strategic earnings-accretive acquisitions are poised as additional potential positives.

Morgan Stanley's positive thesis is essentially backed by other daily-monitored brokers at FNArena as they also couldn't hide their enthusiasm for the company post recent market update.

Morgans upgraded the stock to a Buy-equivalent from Hold with a $4.75 target price, stating Generation Development is a great story and management has executed well.

Ord Minnett is also Buy-rated with a $4.50 target price and called the update "excellent".

Morgan Stanley remains Buy-equivalent rated with a $4.75 target.

Non-daily monitored broker, Moelis, views the company as going from strength to strength with a Buy rating and a $4.91 target, noting earnings were upgraded following the update.

Investors not yet familiar with Generation Development might experience a light bulb moment if they realise this is the old Austock Group, founded in 1991 and rebranded in March 2018. Gone are the equities trading and team of share market analysts, instead the company nowadays operates in two main segments: Benefit Funds Management and Funds Administration.

Generation Development provides administration and management services to the Benefit Funds of Generation Life Limited, as well as administration services to institutional clients.

The shares have undergone a notable re-rating post covid with the price rising from near $1 in 2020 to circa $4.34 today.

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

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WEEKLY REPORTS

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

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday January 20 to Friday January 24, 2025
Total Upgrades: 16
Total Downgrades: 10
Net Ratings Breakdown: Buy 60.49%; Hold 32.27%; Sell 7.24%

For the week ending Friday January 24, 2025, FNArena recorded sixteen ratings upgrades and ten downgrades for ASX-listed companies by brokers monitored daily.

The recent prevailing trend has been ongoing downgrades of earnings forecasts by analysts for stocks in the mining sector, with the notable exception of gold companies, as the price of the yellow metal continues to rise.

These downgrades have largely stemmed from negative sector reports issued by broking houses, which have either revised commodity forecasts downward or marked-to-market prior commodity price declines.

Last week, the release of December's quarterly operational updates brought this trend into sharp focus, with commodity-related stocks accounting for nine of the ten earnings forecast downgrades shown in the table below.

True to form for gold miners, Regis Resources appears second on the list for largest forecast earnings upgrades after a positive quarterly update, and brokers raised price targets for Evolution Mining, resulting in Macquarie and Citi downgrading their ratings due to valuation concerns as the share price approaches an all-time high.

In contrast to last week's fall in average earnings forecasts, increases in average target prices outpaced declines.

HMC Capital ranked second on the list of positive target price changes and received rating upgrades from two separate brokers.

In research written late last year, Bell Potter raised its target for HMC to $13.50 from $9.05 and upgraded to Buy from Hold, citing a first-half boost from data centres and the recent Neoen acquisition.

Positioning as a significant player in Australia's renewable energy sector, HMC acquired Neoen's Victorian renewable energy portfolio for -$950m, which includes four operational assets totaling 652 MW and six development projects with a combined capacity exceeding 2,800 MW.

Bell Potter also noted HMC is creating potential for additional fee-earning capability, with the company's platform now reaching optimal scale and breadth.

Additionally, funds under management have increased to $19bn following the DigiCo Infrastructure REIT listing, noted the analysts.

Last week, as part of a property sector review, Ord Minnett also raised its target for HMC to $9.15 from $6.50 and upgraded to Hold from Sell.

Insignia Financial leads the table for positive target price changes, following a better-than-expected second-quarter update, which saw group funds under management and administration (FUMA) increase by 2.2% to $326.8bn.

Net flows of $2.3bn, excluding pension payments, marked a significant improvement from the first quarter, highlighted Ord Minnett.

The broker increased its earnings forecasts by 2-3%, reflecting the strength of the update and factoring in a corporate appeal premium into its valuation.

This premium reflects two active acquisition proposals which Ord Minnett deems both credible and worth considering. Suitor Bain Capital raised its offer to $4.60 per share, aligning with CC Capital's revised bid.

Other companies to receive materially positive changes to average targets from brokers last week were Generation Development, Hub24 and Bubs Australia.

Morgans upgraded its rating for specialist provider of innovative tax-effective investment solutions, Generation Development, to Add from Hold with a target of $4.75, up from $4.01. These changes followed a "very strong" December quarter update, which included record investment bond sales of $250m.

Generation Development owns Generation Life, which markets Investment Bonds and Annuities, and as of last August, holds full ownership of Lonsec (encompassing Managed Accounts and Research) after increasing its stake from the initial 37% acquired in September 2020.

Recent momentum looks to be improving for the company, off an already high base, noted Ord Minnett, and adviser interest across the product suite also appears very buoyant.

Lonsec's funds under management growth of 8.3% over the period also outperformed Ord Minnet's expectations and the analysts raised their target price.

Analysts at Morgan Stanley recently stated Generation Development could be the next Hub24, a notable suggestion considering Hub24's near eightfold share price increase over the last five years.

On the subject of Hub24; its own December quarter performance (released last week) equally impressed, as noted https://fnarena.com/index.php/2025/01/23/hub24-record-sparks-valuation-concerns/

The average target price for Bubs Australia received a boost in the FNArena database last week after Ord Minnett initiated research coverage with a 20c target, joining Citi and Bell Potter with respective targets of 13 cents and 14.5 cents.

Ord Minnett highlighted potential for sustainable long-term growth, pointing to a promising turnaround story for 2025, supported by a new management team led by CEO Reg Weine, which has stabilised the business and driven 32% sales growth from FY23 to FY24.

Bubs' core goat-based infant milk formula products generate strong demand and over 40% gross margins, noted the analysts, with the US market now being its largest growth driver.

Citi also expressed optimism following last week's quarterly activities and cash flow reports, noting positive momentum across all regions. group-level margins of 48% exceeding the broker's 40% forecast.

Along with the material rise in average target, Bubs Australia sits atop the earnings upgrade table, followed by Patriot Metals which recently benefited from Volkswagen Group's investment to acquire a 9.9% shareholding and a binding offtake agreement for the supply of spodumene concentrate from Patriot's Shaakichiuwaanaan project over ten years.

Looking at less favourable developments last week, Megaport received the largest negative percentage change to target price after Citi lowered its target to $9.00 from $16.05 following a review of its investment thesis, which involved lower growth and increased cost growth assumptions.

This broker reiterated its Buy rating, pointing to a recent step-up in hiring as a sign things are tracking in-line with management's guidance. New data centres and products are also expected to drive growth, and the analysts see potential for a FY26 growth surprise as AI inference workloads pick-up with Enterprise adoption.

Coronado Global Resources follows with a -9% decline in average target price, as weak steel demand continued to weigh on activities in the December quarter, explained Morgans, which currently maintains a Speculative Buy rating.

Alas, for the miner, metallurgical coal markets remain weak, but Buy-rated UBS maintains the faith, expecting a market improvement in one- or two-years' time.

Coronado was also ranked second last week for negative change to average earnings forecast, behind Chrysos.

Percentage changes to earnings forecasts by analysts for Chrysos following a second quarter update were highly exaggerated due to the small forecast numbers involved.

Indeed, the company's proprietary assay technology is making in-roads into the global gold mining industry as explained here https://fnarena.com/index.php/2025/01/24/chrysos-corps-road-paved-with-gold/

Highlights/lowlights from the remaining earnings forecast downgrades for commodity-related companies such as Liontown Resources, Capstone Copper, Paladin Energy and Ampol may be reviewed by FNArena subscribers under "Stock Analysis."

Total Buy ratings in the database comprise 60.49% of the total, versus 32.27% on Neutral/Hold, while Sell ratings account for the remaining 7.24%.

Upgrade

ANZ GROUP HOLDINGS LIMITED ((ANZ)) Upgrade to Neutral from Underperform by Macquarie .B/H/S: 0/4/2

Following a review of banking stocks, Macquarie has retained its underweight sector call due mainly to highly stretched valuations. Given the anaemic earnings growth outlook, the broker struggles to get bullish at current levels, even after incorporating more favourable trends.

The broker has incorporated short-term margin trends and a better-than-expected economic backdrop which has driven pre-provision upgrades of 3-5% in FY25 and 0-3% in FY26.

In the case of ANZ, following its -8-30% relative underperformance vs peers over the last 12 months, and the unlikely risk to numbers in
FY25, Macquarie has "tactically" upgraded the bank to Neutral from an Underperform recommendation.

Target price increases to $28.0 from $26.5.

CENTURIA CAPITAL GROUP ((CNI)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 3/1/1

Ord Minnett has reviewed the property sector earnings forecasts, taking into account expectations commercial property is at the bottom of the cycle, while residential remains challenged.

The broker expects an uptick in retail rental growth on sales estimates of 2%-3% in 2025 with an increase in average daily office attendance to almost four days a week, and believes national office vacancy rates have topped out near 18%.

Regarding logistics, the broker points to a slowdown in demand and landlords' incentives offering discounts of between -15% to -20%. Vacancy rates are forecast to peak at 3%-4%, with book value write-downs of -5% for logistics.

Residential will continue to be challenged by high rates, the analyst notes, and affordability remains an issue.

Ord Minnett's top picks in the sector are Dexus, Scentre Group, Vicinity Centres, and Goodman Group, with a preference for Charter Hall Social, Growthpoint, and Arena in the smaller REIT cap space.

Centuria Capital is upgraded to Accumulate from Hold with a $2 target price.

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

Ord Minnett upgrades CSL to Buy from Accumulate, with the stock sitting -11% below its 2024 high.

The broker highlights the latest US data on influenza and vaccine distribution from the US Centres for Disease Control and Prevention. Volumes of vaccines distributed fell -7% year-on-year and remain -25% below covid highs.

The US immunisation rate has dropped to 42%, where it was 10 years ago, the analyst states.

Management's Seqirus revenue guidance for FY25 was "flattish" and Ord Minnett forecasts total revenue growth of 2%, with some potential benefit from the recent Avian H5N1 bird flu.

Behring's outlook is viewed as "bright" by the broker, with lower collection costs, price increases, and improved production efficiency.

Target price remains unchanged at $318.

GENERATION DEVELOPMENT GROUP LIMITED ((GDG)) Upgrade to Add from Hold by Morgans .B/H/S: 3/0/0

Morgans has upgraded Generation Development to Add from Hold with an increased price target to $4.75 from $4.01 following a "very strong" Q2 update, which included record investment bond sales of $250m.

The latter represents the third consecutive record quarter for the company, the broker highlights.

Morgans says Generation Development is a great story and management has executed well. The broker has upgraded forecasts, but also longer-term growth assumptions.

HMC CAPITAL LIMITED ((HMC)) Upgrade to Buy from Hold by Bell Potter and Upgrade to hold from Sell by Ord Minnett.B/H/S: 2/4/0

In research penned on 19 December last year, Bell Potter raised its target for HMC Capital to $13.50 from $9.05 and upgraded to Buy from Hold, citing a first-half boost from data centres and the recent Neoen acquisition.

The broker believes the platform is reaching optimal scale and breadth, creating potential for additional fee-earning capability.

Funds under management (FUM) have increased to $19bn following the DigiCo Infrastructure REIT ((DGT)) listing, noted the analysts.

Ord Minnett has reviewed the property sector earnings forecasts, taking into account expectations commercial property is at the bottom of the cycle, while residential remains challenged.

The broker expects an uptick in retail rental growth on sales estimates of 2%-3% in 2025 with an increase in average daily office attendance to almost four days a week, and believes national office vacancy rates have topped out near 18%.

Regarding logistics, the broker points to a slowdown in demand and landlords' incentives offering discounts of between -15% to -20%. Vacancy rates are forecast to peak at 3%-4%, with book value write-downs of -5% for logistics.

Residential will continue to be challenged by high rates, the analyst notes, and affordability remains an issue.

Ord Minnett's top picks in the sector are Dexus, Scentre Group, Vicinity Centres, and Goodman Group, with a preference for Charter Hall Social, Growthpoint, and Arena in the smaller REIT cap space.

HMC Capital is upgraded to Hold from Sell with a higher target price of $9.15 from $6.50.

HUB24 LIMITED ((HUB)) Upgrade to Buy from Hold by Ord Minnett .B/H/S: 3/4/0

Ord Minnet upgrades Hub24 to a Buy rating following a strong 2Q update, reflecting broad-based natural flows and a robust operating performance.

Hub24 reported net flows of $5.5bn, meeting the broker's expectations, and platform funds under administration (FUA) of $98.9bn as of 31 December, an 8% increase for the quarter.

Total FUA, including non-custody assets, reached $120.9bn, up 7%.

Further growth is anticipated, with $0.9bn of Equity Trustees ((EQT)) FUA yet to transition and potential opportunities such as the Clearview Wealth Foundation's ((CVW)) $1.3bn mandate in H2 FY25, explains the analyst.

Ord Minnett anticipates strong new business growth and a favourable competitive environment. The broker makes no changes to earnings forecasts or valuation and retains a $73.00 target price

LENDLEASE GROUP ((LLC)) Upgrade to Hold from Lighten by Ord Minnett .B/H/S: 1/4/0

Ord Minnett has reviewed the property sector earnings forecasts, taking into account expectations commercial property is at the bottom of the cycle, while residential remains challenged.

The broker expects an uptick in retail rental growth on sales estimates of 2%-3% in 2025 with an increase in average daily office attendance to almost four days a week, and believes national office vacancy rates have topped out near 18%.

Regarding logistics, the broker points to a slowdown in demand and landlords' incentives offering discounts of between -15% to -20%. Vacancy rates are forecast to peak at 3%-4%, with book value write-downs of -5% for logistics.

Residential will continue to be challenged by high rates, the analyst notes, and affordability remains an issue.

Ord Minnett's top picks in the sector are Dexus, Scentre Group, Vicinity Centres, and Goodman Group, with a preference for Charter Hall Social, Growthpoint, and Arena in the smaller REIT cap space.

Lendlease Group is upgraded to Hold from Lighten with a higher target price of $6.40 from $6.20.

MEGAPORT LIMITED ((MP1)) Upgrade to Buy from Hold by Ord Minnett .B/H/S: 4/2/0

Ord Minnett upgrades Megaport to Buy from Hold following a decline in the share price of over -40% in the last six months.

The analyst believes the risk/reward is more attractive at current levels, with upside potential for higher subscriber numbers and services growth following the company's price rises in FY24.

There are no changes to the broker's earnings forecasts.

Buy rating maintained with a $8 target price.

NATIONAL AUSTRALIA BANK LIMITED ((NAB)) Upgrade to Neutral from Underperform by Macquarie .B/H/S: 1/1/3

Following a review of banking stocks, Macquarie has retained its underweight sector call due mainly to highly stretched valuations. Given the anaemic earnings growth outlook, the broker struggles to get bullish at current levels, even after incorporating more favourable trends.

The broker has incorporated short-term margin trends and a better-than-expected economic backdrop which has driven pre-provision upgrades of 3-5% in FY25 and 0-3% in FY26.

The broker sees National Australia Bank as an attractive longer-term exposure to a more resilient small and medium enterprises banking sector that is less homogenous than retail banking and likely to deliver better returns.

Given modest upside risk to FY25 earnings, and a relative valuation appeal to Commbank ((CBA)) and Westpac ((WBC)), Macquarie has tactically upgraded NAB to Neutral from an Underperform rating.

The target price is also lifted to $36 from $32.5 based on an 11% sustainable return-on-tangible equity in the Gordon Growth valuation and a 17.3x multiple to FY25 earnings.

NATIONAL STORAGE REIT ((NSR)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 2/3/1

Ord Minnett has reviewed the property sector earnings forecasts, taking into account expectations commercial property is at the bottom of the cycle, while residential remains challenged.

The broker expects an uptick in retail rental growth on sales estimates of 2%-3% in 2025 with an increase in average daily office attendance to almost four days a week, and believes national office vacancy rates have topped out near 18%.

Regarding logistics, the broker points to a slowdown in demand and landlords' incentives offering discounts of between -15% to -20%. Vacancy rates are forecast to peak at 3%-4%, with book value write-downs of -5% for logistics.

Residential will continue to be challenged by high rates, the analyst notes, and affordability remains an issue.

Ord Minnett's top picks in the sector are Dexus, Scentre Group, Vicinity Centres, and Goodman Group, with a preference for Charter Hall Social, Growthpoint, and Arena in the smaller REIT cap space.

National Storage REIT is upgraded to Accumulate from Hold with a lower target price of $2.40 from $2.50.

NETWEALTH GROUP LIMITED ((NWL)) Upgrade to Neutral from Sell by Citi and Upgrade to Neutral from Sell by Citi.B/H/S: 0/7/0

Citi's initial assessment of Netwealth Group's second-quarter business update leads to an increase in the broker's earnings (EBITDA) forecasts by 2% to 6%, driven by stronger funds under administration (FUA) growth and an improved revenue margin.

Netwealth's custodial FUA of $101bn marked a 30% year-on-year increase and exceeded the broker's forecast by

3%, supported by stronger flows and positive market movements.

Citi raises its target price to $30.70 from $28.90 and upgrades the rating to Neutral from Sell.

Citi upgrades Netwealth Group to Neutral from Sell post the 2Q25 trading update, with a lift in the target price to $30.70 from $28.90.

The company announced a rise in FUA of 30% growth, which was above Citi's estimate by 3%, from robust market moves and stronger inflows.

Citi lifts EPS forecasts by 2.4% and 5% for FY25/FY26, respectively, including an expected lift in Netwealth's growth in cost guidance of 19% for FY25.

The group's cash margin exceeded expectations with a 15bps increase over the quarter due to Netwealth reducing the rate offered to clients by -15bps to match the rate offered by Hub24 ((HUB)).

Citi finds the change surprising, as the analyst anticipated management would employ the change when trading conditions were more challenging.

Neutral. Target $30.70.

PRAEMIUM LIMITED ((PPS)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 1/0/0

Bell Potter upgrades EPS forecasts for Praemium by 2-6% following a strong 2Q update, and raises the target price to 90c from 63c, reflecting improved revenue momentum and a positive outlook. The rating is upgraded to Accumulate fom Hold.

Group net inflows of $371m significantly improved from $139m in the prior quarter, note the analysts. The SMA platform contributed $261m in net inflows, up 58.2%, while Powerwrap reversed its previous outflows with $78m in net inflows.

Funds under administration (FUA) grew by 4% over the quarter to $30.2bn, marking a 31.7% increase year-on-year, supported by strong market conditions, explains Ord Minnett.

PEXA GROUP LIMITED ((PXA)) Upgrade to Add from Hold by Morgans .B/H/S: 3/0/0

Morgans marks-to-market earnings forecasts for insurance and diversified financials, considering market performance, the weaker AUD, and higher bond yields in Australia, the US, and Great Britain.

The broker upgrades Pexa Group to Add from Hold with a $14.61 target price.

There are no changes to Morgans' earnings forecasts for the group.

VIRIDIS MINING AND MINERALS LIMITED ((VMM)) Upgrade to Buy from Hold by Ord Minnett .B/H/S: 1/0/0

Ord Minnett upgrades Viridis Mining and Minerals to Buy from Hold, retaining a $1 target price.

The company updated the mineral resource estimate for Colossus to 93mt, a rise of 140%, giving the company 106mt of high-grade total rare earth oxides.

The analyst upgrades the NAV on Colossus by 34c to $2.95 per share, noting the stock trades at a sizeable discount to Meteoric Resources ((MEI)) despite possessing a similar asset.

Ord Minnett also highlights considerable hurdles for production, as demand for mixed rare earth carbonates remains "thin." A strategic partner or a rebound in sentiment is needed to develop Colossus, the broker explains.

Downgrade

COMPUTERSHARE LIMITED ((CPU)) Downgrade to Neutral from Buy by Citi and Downgrade to Hold from Add by Morgans.B/H/S: 2/4/0

Citi reluctantly joins consensus in downgrading Computershare to Neutral from Buy due to the rally in the share price.

At current levels, upside risks are more uncertain, prompting a more cautious stance, the analyst explains.

The broker views the current interest rate curve as potentially more positive than current forecasts for margin income, alongside expectations of higher corporate actions and debt issuance. Plan volumes also remain robust.

Citi likes the two recent acquisitions, which, though small, could add new expertise to Issuer Services. The company's balance sheet is also robust, the broker highlights, enabling further acquisitions.

Target price is raised to $35 from $30. Neutral rating maintained. EPS forecasts are adjusted for forex moves and recent rate changes.

Morgans marks-to-market earnings forecasts for insurance and diversified financials, considering market performance, the weaker AUD, and higher bond yields in Australia, the US, and Great Britain.

The broker downgrades Computershare to Hold from Add due to the stock price re-rating.

Fewer consensus US interest rate cuts in 2025, now expected at one versus two previously, and a strong 1Q25 trading update lead the broker to believe there is FY25 earnings upside risk.

No change to EPS estimates. Target price remains at $34.43.

CARNARVON ENERGY LIMITED ((CVN)) Downgrade to Hold from Buy by Ord Minnett .B/H/S: 1/1/0

Ord Minnett downgrades Carnarvon Energy to Hold from Buy, with a lower target price of 14c from 21c due to uncertainty surrounding the delay in the start of the Dorado oil and gas project by Santos ((STO)).

A final investment decision is not expected until 2028, the analyst states.

Dorado is a key asset for Carnarvon, and the broker highlights questions around how much the company can achieve for its stake given the uncertainty regarding the development timeframe.

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

Bell Potter lowers its target price for Calix to 80c from $1.55 and downgrades its rating to Speculative Hold from Speculative Buy after reviewing its investment thesis.

The analysts attribute these changes to uncertainty surrounding US policies promoting decarbonisation and the company's Heirloom-Leilac partnership.

The Trump Administration has issued an Executive Order advising federal agencies to pause distributing funds under the Inflation Reduction Act and halt leasing and permitting of renewable energy projects.

The process to withdraw the US from the Paris Agreement has also been restarted, and reports suggest Trump may propose rescinding the Inflation Reduction Act entirely, notes the broker.

EVOLUTION MINING LIMITED ((EVN)) Downgrade to Underperform from Neutral by Macquarie and Downgrade to Neutral from Buy by Citi.B/H/S: 0/4/1

Macquarie believes Evolution Mining is on track to meet FY25 guidance for production and costs (AISC) following a review of second-quarter operational results.

The analyst highlights the Cowal mine as a key 2Q contributor, with production increasing by 10% quarter-on-quarter.

The broker raises its target price to $5.50 from $5.20 and downgrades the rating to Underperform from Neutral, reflecting the recent share price rise.

Citi raises its target price for Evolution Mining to $5.80 from $5.50 and downgrades its rating to Neutral from Buy on valuation, after further analysis of yesterday's 2Q operational report.

A summary of yesterday's research by Citi follows.

Citi's first impression of Evolution Mining's 2Q25 report suggests a likely positive market response.

Production and costs were better to in line with consensus, while higher commodity prices drove record cash flow.

The analyst highlights cash flow as a standout, boosting cash on hand by 36% over the prior quarter to $520m.

Citi notes growth in capex exceeded expectations due to the pull-forward of -$80m in Mungari capex to FY25 from FY26.

GOODMAN GROUP ((GMG)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 3/3/0

Ord Minnett has reviewed the property sector earnings forecasts, taking into account expectations commercial property is at the bottom of the cycle, while residential remains challenged.

The broker expects an uptick in retail rental growth on sales estimates of 2%-3% in 2025 with an increase in average daily office attendance to almost four days a week, and believes national office vacancy rates have topped out near 18%.

Regarding logistics, the broker points to a slowdown in demand and landlords' incentives offering discounts of between -15% to -20%. Vacancy rates are forecast to peak at 3%-4%, with book value write-downs of -5% for logistics.

Residential will continue to be challenged by high rates, the analyst notes, and affordability remains an issue.

Ord Minnett's top picks in the sector are Dexus, Scentre Group, Vicinity Centres, and Goodman Group, with a preference for Charter Hall Social, Growthpoint, and Arena in the smaller REIT cap space.

Goodman Group is downgraded to Hold from Accumulate with a lower target price of $39.50 from $41.

ILUKA RESOURCES LIMITED ((ILU)) Downgrade to Neutral from Buy by Citi .B/H/S: 2/3/0

In a second look at yesterday's 4Q update by Iluka Resources, Citi lowers its target to $5.60 from $6.10 and downgrades to Neutral High Risk from Buy High Risk.

The FNArena summary of yesterday's research by Citi follows.

Citi observes a disappointing December quarter report from Iluka Resources, with mineral sands revenue falling -17% below the analyst's estimate and zircon, rutile, and synthetic rutile volumes down -12%.

Pricing was mixed, with average zircon sand premium and standard prices below Iluka's guidance, down -4.8% on the prior quarter. Citi notes zircon prices declined from 3Q, while rutile and synthetic rutile saw slight increases.

Management plans to remove 130 roles, which Citi estimates will deliver a -$20m cost reduction for 2025.

The company indicated proposed tariffs on Chinese imports to Europe and other regions in 1H25 may benefit Western pigment producers.

NANOSONICS LIMITED ((NAN)) Downgrade to Hold from Add by Morgans .B/H/S: 1/3/0

Morgans downgrades Nanosonics to Hold from Add with an unchanged target price of $3.75 due to the robust lift in the share price.

Management offered an upbeat 1H25 trading update, with sales growth of 18% on the previous corresponding period, driven by growth from consumables and service revenue, the analyst notes. Capital unit sales remained "flat."

Morgans has not changed earnings estimates at this stage, with the analyst waiting for a firmer breakdown of details around the mix of capital sales between new and upgraded units.

The broker's current forecasts already sit at the upper end of guidance.

STOCKLAND ((SGP)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 2/3/0

Ord Minnett has reviewed the property sector earnings forecasts, taking into account expectations commercial property is at the bottom of the cycle, while residential remains challenged.

The broker expects an uptick in retail rental growth on sales estimates of 2%-3% in 2025 with an increase in average daily office attendance to almost four days a week, and believes national office vacancy rates have topped out near 18%.

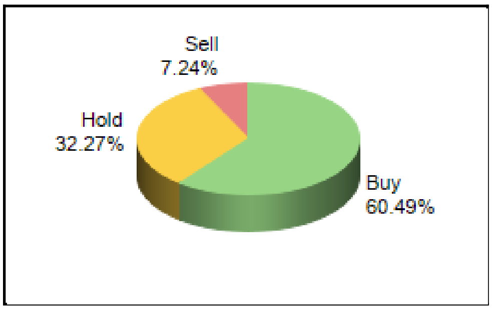
Regarding logistics, the broker points to a slowdown in demand and landlords' incentives offering discounts of between -15% to -20%. Vacancy rates are forecast to peak at 3%-4%, with book value write-downs of -5% for logistics.

Residential will continue to be challenged by high rates, the analyst notes, and affordability remains an issue.

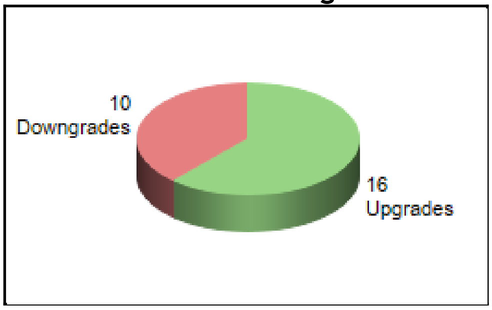
Ord Minnett's top picks in the sector are Dexus, Scentre Group, Vicinity Centres, and Goodman Group, with a preference for Charter Hall Social, Growthpoint, and Arena in the smaller REIT cap space.

Stockland is downgraded to Hold from Accumulate with a lower target price of $4.95 from $5.30.

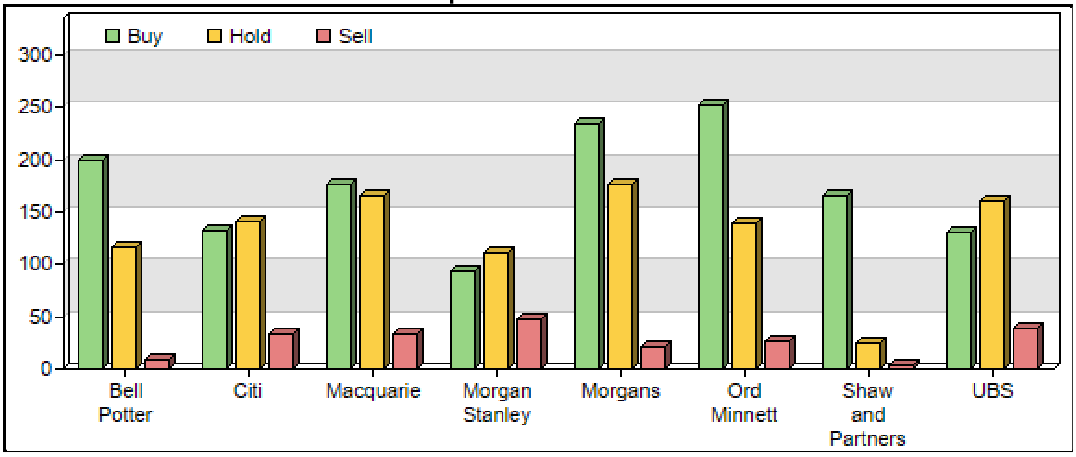
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ANZ GROUP HOLDINGS LIMITED	Neutral	Sell	Macquarie
2	CENTURIA CAPITAL GROUP	Buy	Neutral	Ord Minnett
3	CSL LIMITED	Buy	Buy	Ord Minnett
4	GENERATION DEVELOPMENT GROUP LIMITED	Buy	Neutral	Morgans
5	HMC CAPITAL LIMITED	Neutral	Sell	Ord Minnett
6	HMC CAPITAL LIMITED	Buy	Neutral	Bell Potter
7	HUB24 LIMITED	Buy	Neutral	Ord Minnett
8	LENDLEASE GROUP	Neutral	Sell	Ord Minnett
9	MEGAPORT LIMITED	Buy	Neutral	Ord Minnett
10	NATIONAL AUSTRALIA BANK LIMITED	Neutral	Sell	Macquarie
11	NATIONAL STORAGE REIT	Buy	Neutral	Ord Minnett
12	NETWEALTH GROUP LIMITED	Neutral	Neutral	Citi
13	PEXA GROUP LIMITED	Buy	Neutral	Morgans
14	PRAEMIUM LIMITED	Buy	Neutral	Ord Minnett
15	VIRIDIS MINING AND MINERALS LIMITED	Buy	Neutral	Ord Minnett
Downgrade				
16	CALIX LIMITED	Neutral	Buy	Bell Potter
17	CARNARVON ENERGY LIMITED	Neutral	Buy	Ord Minnett
18	COMPUTERSHARE LIMITED	Neutral	Buy	Morgans
19	COMPUTERSHARE LIMITED	Neutral	Buy	Citi
20	EVOLUTION MINING LIMITED	Sell	Neutral	Macquarie
21	EVOLUTION MINING LIMITED	Neutral	Buy	Citi
22	GOODMAN GROUP	Neutral	Buy	Ord Minnett
23	ILUKA RESOURCES LIMITED	Neutral	Buy	Citi
24	NANOSONICS LIMITED	Neutral	Buy	Morgans
25	STOCKLAND	Neutral	Buy	Ord Minnett

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	IFL	INSIGNIA FINANCIAL LIMITED	4.533	3.825	18.51%	3
2	HMC	HMC CAPITAL LIMITED	10.132	8.798	15.16%	6
3	GDG	GENERATION DEVELOPMENT GROUP LIMITED	4.667	4.053	15.15%	3
4	BUB	BUBS AUSTRALIA LIMITED	0.160	0.140	14.29%	3
5	HUB	HUB24 LIMITED	72.121	64.921	11.09%	7
6	SGR	STAR ENTERTAINMENT GROUP LIMITED	0.273	0.248	10.08%	3
7	EVN	EVOLUTION MINING LIMITED	5.400	5.050	6.93%	5
8	NWL	NETWEALTH GROUP LIMITED	28.864	27.029	6.79%	7
9	RRL	REGIS RESOURCES LIMITED	2.983	2.796	6.69%	7
10	JBH	JB HI-FI LIMITED	81.443	77.871	4.59%	7

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	MP1	MEGAPORT LIMITED	10.142	11.317	-10.38%	6
2	CRN	CORONADO GLOBAL RESOURCES INC	1.170	1.290	-9.30%	5
3	ILU	ILUKA RESOURCES LIMITED	6.130	6.460	-5.11%	5
4	GOZ	GROWTHPOINT PROPERTIES AUSTRALIA	2.517	2.650	-5.02%	3
5	NHF	NIB HOLDINGS LIMITED	6.167	6.443	-4.28%	6
6	PDN	PALADIN ENERGY LIMITED	11.558	11.990	-3.60%	6
7	ASK	ABACUS STORAGE KING	1.367	1.417	-3.53%	3
8	ABG	ABACUS GROUP	1.225	1.263	-3.01%	4
9	COG	COG FINANCIAL SERVICES LIMITED	1.420	1.450	-2.07%	3
10	QUB	QUBE HOLDINGS LIMITED	4.148	4.230	-1.94%	4

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	BUB	BUBS AUSTRALIA LIMITED	-0.050	-0.200	75.00%	3
2	PMT	PATRIOT BATTERY METALS INC	-8.163	-11.793	30.78%	5
3	RRL	REGIS RESOURCES LIMITED	28.333	25.100	12.88%	7
4	LOT	LOTUS RESOURCES LIMITED	-0.333	-0.367	9.26%	3
5	BPT	BEACH ENERGY LIMITED	19.133	17.517	9.23%	7
6	29M	29METALS LIMITED	-9.533	-10.433	8.63%	3
7	HMC	HMC CAPITAL LIMITED	42.100	39.140	7.56%	6
8	NST	NORTHERN STAR RESOURCES LIMITED	115.471	109.671	5.29%	6
9	GDG	GENERATION DEVELOPMENT GROUP LIMITED	8.167	7.867	3.81%	3
10	HUB	HUB24 LIMITED	111.471	107.643	3.56%	7

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	C79	CHRYSOS CORP. LIMITED	-0.733	-0.100	-633.00%	3
2	CRN	CORONADO GLOBAL RESOURCES INC	-7.288	-3.964	-83.85%	5
3	LTR	LIONTOWN RESOURCES LIMITED	-4.460	-2.440	-82.79%	6
4	CSC	CAPSTONE COPPER CORP.	11.050	14.800	-25.34%	3
5	PDN	PALADIN ENERGY LIMITED	14.284	17.463	-18.20%	6
6	ALD	AMPOL LIMITED	117.667	135.333	-13.05%	4
7	LYC	LYNAS RARE EARTHS LIMITED	11.000	12.317	-10.69%	6
8	FMG	FORTESCUE LIMITED	172.934	190.042	-9.00%	7
9	S32	SOUTH32 LIMITED	31.116	33.922	-8.27%	6
10	BGL	BELLEVUE GOLD LIMITED	7.767	8.467	-8.27%	4

Technical limitations

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

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WEEKLY REPORTS

Uranium Week: Trump Weighs On Sentiment

Tariff threats overhang the U308 spot market, while Paladin Energy delivers a strong quarter update

-Tariff uncertainty casts a shadow over U308 spot market
-Paladin Energy comes up trumps for 2Q25
-Australia and a nuclear future, what's on the cards?

By Danielle Ecuyer

U308 spot market softens

Industry consultants TradeTech spotted conflicted market sentiment in the U308 spot market last week.

Multiple narratives and potential actions from Trump 2.0 are creating uncertainty. The consultants noted Russia was threatened with more tariffs and sanctions if actions were not taken soon to stop the Ukraine fighting.

The President stated he would "have no other choice" but to impose tariffs, taxes and sanctions on "anything being sold by Russia to the United States, and various other participating countries".

Simultaneously, the consultants explain, the Trump administration has promised deregulation and streamlined approval processes for the development of new nuclear plants. Trump also announced the Stargate project starting at US$100bn and up to US$500bn for the development of AI infrastructure with corporfate partners SoftBank, Oracle and OpenAI.

At the Davos Economic Forum, TradeTech highlights feedback from International Atomic Energy Agency Director, Rafael Mariano Grossi who detailed global leadership was needed to address the challenges the industry is facing.

"Big tech needs nuclear to power energy-intensive AI data centres", Grossi is quoted.

Amidst all these macro backdrops, the TradeTech spot U308 price declined by -US$2.60lb to US$71.15lb on thin trading volumes.

One transaction was conducted on Tuesday at US$74lb with sellers lowering their offer prices into the end of the week. A second transaction at US$72.75lb for delivery of 50,000lbs of U308 in March was undertaken on Thursday.

By Friday, several transactions took place ar US$71lb and one at US$71.25lb. The last transaction was priced at US$71.50lb.

TradeTech's Mid-Term Price Indicator sits at US$78lb and the Long-Term Price Indicator at US$82lb.

At the current level, the TradeTech weekly spot price is down -28.9% from a year ago and down -6.4% for 2025 year-to-date.

The consultants explain utilities have adopted a "wait-and-see" approach in the term uranium market until further clarity arises on Trump tariffs across several countries including Russia and Canada. US utilities are reported as waiting until February 1 for more announcements.

Outside of the US, utilities are looking to lock in commitments with potential sellers.

In corporate news, NextEra Energy has progressed with plans for the potential restart of the Duane Arnold Nuclear Power Plant in Iowa.

The CEO said at the earnings call, discussions with regional grid operators had started and a request to the US Nuclear Regulatory Commission to reinstate the plant's operating license had been submitted to accommodate increased energy demand from data centres, including two proposed developments.

The plant was closed in 2020 and could be ready for restart by the end of 2028.

Cameco announced its partner Kazatomprom had confirmed production has resumed at the Inkai joint venture project and both parties are working to establish the impact of the production suspension on 2025 production plans.

Broker updates on Paladin Energy

Morgan Stanley summed up Paladin Energy's ((PDN)) quarterly activities report as "pleasingly" better production with plant recovery at Langer Heinrich improving to 88% following the November works; this was better than expected.

Production came in at 638klb with 309klb in 2Q25. Shaw and Partners notes Paladin is on track to achieve management's FY25 production guidance of 3-3.6mlb.

Citi points slightly lower than expected sales over the December quarter due to a delay in U308 delivery until January 2025.

The broker highlights water issues have been resolved and water storage levels increased as a future buffer for Langer Heinrich.

Post the completion of the Fission acquisition, UBS points to estimated free cash flow around US$10m in 1H25 and cash on hand of US166m, which should allay concerns around debt levels and cash flow generation.

Canaccord Genuity explains the quality of stockpile grades have been less short lived than originally anticipated. Management believes once mining starts in July, the stock pile issues will be resolved. Although some consideration is being given to bringing forth mining to blend the ore and offset some of the grade issues. The broker retains a target price of $15.20.

FNArena's daily monitored brokers have an average target price of $11.558 with two Hold-equivalent ratings and four Buy-equivalent ratings. Paladin remains the preferred uranium stock on the ASX for Shaw and Partners.

The broker also notes the share price tends to track the U3O8 spot price. The analyst believes a better indicator of industry fundamentals is the contracting price, which stands above US$100/lb.

Boss Energy ((BOE)) is due to report its December quarterly activities on January 29. Canaccord Genuity forecasts production of around 180klbs, a rise of 100% on the previous quarter. This analyst expects cash costs of circa US$40lb and highlights a downward trend as increased capacity is brought online.

Production guidance stands at 850klbs and an estimated 580klbs will need to be generated in 2H25 to meet management's guide.

Canaccord retains a Speculative Buy rating with a target price of $5.75.

A nuclear Australia?

Jarden's deep dive into whether nuclear energy could assist in the rate of decarbonisation of Australia is fraught with major challenges including major amendments in domestic legislation and the high costs of establishing nuclear plants.

Dissecting the Coalition's plans for developing nuclear plants, costed at around $331bn, Jarden envisages major upside risks to the estimated cost proposal, particularly given Australia's lack of experience in large scale nuclear energy and an experienced work force.

Australia possesses around one-third of global uranium resources, so if the bans were to be removed supply is not deemed to be an issue. Australia is currently the fourth largest U308 producer behind Kazakhstan, Canada and Namibia.

The broker concludes adding nuclear energy to the mix could be a positive, but near term economic and environmental benefits would be very "limited".

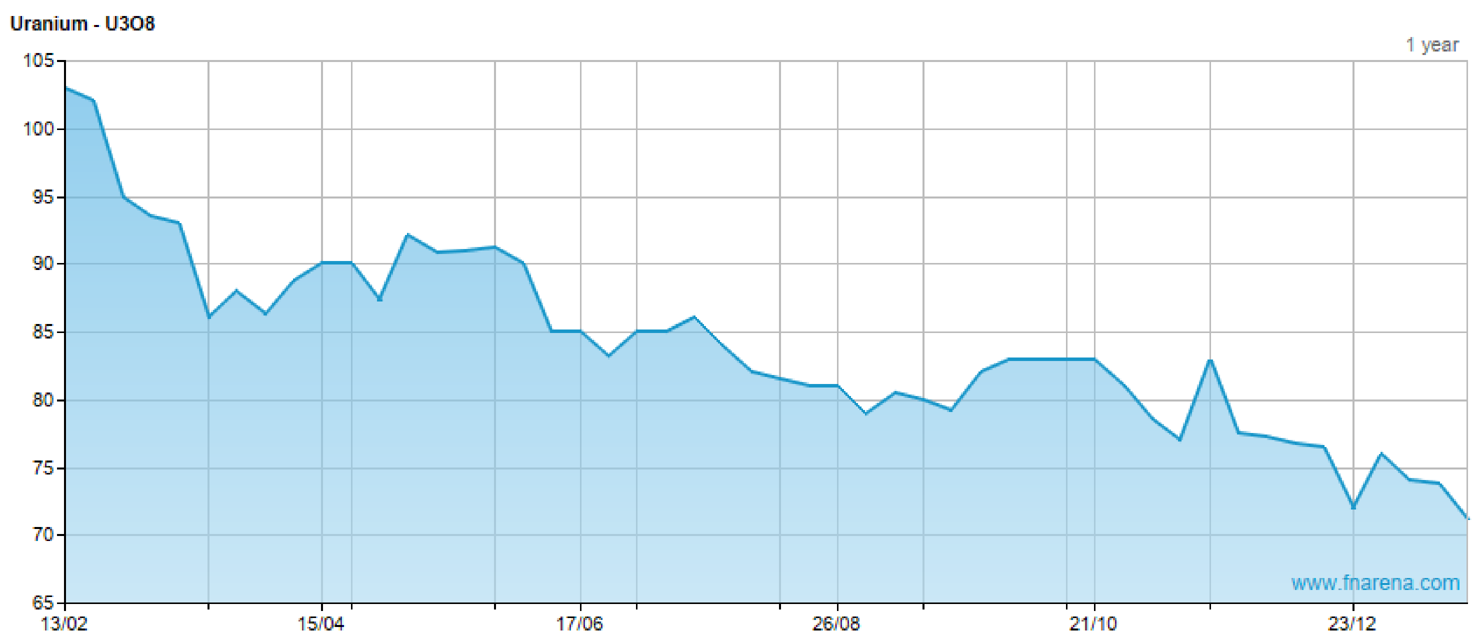
Nuclear energy is seen as a complement to Australia's potential energy mix, not an alternative to renewables. Given the cost differentials, development timelines, waste and reliability, the analyst does not view comparisons as viable.

Jarden proposes nuclear energy in Australia could boost non-carbon electricity production with the benefits evident after 2050. The analyst states nuclear power is unlikely to "do little to accelerate the energy transition towards net zero within the next 10-15 years."

Also, a nuclear energy expansion proposition would likely require coal generation for longer.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	24/01/2025	0.0600	0.00%	$0.19	$0.03			
AEE	24/01/2025	0.1450	▲ 3.57%	$0.31	$0.11			
AGE	24/01/2025	0.0380	0.00%	$0.08	$0.03		$0.100	▲163.2%
AKN	24/01/2025	0.0100	0.00%	$0.04	$0.01			
ASN	24/01/2025	0.0630	▼- 7.35%	$0.17	$0.05			
BKY	24/01/2025	0.3400	▲ 3.03%	$0.45	$0.27			
BMN	24/01/2025	3.1800	▲ 0.32%	$4.87	$1.90		$7.400	▲132.7%
BOE	24/01/2025	3.1700	▲10.84%	$6.12	$2.21	30.0	$3.817	▲20.4%
BSN	24/01/2025	0.0180	0.00%	$0.21	$0.02			
C29	24/01/2025	0.0400	0.00%	$0.13	$0.03			
CXO	24/01/2025	0.0920	▼- 1.08%	$0.26	$0.08		$0.090	▼- 2.2%
CXU	24/01/2025	0.0100	0.00%	$0.06	$0.01			
DEV	24/01/2025	0.0920	▲ 6.98%	$0.45	$0.08			
DYL	24/01/2025	1.4550	▲12.36%	$1.83	$0.91	-363.8	$1.850	▲27.1%
EL8	24/01/2025	0.3000	▲ 3.45%	$0.68	$0.23			
ERA	24/01/2025	0.0020	0.00%	$0.07	$0.00			
GLA	24/01/2025	0.0100	0.00%	$0.03	$0.01			
GTR	24/01/2025	0.0030	0.00%	$0.01	$0.00			
GUE	24/01/2025	0.0800	▲14.29%	$0.15	$0.05			
HAR	24/01/2025	0.0400	0.00%	$0.26	$0.03			
I88	24/01/2025	0.7100	▲14.52%	$1.03	$0.14			
KOB	24/01/2025	0.0700	0.00%	$0.18	$0.07			
LAM	24/01/2025	0.7600	▲ 8.57%	$1.04	$0.48			
LOT	24/01/2025	0.2550	▲ 8.51%	$0.49	$0.17		$0.540	▲111.8%
MEU	24/01/2025	0.0610	▲ 7.02%	$0.06	$0.04			
NXG	24/01/2025	11.7400	▲ 8.50%	$13.66	$7.89		$16.600	▲41.4%
ORP	24/01/2025	0.0400	0.00%	$0.12	$0.03			
PDN	24/01/2025	9.0000	▲ 4.29%	$17.98	$6.83	63.0	$11.558	▲28.4%
PEN	24/01/2025	1.5300	▲ 5.52%	$2.90	$1.02		$4.810	▲214.4%
SLX	24/01/2025	6.5400	▲ 9.18%	$6.74	$3.35		$7.200	▲10.1%
TOE	24/01/2025	0.2200	0.00%	$0.52	$0.19			
WCN	24/01/2025	0.0200	0.00%	$0.03	$0.01			



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WEEKLY REPORTS

The Short Report - 30 Jan 2025

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

Summary:

Week Ending January 23rd, 2025 (most recent data available through ASIC).

GSBW34 refers to the Australian commonwealth bond 3.50% 2034.

XQLQAR refers to a bond by the Queensland state government, 4.50% coupon, 2035.

10%+

GSBW34	127.93%
BOE	19.85%
PDN	15.18%
DMP	13.41%
SYR	13.22%
IEL	12.58%
MIN	12.52%
PLS	12.50%
DYL	11.23%
MP1	10.51%
LTR	10.33%

In: LTR

9.0-9.9%

SGR	9.92%
KAR	9.67%
LIC	9.56%
LYC	9.10%

In: SGR
Out: LTR, ADT

8.0-8.9%

ADT	8.97%
JLG	8.54%
CTT	8.03%

In: ADT, CTT
Out: SGR

7.0-7.9%

CTD	7.76%

XQLQAR	7.60%
DRO	7.55%
GMD	7.50%
BGL	7.32%
SEK	7.19%
RIO	7.17%
EDV	7.06%

In: XQLQAR, DRO, BGL, EDV
Out: CTT

6.0-6.9%

CUV	6.97%
AD8	6.77%
SLX	6.47%
CIA	6.22%
CHN	6.11%
IMU	6.08%
STX	6.05%

Out: DRO, EDV, BGL

5.0-5.9%

APE	5.92%
SFR	5.44%
NHC	5.08%
MGR	5.02%

In: MGR
Out: NCK

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.3	0.5	NAB	0.6	0.6
ANZ	0.3	0.3	QBE	0.3	0.2
BHP	0.4	0.4	RIO	7.2	7.3
CBA	1.1	1.1	STO	1.0	0.9
COL	0.8	0.9	TCL	1.3	1.5
CSL	0.5	0.4	TLS	0.2	0.2
FMG	1.3	1.3	WBC	0.6	0.6
GMG	0.4	0.3	WDS	2.1	2.1
JHX	0.7	0.7	WES	0.7	0.6
MQG	0.6	0.5	WOW	0.6	0.5

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

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

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

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

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

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

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

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WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 31-01-25

Broker Rating Changes (Post Thursday Last Week)

Upgrade

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

Goldman Sachs notes Ampol reported a weaker-than-expected 4Q24 result with $45m Lytton gross profit -$5m below its estimate.

The broker notes the international trading segment continued to struggle over Q4 impacted by low market volatility but assumes gradual recovery over 2025. Unaudited 2024 EBITDA of $1.2bn was 4% below Goldman's $1.25 estimate.

Ahead of FY24 result on Feb 24, the broker estimates $1.2bn underlying EBITDA, $237m net profit, and $4.1bn net debt.

The broker revised FY24/25 EBITDA by -2/-2% primarily adjusting for lower international earnings and higher Lytton operating expense.

Target price reduces to $32.0 from $32.3. Rating upgraded to Buy on attractive valuation and defensive refining exposure, plus an anticipated 2025 earnings recovery.

ARISTOCRAT LEISURE LIMITED ((ALL)) Upgrade to Buy from Neutral by Goldman Sachs.B/H/S: 0/0/0

Reflecting Goldman Sachs' preference for high quality companies with a track record of delivering strong and certain earnings growth, the broker upgrades Aristocrat Leisure to Buy from Neutral after raising the target to $78 from $70.

The broker highlights Aristocrat's record North American installations in 2024, reinforcing market dominance and enabling over 40% market share.

Earnings growth is further bolstered by currency tailwinds and synergies between Aristocrat's land-based and social casino segments, explain the analysts.

Balance sheet strength also underpins the company's capacity for buybacks and mergers and acquisitions, highlights Goldman Sachs.

CORE LITHIUM LIMITED ((CXO)) Upgrade to Market Weight from Underweight by Wilsons.B/H/S: 0/0/0

In a report looking into 2025, Wilsons reviews seven key talking points for the lithium market covering demand, supply, inventories, geopolitical noise, M&A and how geography could be a key differentiator for new projects moving forward.

Despite being in the midst of an over-supplied market for lithium, the broker believes market rebalancing is underway but the pace will be relatively sedate.

The broker acknowledges its lithium price profile was too optimistic previously, lowering it to a broadly flat forecast versus spot price over the next three years -- US$850/t SC6 and US$11,000/t carbonate, before progressively moving up. The new price profile sits slightly below consensus estimates for the coming years.

In the case of Core Lithium, the broker is not forecasting a resumption of operations at Finniss project in the next two years and therefore sees minimal changes from its revised lithium prices and mark-to-market adjustments.

Target price retained at 10c but rating upgraded to Market Weight from Underweight.

LIONTOWN RESOURCES LIMITED ((LTR)) Upgrade to Neutral from Underweight by Jarden.B/H/S: 0/0/0

Jarden incorporated a lower long-term lithium SC6 price of US$1,200/dmt (previously US$1,400/dmt) into Liontown Resources' forecasts and lower forex, and also made changes to its core assumptions after the December quarter update.

Specifically, the broker noted management mentioning freight rates of $30/t (and "as low as $19/t where we can co-charter"), a number well below its prior $50/t assumption.

The broker is forecasting further cash burn of over -$100m in the current half before accounting for timing of sales, provisional pricing adjustments and working capital.

Target price lowered to 63c from 68c; rating upgraded to Neutral from Underweight.

LOTTERY CORPORATION LIMITED ((TLC)) Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

Ahead of Lottery Corp's 1H25 result, Jarden has marked to market reduced jackpot activity and base games which returned to growth following a -5% turnover drop in FY24.

The broker now sees a -4% downside risk to consensus 1H25 turnover of $3.4bn (Jarden's estimate is $3.3bn). Beyond FY25, the broker assumes reversion to long-term growth of 4-5%.

Target price lifts slightly to $5.05 from $5.00 but rating upgraded to Overweight from Neutral.

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

After a strong year of stock performance in 2024, Goldman Sachs continues to see new drivers of growth to give both earnings and valuation upside for Wesfarmers.

The broker forecasts 1H25 Bunnings sales growth of 2.6% y/y, above ABS Home Improvement category growth of 1%.

The broker has raised valuation multiples for Bunnings to 22x from 20x and for Kmart to 18x from 16x.

Goldman notes Wesfarmers will have the highest F24-27 EPS compounded growth of 10% in its top 5 consumer coverage consisting of Woolworths ((WOW)), Coles ((COL)), Endeavour Group ((EDV)) and JB Hi-Fi ((JBH)) while return on capital will expand by 6pts to 25% vs peers flat.

Target price increased to $78.7 from $69.50 and rating upgraded to Buy from Neutral.

Downgrade

3P LEARNING LIMITED ((3PL)) Downgrade to Hold from Speculative Buy by Taylor Collison.B/H/S: 0/0/0

Taylor Collison notes elevated Mathletics churn and muted B2C growth extrapolated from third-party web traffic and app download data foreshadowed 3P Learning's FY24 guidance miss. Based on this, the broker anticipates another underwhelming result for 1H25.

Lack of liquidity also exacerbates share price volatility where results have the potential to underperform, the broker observes.

The broker remains optimistic due to a longer-term growth strategy bolstered by experienced management and the expected return of B2C consumers. But in the short-term rating is downgraded to Hold until management provides validation that the goal of 10% revenue growth is achievable, sustainable, and profitable.

No target price is mentioned.

DROPSUITE LIMITED ((DSE)) Downgrade to Hold from Buy by Petra Capital.B/H/S: 0/0/0

Dropsuite reported another strong quarter, with a 37% year-on-year increase in annual recurring revenue (ARR) to US$31.5m in 4Q24. In AUD terms, this translates to a 45% y/y increase buoyed by the lower AUD, notes Petra Capital.

The company received a takeover offer from NinjaOne at $5.9/share which the broker views as compelling and likely to succeed.

The broker has lifted EPS estimates for FY24 and FY25 by 7% and 5%, respectively with the key drivers being higher ARR and a lower AUD/USD.

Target price lifted to $5.9 from $3.98. Rating lowered to Hold from Buy.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	AMPOL LIMITED	Buy	Neutral	Goldman Sachs
2	ARISTOCRAT LEISURE LIMITED	Buy	Neutral	Goldman Sachs
3	CORE LITHIUM LIMITED	Neutral	Sell	Wilsons
4	LIONTOWN RESOURCES LIMITED	Neutral	Sell	Jarden
5	LOTTERY CORPORATION LIMITED	Buy	Neutral	Jarden
6	WESFARMERS LIMITED	Buy	Neutral	Goldman Sachs
Downgrade				
7	3P LEARNING LIMITED	Neutral	Buy	Taylor Collison
8	DROPSUITE LIMITED	Neutral	Buy	Petra Capital

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
3PL	3P Learning	$0.76	Taylor Collison	N/A	1.64	-100.00%
A11	Atlantic Lithium	$0.23	Wilsons	0.55	0.85	-35.29%
A1M	AIC Mines	$0.36	Moelis	0.69	0.65	6.15%
AEL	Amplitude Energy	$0.20	Canaccord Genuity	0.33	0.31	6.45%
ALD	Ampol	$29.10	Goldman Sachs	32.00	32.30	-0.93%
ALL	Aristocrat Leisure	$73.99	Goldman Sachs	78.00	70.00	11.43%
BGL	Bellevue Gold	$1.21	Goldman Sachs	1.50	1.55	-3.23%
			Moelis	1.20	1.40	-14.29%
BPT	Beach Energy	$1.52	Jarden	1.42	1.40	1.43%
BSA	BSA	$1.04	Canaccord Genuity	1.85	1.75	5.71%
CRN	Coronado Global Resources	$0.65	Goldman Sachs	1.05	1.80	-41.67%
DSE	Dropsuite	$5.73	Petra Capital	5.90	3.98	48.24%
DYL	Deep Yellow	$1.29	Canaccord Genuity	1.90	1.92	-1.04%
EVN	Evolution Mining	$5.65	Jarden	4.72	3.54	33.33%
FCL	Fineos Corp	$1.79	Goldman Sachs	N/A	1.65	-100.00%
FEX	Fenix Resources	$0.29	Petra Capital	0.40	0.42	-4.76%
FMG	Fortescue	$19.14	Goldman Sachs	16.40	15.40	6.49%
			Jarden	17.24	16.81	2.56%
GMD	Genesis Minerals	$3.12	Moelis	3.05	2.70	12.96%
GOR	Gold Road Resources	$2.48	Canaccord Genuity	2.65	2.45	8.16%
			Goldman Sachs	2.75	2.65	3.77%
IFL	Insignia Financial	$4.49	Jarden	4.60	4.20	9.52%
IGO	IGO Ltd	$5.06	Jarden	6.20	8.28	-25.12%
INA	Ingenia Communities	$5.77	Goldman Sachs	N/A	4.60	-100.00%
INR	ioneer	$0.18	Wilsons	0.10	0.20	-50.00%
IPH	IPH	$5.02	Goldman Sachs	N/A	7.50	-100.00%
IPX	Iperionx	$4.04	Petra Capital	6.69	5.01	33.53%
KGN	Kogan.com	$4.68	Canaccord Genuity	8.00	8.20	-2.44%
KMD	KMD Brands	$0.37	Canaccord Genuity	0.42	0.48	-12.50%
KYP	Kinatico	$0.17	Taylor Collison	0.22	0.15	46.67%
LIC	Lifestyle Communities	$9.65	Goldman Sachs	N/A	9.95	-100.00%
LLL	Leo Lithium		Wilsons	0.45	0.42	7.14%
LTR	Liontown Resources	$0.69	Jarden	0.63	0.68	-7.35%
			Wilsons	1.00	1.40	-28.57%
MND	Monadelphous Group	$15.55	Goldman Sachs	12.95	12.30	5.28%
			Goldman Sachs	13.40	12.30	8.94%
NWL	Netwealth Group	$31.16	Jarden	24.00	21.10	13.74%

NXL	Nuix	$4.28	Moelis	6.09	6.94	-12.25%
			Petra Capital	4.87	6.91	-29.52%
PMV	Premier Investments	$22.84	Petra Capital	29.00	33.75	-14.07%
PPS	Praemium	$0.88	Canaccord Genuity	1.05	0.95	10.53%
			Moelis	1.03	0.87	18.39%
RDY	ReadyTech Holdings	$3.19	Goldman Sachs	N/A	4.25	-100.00%
REG	Regis Healthcare	$6.41	Jarden	7.10	4.46	59.19%
RMD	ResMed	$40.50	Jarden	36.60	33.83	8.19%
RRL	Regis Resources	$2.97	Canaccord Genuity	3.10	2.65	16.98%
			Goldman Sachs	2.80	2.70	3.70%
SFX	Sheffield Resources	$0.14	Petra Capital	0.17	0.28	-39.29%
SMR	Stanmore Resources	$2.62	Petra Capital	5.08	5.33	-4.69%
SOM	SomnoMed	$0.64	Wilsons	0.80	0.45	77.78%
STK	Strickland Metals	$0.08	Canaccord Genuity	0.17	0.16	6.25%
STO	Santos	$7.08	Goldman Sachs	7.90	8.14	-2.95%
			Jarden	7.65	7.85	-2.55%
TCG	Turaco Gold	$0.31	Canaccord Genuity	0.75	0.70	7.14%
TLC	Lottery Corp	$5.00	Jarden	5.05	5.00	1.00%
TWE	Treasury Wine Estates	$10.77	Goldman Sachs	13.00	15.20	-14.47%
VEA	Viva Energy	$2.61	Goldman Sachs	3.25	3.35	-2.99%
WAF	West African Resources	$1.65	Canaccord Genuity	3.95	3.70	6.76%
WDS	Woodside Energy	$24.73	Jarden	26.90	27.00	-0.37%
WES	Wesfarmers	$76.90	Goldman Sachs	78.70	69.50	13.24%
WGX	Westgold Resources	$2.54	Canaccord Genuity	4.70	4.50	4.44%
WHC	Whitehaven Coal	$6.10	Goldman Sachs	8.90	7.90	12.66%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

BSA BSA LIMITED

Industrial Sector Contractors & Engineers Overnight Price: $1.04

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

BSA upgraded FY25 EBITDA guidance to $26-28m from $24-27m after reporting 2Q25 EBITDA of $7.5m, up 31.5% year on year and 10.5% margins vs 8.8% in the previous corresponding period.

Canaccord Genuity notes the strong result reflected ongoing volumes in the group's core telecommunications work, coupled with a favourable mix of work and pricing management.

The broker lifted its EPS forecasts for FY25 and FY26 by 12% and 8%. Petra reminded the pending nbn tender represents a significant
event, but in its view the company appears well-positioned to continue.

Target price rises to $1.85 from $1.75. Buy rating maintained.

This report was published on January 24, 2025.

Target price is **$1.85** Current Price is **$1.04** Difference: **$0.81**
If **BSA** meets the Canaccord Genuity target it will return approximately **78%** (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 **21.70** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **4.79**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **22.70** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **4.58**.

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

EXP EXPERIENCE CO LIMITED

Travel, Leisure & Tourism Overnight Price: $0.12

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

Canaccord Genuity highlights Experience Co's 2Q25 trading update showed an earnings turnaround is underway. Whilst skydiving volume recovery continues to take longer than initially expected, strong adventure experiences and operational efficiencies delivered 1H EBITDA of $10.7m, beating the broker's estimate of $9.1m.

The broker notes January trading is showing Skydive Australia and NZ to have stronger volumes (excluding weather-impacted Wollongong/Newcastle sites), improving Reef Unlimited volumes/revenue per customer and Treetops' new site in Canberra trading strongly.

Target price of 23c and Buy rating retained.

This report was published on January 29, 2025.

Target price is **$0.23** Current Price is **$0.12** Difference: **$0.11**
If **EXP** meets the Canaccord Genuity target it will return approximately **92%** (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 **0.42** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **28.57**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **1.05** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.43**.

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

KYP KINATICO LIMITED

Software & Services Overnight Price: $0.17

Taylor Collison rates ((KYP)) as Outperform (2)

Taylor Collison notes Kinatico's SaaS revenue is growing at a nearly 50% pace with a pipeline to match and is cash accretive.

The broker remains attracted to the company's simplified compliance solution, supported by a pre-existing base of over 10,000 corporate data verification customers and the imminent launch of its new platform.

The broker's FY25 projections remain largely in line with Kinatico's but FY26 estimates have been upgraded due to cost-base efficiencies and slight revenue increases. Free cash flow estimate for FY26 is raised to $3.3m from $1.7m due to decreasing software development spend.

Target price increases to 22c from 15c. Rating remains at Outperform.

This report was published on January 21, 2025.

Target price is **$0.22** Current Price is **$0.17** Difference: **$0.055**
If **KYP** meets the Taylor Collison target it will return approximately **33%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Taylor Collison forecasts a full year **FY25** dividend of **0.00** cents and EPS of **0.25** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **66.00**.

Forecast for FY26:

Taylor Collison forecasts a full year **FY26** dividend of **0.00** cents and EPS of **0.69** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **23.91**.

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

PPS PRAEMIUM LIMITED

Wealth Management & Investments Overnight Price: $0.85

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

Canaccord Genuity notes Praemium reported strong December quarter performance with platform funds under administration (FUA) growing to $30.2bn, up 4% quarter-on-quarter and 32% year-on-year.

The broker revised higher FUA forecasts for FY25 and FY26 by 3% and 3.9% respectively. Net profit forecasts are also revised up 1.8% and 2.8% for FY25 and FY26 respectively.

Target price upgraded to $1.05 from $0.95. Buy rating maintained.

This report was published on January 23, 2025.

Target price is **$1.05** Current Price is **$0.85** Difference: **$0.195**
If **PPS** meets the Canaccord Genuity target it will return approximately **23%** (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 **1.50** cents and EPS of **4.00** cents.
At the last closing share price the estimated dividend yield is **1.75%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **21.38**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **2.00** cents and EPS of **5.00** cents.
At the last closing share price the estimated dividend yield is **2.34%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **17.10**.

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

SOM SOMNOMED LIMITED

Medical Equipment & Devices Overnight Price: $0.66

Wilsons rates ((SOM)) as Overweight (1)

Wilson raises its target for SomnoMed by 70% (not a typo) to 80c, maintaining its Overweight rating, citing a strong earnings (EBITDA) recovery and improved operational efficiency following last year's restructuring.

A 2Q trading update shows group revenue rising by 19% year-on-year to $53.7m, supported by a 37% increase in US sales and better manufacturing capacity, which helped recapture lost customers and reduce turnaround times, explains the broker.

Revenue guidance remains at $105m, while EBITDA guidance has been raised to $7-9m from more than $7m.

The broker notes ongoing demand growth in the global sleep apnoea market, bolstered by increased awareness and referrals, and sees the business benefiting from favourable sector tailwinds.

This report was published on January 29, 2025.

Target price is **$0.80** Current Price is **$0.66** Difference: **$0.145**
If **SOM** meets the Wilsons target it will return approximately **22%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **0.30** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **218.33**.

Forecast for FY26:

Wilsons forecasts a full year **FY26** dividend of **0.00** cents and EPS of **0.70** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **93.57**.

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

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