WEEK 18

FNArena
FINANCIAL NEWS, ANALYSIS & DATA

STORIES TO READ FROM FNArena

Friday, 3 May 2024

Generative AI, Investing In The 21st Century Megatrend, Part One

Rudi's View: Quality Reigns, And How To Identify It

SiteMinder Travelling Well

CONTENTS

AUSTRALIA

1. The Market In Numbers - 27 Apr 2024
2. ResMed Silences The Doubters

COMMODITIES

3. Gold Producers Over Bullion?

ESG FOCUS

4. ESG Focus: Governance, Supply Chains, Risks
5. ESG Focus: The Little Big Things - 29-04-2024

INTERNATIONAL

6. Generative AI, Investing In The 21st Century Megatrend, Part One

RUDI'S VIEWS

7. Rudi's View: Quality Reigns, And How To Identify It

SMALL CAPS

8. SiteMinder Travelling Well

SMSFUNDAMENTALS

9. The Hedge Fund Whisperers: Hints For Retail Investors To Unlock Alpha

TREASURE CHEST

10. Treasure Chest: The Fast Food Conundrum

FNArena
Financial News, Data & Analysis

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

Your editor:
Rudi Filapek-Vandyck

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

© FNArena 2024. All Rights Reserved. No portion of this website may be reproduced, copied or in any way re-used without written permission from FNArena. All subscribers should read our terms and conditions.

WEEKLY REPORTS

11. Weekly Ratings, Targets, Forecast Changes - 26-04-24
12. Uranium Week: Nuclear Power And AI
13. The Short Report - 02 May 2024
14. In Case You Missed It - BC Extra Upgrades & Downgrades - 03-05-24

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

Your editor:
Rudi Filapek-Vandyck

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

© FNArena 2024. All Rights Reserved. No portion of this website may be reproduced, copied or in any way re-used without written permission from FNArena. All subscribers should read our terms and conditions.

AUSTRALIA

The Market In Numbers - 27 Apr 2024

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

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

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

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

Australia & NZ

Index	26 Apr 2024	Week To Date	Month To Date (Apr)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
NZ50	11805.090	0.08%	-2.48%	-2.48%	0.29%	-0.93%
All Ordinaries	7837.40	0.26%	-3.88%	-3.88%	0.10%	5.89%
S&P ASX 200	7575.90	0.11%	-4.06%	-4.06%	-0.20%	5.17%
S&P ASX 300	7528.20	0.12%	-4.07%	-4.07%	-0.10%	5.18%
Communication Services	1481.30	-0.18%	-6.19%	-6.19%	-6.73%	-3.65%
Consumer Discretionary	3367.60	-0.39%	-6.88%	-6.88%	3.93%	14.40%
Consumer Staples	11869.10	1.07%	-3.96%	-3.96%	-3.59%	-10.72%
Energy	10256.80	-3.02%	-4.80%	-4.80%	-3.45%	-5.27%
Financials	7121.10	0.82%	-4.52%	-4.52%	5.99%	14.49%
Health Care	41682.80	2.60%	-4.04%	-4.04%	-1.55%	0.95%
Industrials	6849.10	-1.58%	-4.62%	-4.62%	-0.24%	0.77%
Info Technology	2153.80	2.52%	-5.41%	-5.41%	17.51%	17.73%
Materials	17886.60	-0.69%	-0.31%	-0.31%	-8.23%	-0.80%
Real Estate	3454.20	-0.50%	-9.98%	-9.98%	3.18%	13.48%
Utilities	8646.80	-0.06%	4.38%	4.38%	5.71%	-1.00%
A-REITs	1569.10	-0.46%	-10.01%	-10.01%	4.44%	15.83%
All Technology Index	2970.40	1.37%	-4.05%	-4.05%	10.26%	22.92%
Banks	2950.40	0.66%	-4.37%	-4.37%	6.15%	18.17%
Gold Index	7842.70	-0.64%	8.29%	8.29%	6.45%	18.51%
Metals & Mining	5883.60	-0.93%	0.72%	0.72%	-9.02%	-2.87%

The World

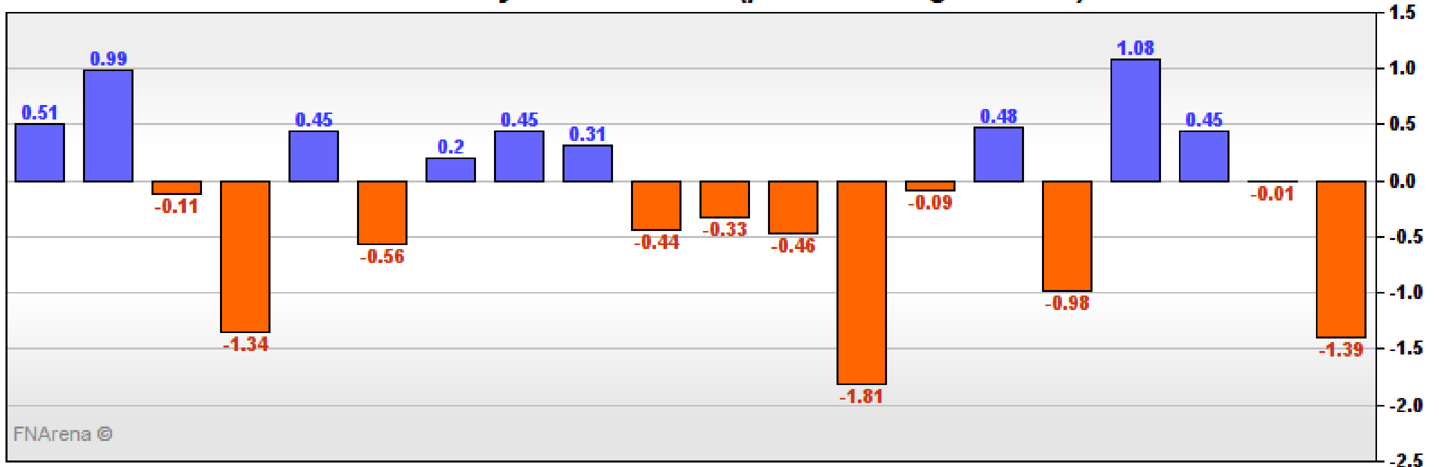
Index	26 Apr 2024	Week To Date	Month To Date (Apr)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
FTSE100	8139.83	3.09%	2.35%	2.35%	5.26%	8.08%
DAX30	18161.01	2.39%	-1.79%	-1.79%	8.41%	12.47%
Hang Seng	17651.15	8.80%	6.71%	6.71%	3.54%	-6.69%
Nikkei 225	37934.76	2.34%	-6.03%	-6.03%	13.36%	14.30%
DJIA	38239.66	0.67%	-3.94%	-3.94%	1.46%	11.14%
S&P500	5099.96	2.67%	-2.94%	-2.94%	6.92%	14.60%
Nasdaq Comp	15927.90	4.23%	-2.76%	-2.76%	6.11%	15.52%

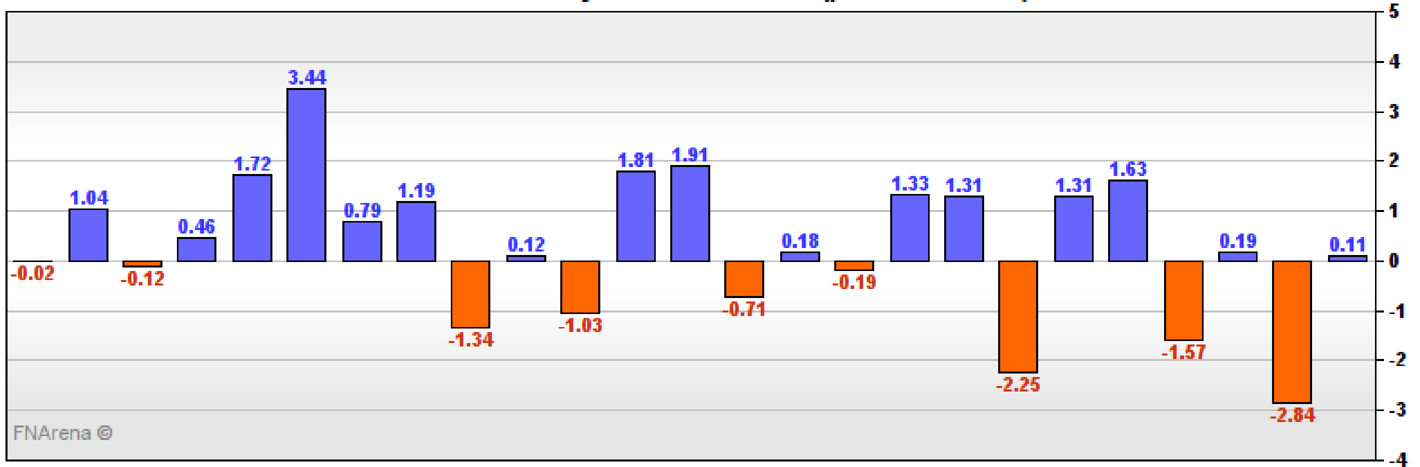
Metals & Minerals

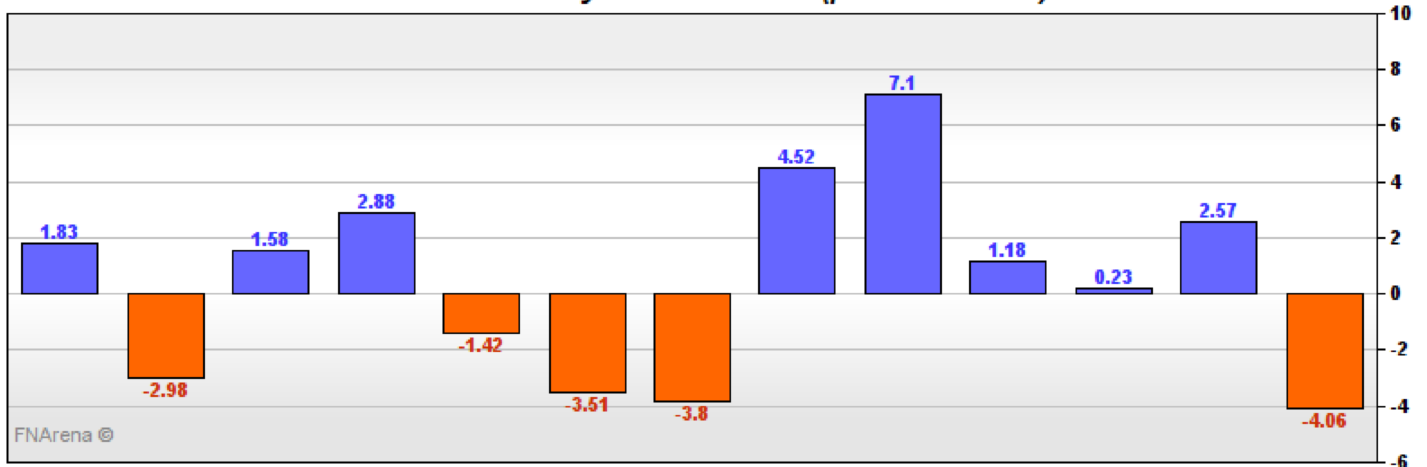
Index	26 Apr 2024	Week To Date	Month To Date (Apr)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
Gold (oz)	2331.70	-1.94%	6.27%	6.27%	14.05%	22.20%
Silver (oz)	27.39	-2.77%	11.43%	11.43%	12.35%	21.57%
Copper (lb)	4.4581	1.65%	11.66%	11.66%	17.07%	19.94%
Aluminium (lb)	1.1605	-1.45%	11.74%	11.74%	19.36%	21.16%
Nickel (lb)	8.6359	1.99%	15.31%	15.31%	16.12%	-2.97%
Zinc (lb)	1.2838	0.00%	16.54%	16.54%	14.16%	22.43%
Uranium (lb) weekly	90.00	0.00%	2.27%	2.27%	4.65%	60.14%
Iron Ore (t)	109.68	1.60%	7.94%	7.94%	-20.65%	-3.71%

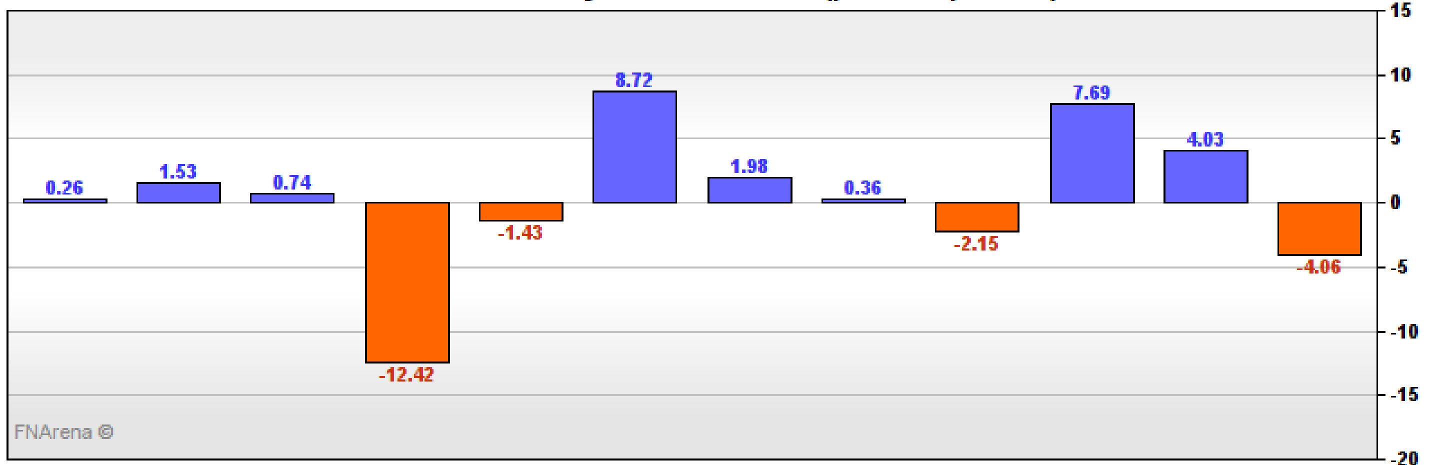
Energy

Index	26 Apr 2024	Week To Date	Month To Date (Apr)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
West Texas Crude	83.57	1.02%	2.26%	2.26%	13.22%	19.62%
Brent Crude	89.26	2.63%	3.37%	3.37%	12.62%	20.12%









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 Silences The Doubters

A forecast-beating jump in gross margins was the highlight in ResMed's March quarter result.

-ResMed's quarterly beats on earnings and margins
-Further margin improvement anticipated
-No impact from GLP-1s
-Buy ratings across the board

By Greg Peel

The story over the past several months for medical device company ResMed ((RMD)) has been dominated by the arrival on the scene of GLP-1 weight-loss drugs that, it was initially assumed, would significantly reduce demand for sleep apnoea devices.

From late July to October, ResMed's share price fell around -37%, before analysts questioned whether GLP-1s would in fact reduce device demand and evidence began to build that not only was this not the case, the opposite could be true.

At the time of writing, ResMed has now regained all of that loss. Reporting March quarter earnings on Friday, the stock jumped 9.6% on the day. In the US, where ResMed is also listed, the stock rose 18.9% on Friday night. As I write, it's up another 4.8% today in the local market.

Margins Impress

ResMed posted an "impressive" March quarter earnings increase of 27% year on year, easily exceeding broker forecasts. This included a gain on investment, but otherwise earnings were up 24%.

US device growth rose 7% year on year, despite having risen 48% in the same quarter last year.

New patient flow is “steady”, with the overall market tracking in the mid-to-high single digits and focus now turning to driving demand generation and resupply, especially given full availability of the S11 platform expected by end of 2024.

While gross margin improvement was expected in the quarter, the 160 basis point increase was well ahead of forecasts, achieved primarily through a reduction in freight costs and manufacturing efficiencies, including inventory reduction. This was augmented further by product mix and price increases. ResMed also noted inflationary pressures from component costs were no longer a headwind, with pricing remaining stable versus the December quarter.

Strong operating leverage was achieved thanks to lower Sales, General & Administrative (SG&A) expenses, following a -5% headcount reduction in the December quarter, strong cashflows; and further de-gearing of the balance sheet.

Can it Last?

It was the faster gross margin recovery that was the highlight of the results and management remains convinced of ongoing improvement in FY25, even with a -30-50bps headwind from the spike in freight costs following the Red Sea conflict.

Morgans nonetheless believes the gains achieved in the March quarter do not appear repeatable. Management flagged a more “gradual” margin increase into FY25 on further efficiencies and improving costs, including S11 platform roll-out, new masks and automation, but timing remains uncertain and near term headwinds are increasing from the Red Sea impact, SG&A investment in marketing and demand generation activities.

Wilsons suggests the fact the drivers of margin expansion were well flagged and for some investors, late in arriving, could lead some to conclude that expansion is now done. Not the case, says this broker.

Wilsons’ sense is there is plenty more to come. “Seismic” events over the last three-four years, including covid and the Philips device recall, would have left little room for fundamental optimisation. With the business re-scaled and enjoying stability, Wilsons would expect margin-directed efficiency programs to follow.

Back in the day, when ResMed’s continuous positive airway pressure (CPAP) business was undifferentiated and the category was under materially more competitive pricing pressure, margin disciplines saved results.

It will be interesting to see, says Wilsons, what those old habits can achieve in 2024, now the category has been utterly redrawn.

Jarden assumes the gross margin growth remains flat into the June quarter from the March quarter, while management expects improvement throughout FY25 via further manufacturing efficiencies, freight savings and improving component cost terms. This improvement in FY25 will be off the exit rate of the June quarter and not the average margin across FY24.

GLP-1s

In relation to the ongoing debate on GLP-1s Obstructive Sleep Apnoea (OSA) market impact, management presented updated data from 660k (prior 529k) OSA patients prescribed GLP-1s showing not only 10.5% (prior 10%) more likely of starting Positive Airway Pressure (PAP) therapy than patients not prescribed GLP-1s, but also higher PAP re-supply rates post set-up with PAP.

The data on OSA patients prescribed GLP1s continue to show an increased likelihood of not only starting PAP therapy, but also improving re-supply rates over time versus OSA patients not prescribed GLP-1s, Morgans notes.

The claims data presented by ResMed to date suggest little impact from GLP-1 on CPAP usage. The key question from the Surmount-OSA trial, says Citi, is what percentage of participants on Zepbound achieved OSA remission/no longer required CPAP therapy - this secondary outcome should be presented with the full trial results on June 21.

Citi’s forecasts assume a rebasing of the CPAP device market over several years combined with Philips gradually regaining around 20% market share, of which 10% from ResMed.

Philips re-entry into the market was expected in 2024, but is now expected in 2026.

Views

Citi has a Buy rating and has increased its price target to $36.00 from $34.00.

Macquarie maintains Outperform and increases its target to $34.85 from $34.30.

Morgans lifts its target to $34.11 from $32.82 and retains Add.

Morgan Stanley increases to $33.70 from $31.80 with an Overweight rating.

Wilsons (Overweight) has increased its target by 9% to $36.00, while Jarden (Overweight) increases to $32.85 from $31.33.

Ord Minnett has raised its target by 2% to $40.00 and retains an Accumulate rating.

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

COMMODITIES

Gold Producers Over Bullion?

By Tim Boreham, Editor, The New Criterion

In US Costco stores, consumers can now buy gold bars along with caskets and bulk toilet paper – and they reportedly are in hot demand.

The commentariat reckons this behaviour reflects the anxiety of Americans who fear political instability after November's presidential election, or even outright conflict as depicted in the hopefully not-too-prescient flick Civil War.

(Zillionaires such as Facebook founder Mark Zuckerberg reportedly are hoarding the yellow stuff, ahead of bugging out to their Doomsday bunkers).

According to the World Gold Council's *Gold Demand Trends* released this week, March quarter gold demand rose 3% during the stanza, to 1238 tonnes. But excluding over-the -counter physical purchases, demand actually fell -5% to 1102t.

As always, the gold price is driven by complex and sometimes contradictory factors, including inflation and interest rate levels, central bank buying, and physical demand (as reflected by the Costco hoarders).

Competing flows into cryptocurrencies – an arguably alternative safe harbour – can be thrown into the mix.

Gold's nexus with interest rates and inflation is quixotic, as higher interest rates are the primary tool for tackling inflation.

Given gold is a store of value, higher inflation is positive for bullion - but higher rates are not. That's because a lump of gold does not generate income, while higher rates mean improved risk-free cash returns (that is, bank deposits).

After the Federal Reserve started to raise rates from pandemic emergency settings in March 2022, gold duly plunged -15% to a low of US$1630 an ounce in early November of that year.

By April 2023 gold had recovered to a then record US$2048/oz, on emerging expectations that inflation had been tamed. Now, these hopes have proved premature yet gold still deports itself around US$2330/oz (A$3580/oz), just below the April 12 peak of $US2401/oz.

As Europe's biggest investment manager Amundi Asset Management opines, gold's rally since the second half of 2023 is "not easy to connect with specific events or fundamentals."

Amundi investment chief Vinent Mortier says investors are now factoring in rates being held at "elevated levels" for a while longer, to ensure that economies return to "normal" (presumably that means with controlled inflation, yet not in recession).

"The surging gold price appears to disagree," he says, citing a "tug of war between inflationary pressures (including stalling globalisation and ballooning debt) and deflationary factors (including artificial intelligence-driven productivity and below-par economic growth)."

He adds: "additionally, waning confidence in fiat currencies and a growing defiance against the US dollar are supporting gold.

"Though a major currency crisis looks unlikely in the near term, profligate fiscal policies and diversification away from dollar transactions will steadily draw new fans to gold."

So how does one become gold's equivalent of a Swifty?

There's the pure-play option of buying physical gold in bullion or coin, but buyers pay a discount for the privilege (Costco locally isn't selling them, but gold shops and kiosks are popping up everywhere).

Less clunky alternatives are gold exchange-traded funds and there are plenty to choose from, such as the currency-hedged **Betashares Gold Bullion ETF** (QAU) or **ETFs Metal Securities Australia** (GOLD)

The latter also has silver, platinum and palladium exposures.

There are derivatives such as forwards, futures and options - but don't try these at home, kids.

Then there are the actual ASX-listed producers who tease the lustrous stuff out of the ground. Given the expense and operational risk of doing so – such as recent weather interruptions - these stocks have lagged the rally in physical gold.

To date the ASX gold index has climbed 6% year to date – approximately half the rate of US$-denominated bullion.

"While this has been driven in part by lingering operational challenges on both the production and the capex/cost front, this environment nevertheless has created an attractive opportunity to invest in the sector at a time when valuations are [discounted]," broker Wilsons says.

The firm says our big three miners **Newmont Corp** ((NEM)), formerly Newcrest Mining), **Northern Star Resources** ((NST)) and **Evolution Mining** ((EVN)) are trading on forward earnings multiples of around 14.5 times – well under the five-year average of 17.5 times.

Wilsons adds the listed miners offer the benefit of "operational leverage" to a rising gold price, given their largely fixed cost bases. "With zero impact to their operating costs, mining companies see a proportionally larger boost in their earnings as their margins expand."

The ASX gold sector consists of no fewer than 170 stocks, ranging from exploration hopefuls to developers, to producers operating in diverse geographies.

Sticking with the top end, Wilsons likes the aforementioned Evolution Mining, which has gold (and copper) assets here and in Canada. The firm expects the miner to produce 762,000 ounces in calendar 2024, with an industry-low all-in sustainable cost (AISC) of US$832/oz.

AISC is the total cost of producing an ounce of gold, including capital, exploration and administration expenses.

Canaccord Genuity says Northern Star Resources has "exceptional leverage" to rising gold prices, given the scale of its operations (the company guides to 1.6-1.75 million ounces this year).

Mid last year, Canaccord estimated the company would generate $144m of free cash flow in the 2024-25 year, but now reckons $1.3bn-plus is quite doable.

"In our view, this offers the company good optionality around deleveraging, special dividends and potential [acquisitions]."

In the mid tier, Canaccord also has an eye for local producer **Ramelius Resources** ((RMS)), which spat out a record $125m of free cash flow in the March quarter. The $2.3bn market cap company is on track to produce $300m-plus in 2024-25.

Miners that operate in Africa can expect to be discounted given the extra sovereign risk, but Canaccord believes investors have mispriced the potential of **Perseus Mining** ((PRU)), which is wrapping up its takeover of OreCorp ((ORR)).

OreCorp is developing its Nyanzaga mine in Tanzania, which will make Perseus a leading intermediate producer of more than 450,000 ounces per annum, at a "highly competitive" AISC of US$1000/oz.

Other 'goldies' on Canaccord's rota are **Adriatic Metals** ((ADT)), **De Grey Mining** ((DEG)), **Spartan Resources** ((SPR)) and **Predictive Discovery** ((PDI)).

When upbeat sentiment envelopes a commodity, it's tempting to assume the gold price will keep running as hard as a Pamplona bull during the town's annual gorefest in July.

That's a rash assumption, especially if the next Federal Reserve rates move is up, rather than down as the market expects (albeit with less confidence as inflation continues to be stubbornly high).

RBC Capital Markets posits that despite the strong physical demand, geopolitical woes and central bank buying, gold has "inherent vulnerabilities".

One of these is the lack of flow-through buying into gold exchange-traded funds, a key source of demand in recent years.

Outside of Asia, the firm says, ETF flows have been "squarely negative". Supporting this, the World Gold Council reports -US$6bn of gold ETF outflows (114 tons) in the March quarter.

RBC predicts an average US$2248/oz price for calendar 2024, peaking at US$2394/oz in 2025 – not much more than the current spot price.

In Warner Brothers' words: that's all folks.

So, gold fanboys and fangirls who buy physical gold (or derivatives) in the hope of short-term bonanza gains may be disappointed.

But at the current spot price or thereabouts, any half-decent producer should continue to enjoy fat margins.

When it comes to laying the golden egg, they're the real geese.

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

[dianomi_video]

Content included in this article is not by association the view of FNArena (see our disclaimer).

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

ESG FOCUS

ESG Focus: Governance, Supply Chains, Risks

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:
https://fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/

ESG Focus: Governance, Supply Chains And Rising Risks

Governance and social themes, while not attracting big expenditure in the December half, still proved a strong focus for corporations, and some hefty indigenous law suits are lining up against the majors and their shareholders.

-Indigenous guarantees new kid on the block
-RAPs keep flowing
-Light at the end of the tunnel for labour markets
-Modern slavery and supply chains
-Remuneration strikes more than double
-Cybersecurity, corruption, lawsuits and tax
-Woodside faces shareholder backlash

By Sarah Mills

Psychosocial and cyber-crime expenditure may have dominated social reporting in the December half, there was plenty of activity in other areas such as indigenous relations, modern slavery and governance.

The bulk of this story is based on research from Jarden, Macquarie, Morgan Stanley and Georgeson.AGMIntelligence.

Indigenous Relations Moves Into Guarantees

Corporations continued to make headway on the relatively easy box-ticking exercise of indigenous relations, and the Reconciliation Action Plans (RAP) kept flowing.

The main progress Jarden observed on the indigenous front was that some companies had started taking actions beyond the typical employment and procurement expenditure.

National Australia Bank ((NAB)) launched its indigenous business guarantee and Seek ((SEK)) finalised its First Nations Strategy to help Indigenous job seekers and support indigenous businesses, in concert with Indigenous Business Australia.

Commonwealth Bank's ((CBA)) expenditure on Australian Indigenous supplier direct spend rose 47% in the December half and Viva Energy ((VEA)) completed 85% of its RAP deliveries.

Indigenous relations falls heavily into the Resources sector’s remit and the miners continued to forge ahead on this front.

Beach Energy ((BPT)) finalised an enterprise native title agreement and completed the pipeline tie-in to the Otway Gas Plant, observes Macquarie.

BHP Group ((BHP)), Fortescue ((FMG)), Iluka Resources ((ILU)), Mineral Resources ((MIN)) and Rio Tinto ((RIO)) reported on indigenous procurement and employment plans.

BHP indigenous procurement rose to US$289m from US$141m in the previous corresponding half while indigenous employment fell to 14% from 16%.

Mineral Resources increased procurement spend at $24.2m in the half, compared with $24m for the entirety of FY23.

McPhillamy Gold Project's development application relating to Aboriginal and Torres Strait Islander Heritage Protection is complete and the operator, Regis Resources ((RRL)), is awaiting a response.

Among the REITs and developers, Charter Hall Group ((CHC)), GPT Group ((GPT)), HMC Capital ((HMC)) HomeCo Daily Needs REIT ((HDN)), Mirvac Group ((MGR)) Stockland ((SGP)) and Vicinity Centres ((VCX)) reported on reconciliation plans.

Rio Tinto, BHP And Santos Singled Out For Rising Risks

In a separate paper this year, Jarden spied rising environmental and social risk for Rio Tinto and highlighted known risks for BHP and Santos ((STO)), all of which may prove very costly to shareholders.

The paper observes that, based on recent reports, Norges Bank is assessing Rio Tinto and BHP's environmental and social credentials, particularly as they relate to: blast management, environmental concerns, development in highly sensitive areas, rehabilitation and closure challenges.

Jarden says these areas are posing high operational, financial reputation and social licence risks for the companies.

Jarden highlights Rio Tinto's continued blast management in culturally significant rock shelters in the Pilbara (readers will recall high-profile resignations for similar incursions a few years ago); combined with environmental concerns in Brazil, Quebec and Madagascar; rising rehabilitation costs ($850m and $2.2bn for the Argyle and Ranger mines); and biodiversity problems at Simandou in Guinea. Serbia has revoked Rio's Jadar lithium project licence after environmental protests.

Specifically, the bulk of Norges criticisms related to the company's stake in Mereracao Rio do Norte in Brazil; contaminated water with toxic metals in Madagascar (65 residents in Madagascar made the allegations); water management at Oyu Tolgoi in Mongolia (the Local Authority Pension Fund forum has raised concerns); and media reports of more than 100 environmental infractions at Rio Tinto's aluminium division in Quebec over 15 years.

For BHP, the big-ticket items were the well-publicised Samarco court case and its continuing class action in Britain involving 700,000 claimants. The company also faces the closure and rehabilitation for Nickel West.

The Arizona Resolution Copper project is also on the back foot following a challenge to the US government's transfer of the land to Rio Tinto and BHP. It has already been postured by ESG observers that the Resolution Copper project represents something of a litmus test for ESG resolve – the world's biggest copper mine versus a major indigenous challenge in the western world.

At some stage, an example will have to be made to demonstrate big capital's commitment to the social theme, and perhaps Resolve is it? Although given forecast shortages of copper it appears a long shot. Regardless, Jarden suggests Rio Tinto, BHP and Santos are all skating on thin "social" ice.

Light At The End Of The Labour Tunnel

There were a few welcome and some less-welcome developments on the industrial relations/labour front.

The tight post-covid labour market has been the bane of recent reporting seasons so it was with some relief that many corporations cited signs of an easing.

While some companies such as Cleanaway Waste Management ((CWY)), Downer EDI ((DOW)) and Ventia Services ((VNT)) observed a stabilising market. Others such as Aurizon Holdings ((AZJ)) and Monadelphous ((MND)) were still feeling the pinch.

Labour costs at Evolution Mining ((EVN)) jumped 6% in line with guidance although management does expect a slower rise in 2025. Macquarie observes labour comprises about 48% of the company's cost base

Not so welcome was the continuing same job same pay stoush.

Rio Tinto's chief lamented in its report that same job, same pay; labour hire changes and multi-employer workplace agreements were threatening to undermine the "co-operative environment" the company had cultivated with staff.

Modern slavery and general supply chains

Corporate Australia continued to push ahead on the modern slavery front as they tried to get their houses in order prior to looming mandatory disclosure and supply chains generally were in focus as part of the broader environmental push.

Modern slavery garnered a few due diligence mentions from Charter Hall ((CHC)), G.U.D. Holdings ((GUD)), JB Hi-Fi ((JBH)) and Seek.

G8 Education ((GEM)), G.U.D. Holdings, Iress ((IRE)), SmartGroup Corp ((SIQ)), TPG Telecom ((TPG)) and Ventia all advised of progress on supply chain due diligence.

Among the REITs, Arena REIT ((ARF)), Charter Hall, Charter Hall Long WALE REIT ((CLW)) and Charter Hall Retail REIT ((CQR)) all mentioned modern slavery in supply chains, observes Macquarie.

Ramsay Health Care ((RHC)) said it was on track to achieve its 2024 target for sustainability assessments to be completed by 60% of global suppliers by expenditure; and 80% by 2026.

BlueScope Steel ((BSL)) advised it had completed 145 supplier assessments in the first half.

As an aside on supply chains, Morgan Stanley observed an interesting development on the supply chain front were data and expects near-shoring of data centres to be prioritised.

The analyst cited a survey which showed more than 80% of European consumers believed it was important to know which country their data were stored in. These respondents preferred domestic storage and roughly 20% were prepared to pay more to do so.

The analyst also forecast supply disruptions for critical minerals given hawkishness this US election year.

Small caps

Quite a few small caps proved focused on ESG, making movements across the ESG spectrum, observes Macquarie.

G8 Education was busy with solar rollouts, RAPs, safety training, cyber costs, supply chain software, emissions reductions, and recycling initiatives. Ditto for Iress.

The companies also made inroads on modern slavery, supply chains, indigenous employment, and injury rates.

G8 linked executive pay to ESG, placing a 10% weighting on electric vehicle and hybrid transition milestones and 10% weighting on risk management.

Governance

Remuneration strikes and psychosocial safety were the standouts on the governance front

Georgeson.AGMIntelligence observes 2023 proved a big year for remuneration strikes at ASX300 companies, the number of strikes near doubling from 2022 to 40 (from 21). Numbers were even lower in 2020 and 2021.

The analyst observes the severity of strikes at the top end of the range also rose, the highest "against" vote being 83.1% and all top-five "against" votes were over 60%, compared with 55.8% in 2022.

“In 2022, only one issuer received more than 50% of strike votes compared to 13 in 2023,” advised the analyst.

The average of “against” votes where a strike occurred also rose to 45.7% in 2023 from 34.2% in 2022, returning to the averages seen in 2020 and 2021, observes the analyst, and just two strikes were second strikes.

The penultimate wooden spoon award went to Link Administration Holdings ((LNK)) and Lovisa Holdings ((LOV)), which both managed to garner three consecutive remuneration strikes without triggering a board spill resolution given the corporations law provides for a reset after two years.

NRW Holdings ((NWH)) took the gong for the worst performer, after logging its sixth consecutive remuneration strike. A resolution to spill the board was proposed but “resoundingly” defeated.

Jarden observes more than 50% of investors voted again the re-election of the long-standing Remuneration Committee Chair who had already resigned prior to the AGM, making the vote more of a symbolic gesture.

The fact that no board spills were recorded underlines shareholders reluctance to prosecute the three-strike rule to its full extent.

Jarden sheets rising shareholder ire back to cost-of-living pressures, inflation and rising interest rates and observes big institutional investors are becoming increasingly accountable to their big stakeholders.

The analyst also observed an increasing intolerance to pay bonuses to executives in years where workplace safety incidents or fatalities and strong reputational losses occurred.

Still, no board spills suggests the broad take out from the February reporting season is that remuneration strike provisions remain all sizzle and no steak.

Rounding Up Governance themes

Cybersecurity, corruption and tax also featured under the governance theme.

Downer EDI is still awaiting a determination from ICAC over Dow’s tendering for certain rail projects.

The company advised it had strengthened its procurement process “particularly around corruption and prevention and subcontractor governance and is conducting an independent review of the ‘”Contractor control environment,” observed Macquarie.

Cybersecurity was also top of the agenda, with Iress, Kelsian Group ((KLS)), Macmahon Holdings ((MAH), Monash IVF ((MVF)), and Seek all reporting enhancements to cybersecurity governance.

A fair few legal settlements were registered, the most notable being BHP’s Samarco’s US$3.2bn post-tax impairment charge to deal with Brazilian Federal Prosecution. The total provision has reached US$6.5bn.

The psychosocial theme also made its presence felt in the governance arena.

AMP Ltd ((AMP)), Australia and New Zealand Banking Group ((ANZ)), Bendigo & Adelaide Bank ((BEN)), Bank of Queensland ((BOQ)), Commonwealth Bank ((CBA)), Insurance Australia Group ((IAG)), Medibank Private ((MPL)), National Australia Bank, nib Holdings ((NHF)), QBE Insurance ((QBE)), and Suncorp ((SUN)) all announced they had implemented a governance structure for psychosocial safety.

Jarden observes Significant Financial Institutions had to meet specific APRA requirements this year, the upshot of which included:

-New metrics to long-term incentive plans (LTI). These included: AMP’s introduction of a Reputation Index, which comprised 30% of the CEO’s LTI; and Insurance Australia Group’s customer-experience performance hurdle based on transactional net promoter scores (to be used to set targets and hurdles for future LTI vesting).

-The major banks kept traditional financial targets such as total shareholder return as the main basis for long-term incentives observes Jarden, but held up to 50% to retrospective assessment against risk-based criteria such as compliance breaches and material inactions at the time of vesting (up to four to six years in the future).

Jarden expects a tightening of modern slavery and workplace diversity reporting.

Analysts point out that new disclosure rules (including incoming rules) will be judged on how well companies integrate these into their business strategies and operations.

Latest News On ESG Governance

Woodside Energy ((WDS)) suffered the largest backlash at its Annual General Meeting this month with 58.36% of shareholders voting against Woodside's climate strategy, the first time the company has lost majority support on the subject, beating the previous record by 10%, observes the Australian Conservation Foundation.

Voters also recorded a historic 16.6% vote against chairperson Richard Goyder, who has advised he is unlikely to stand for re-election.

The ACF says these results suggest the company will have review its gas developments.

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:
https://fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/

Technical limitations

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

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

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

ESG FOCUS

ESG Focus: The Little Big Things - 29-04-2024

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:
https://fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/

ESG Focus: Little Big Things

Green geopolitics are heating up; analysts check out electric vehicles, lithium and critical minerals; and the AI push persists despite climate implications of data centres, which in turn bode well for power generators, transmission companies and copper.

-Checking out green politics and geopolitics
-China accused of hurting battery, electric vehicle and critical minerals markets
-Musk and Dimon oracles - and the winner is …
-Tesla moves to war footing on automation
-How legit is the climate change narrative given data-centre push
-Citi says EV penetration to rise in 2024, and accelerate in 2025

Compiled by Sarah Mills

China Causing A World of Hurt But Oversupply May Have Peaked

Little Big Things returns to US election politics and green geopolitics given the critical role it is playing in ESG this year.

The United States and Europe have stepped up their rhetoric against what they consider to be China's aggressive manufacturing and pricing practices, enervated by an election year awash with protectionist politics.

Excess industrial capacity in China has suppressed prices in many markets, causing a world of hurt to industries globally.

US commerce secretary Gina Raimondo advised Washington was prepared to escalate its semiconductor sanctions campaign against China to prevent the country from catching up militarily.

Raimondo said the US will "do whatever it takes" to curb China Tech" then scoffed at Huawei's heavily publicised semiconductor chip breakthrough, claiming "it's years behind what we have in the United States".

US trade representative Katherine Tai in an interview with Bloomberg TV pulled no punches criticising several Chinese policies.

"There is now an established set of facts supporting the assertion that China's rise as an economic power has hurt multiple countries and key industries around the world," said Tai.

Most recently, the victims had been batteries, electric vehicles, and critical minerals.

The US is investigating China's actions in the shipping industry and the Wall Street Journal says the US is readying sanctions to cut certain Chinese banks' access to the world's financial system (aimed mainly at Russian financial transactions).

Europe has been more diplomatic in its admonishment of China, but appears ready to legislate if no headway is made.

China, in its defence, blames the excess manufacturing capacity on the slump in its property development market.

But there may be light at the end of the tunnel.

The Economist Intelligence Unit reports China's overall manufacturing overcapacity has peaked as global demand picks up in consumer sectors.

If so, much of the brou-ha-ha may be a storm in an election teacup with positive implications for many markets – catching the upswing will be the key (the Unit predicts a cyclical upturn in global retail sales in 2024).

Nevertheless, the Unit forecasts trade tensions will continue given Chinese companies' rising competitiveness, and given capacity utilisation and underlying profitability "will probably remain worse than the pre-pandemic norm" through 2024.

This is particularly likely given, as the green transition progresses, China is blitzing it on the electrification front – but that's fair play.

In a positive sign, Chinese companies are investing overseas at the swiftest pace in eight years, reports Bloomberg. While much depends on the nature of these investments, and no breakdown was available, at face value it suggests an expectation of business as usual on behalf of the global powerhouse.

Critical Minerals Glut

Back to the more immediate practicalities of markets.

So-called critical minerals such as rare earths, graphite, gallium and cobalt have slumped thanks to China, and the EV glut isn't helping.

Several analysts, such as Goldman Sachs, have issued updates on mining and metals in the light of Chinese oversupply calling for a stabilisation and mild recovery in pricing.

Morgan Stanley recently joined the fray and begged to differ, expecting continued supply disruption over 2024 for critical minerals, given US-China tensions during a hawkish US election year.

The analyst expects clean tech companies and renewable energy developers will bear the brunt of this, but on the flipside expects near-shoring beneficiaries will include metals and mining stocks, operating equipment manufacturers, and the auto sector.

[dianomi_video]

Citi Says EVs Penetration To Increase In 2024

While a glut of EVs overhangs the market and insufficient charging infrastructure remains an issue, Citi expects global battery electric vehicle volume to grow at a modest 12% this year, taking global penetration to 13% from 12% in 2023.

The analyst then expects an acceleration in 2025, viewing current sentiment as far too negative.

Citi forecasts EV penetration will hit 33% by 2030, with China leading the charge to attain a 48% market share.

The analyst does advise investors be selective in their choice of brand, siding with BYD, followed by Geely and Leapmotor. As a high-risk recommendation Citi nominates Li Aut as a Buy. Tesla is rated Neutral.

Citi observes China is experiencing stronger growth in plug in hybrids than in electric vehicles.

Citi also augurs a comeback for traditional automakers, favouring General Motors, followed by Ford. In Europe, the analyst plumps for Renault and Volkswagen, while Toyota (for hybrids which are enjoying decent margins) wins its vote followed by Honda. Elsewhere, it nominates Kia in Korea and Maruti in India.

Citi also views auto industry suppliers as a more defensive exposure to the EV theme.

Environmental Concerns Put Lithium Supplies At Risk

This column has long pointed out the risks to lithium from its poor environmental record, so it was good to see someone try and put a price on it.

Morgan Stanley estimates 13% of global lithium supply is at risk due to environmental protection.

The analyst observes China is cracking down on its producers. The area in question accounts for 20% of China's total lithium production and 13% of global supply in 2023.

This could provide some relief for the lithium price at some stage and result in a slightly cleaner product, but demand is likely to continue to be at the mercy of Chinese supply near term.

A greater concentration of Chinese producers is also likely to prove a formidable force in the market.

Musk and Dimon Oracles – who is the greatest one of all

Readers will remember last year this column reported Elon Musk was of the opinion the US Fed would be forced to cut rates by March at the latest if it wished to progress the green transition and, in the case of EVs, Musk determined Tesla would not progress with its Mexican factory until rates fell.

His prediction rates would fall by March at the latest appeared to be holding sway until the Israel-Palestine conflict happened to break out in November, threatening supply chains and keeping interest rates “higher for longer”.

Ever resourceful, Musk dealt with the change in December by inviting Chinese EV-parts manufacturers to set up plants next to his factory in Mexico, infuriating Washington given the cars would qualify for the US tax credit.

But what was more interesting was that, while Musk was predicting interest rate falls, JP Morgan Chase’s chief executive Jamie Dimon in other less-publicised interviews begged to differ.

Dimon pointed out the world is still dealing with the largest QE and fiscal stimulation in peace time and yet still sports the biggest deficits and debt mountain ever.

The banker observed the appetite for US treasuries is waning and therefore, he posited, interest rates need to go higher. Dimon points out the obvious - that conflicts require money and that will require governments sell bonds.

When it comes to financial oracles, my money is on Dimon.

Musk may be correct regarding job losses (and to prove it made massive cuts at Tesla as EV sales slumped globally) but Dimon is the closest thing Wall Street has to a statesman and is “in like Flynn” with the political class. When it comes to geopolitics and rate forecasts, it helps to have friends in high places.

Baby-faced Dimon is so “in” that the rumour mill has it the Democrats may be rolling him out as a possible replacement for Biden to enhance the Democrats’ election success in the likely face-off with the populist Trump and dark horse Robert F. Kennedy Junior (RFK).

Dimon is stepping down from his position as head of JPMorgan and has been preparing his successors and, at the NYT Dealbook Summit, aligned himself with some Democrat values.

Musk, on the other hand, appears to have been out of favour with the political class since tweeting he had “taken the red pill” and announcing he would not donate to either party.

Meanwhile, US debt held by the public is forecast to hit 116% of GDP or US$48.3trn by 2034, up from 97% at the end of 2023, states the Congressional Budget Office.

And congress just passed a US$95bn emergency aid package for Ukraine – more money for the military industrial complex, which also means more money for semiconductors.

Musk On “War” Footing

Dimon may trump Musk on interest rate forecasting but I’d put my money on Musk when it comes to technology forecasting.

Musk has called out high interest rates as a major factor behind the electric vehicle sales slump, given its impact on fleet borrowing and household incomes. Much also has to do with Chinese oversupply and intense competition, which has created a glut of EVs in ports and other distribution centres globally.

The EV gluts in China, Europe and the US have left the industry reeling and are likely to continue to suppress lithium prices this year, observe analysts.Tesla shares and sales have plunged, leading Musk to activate “war-time CEO mode” and propose he is going “balls to the wall for autonomy,” reports Bloomberg, canning plans for a small cheap EV for the masses.

This prompted an exodus of executives and investors, but perhaps Musk is intuiting the challenges the industry is likely to face in the near term.

Toyota has benefited from standing back from the initial EV onslaught and fairly predictable carnage, and perhaps Musk may do the same with his small car. He already holds a dominant position and brand in his core markets (and the broader EV market) and his only serious challenger at this stage is China’s BYD.

The rules of branding suggest Tesla should remain No.1 unless it makes a critical misstep. Similarly, BYD should retain its position as No.2, albeit a small affordable car could be the wedge it needs (although Musk has announced plans to launch more affordable models and is likely ready to wheel out a tiny Tesla if need be).

Overall, analysts are forecasting China as a whole will account for 48% of the global EV market in the not too distant future, buoyed by purchases from its own substantial market.

Tesla's charging infrastructure also remains an advantage and, in a year of oversupply, charging infrastructure is a possible area of focus, not to mention the burgeoning battery market.

Musk might also be intuiting that given the political sensitivity and national competitiveness of car manufacturing, that subsidies may interfere with branding norms, and that there is therefore increasingly an element of "innovate or die" at play.

He is convinced his shift to using cameras to calculate distance will lead to unprecedented progress in autonomous driving, reports Bloomberg, and is laying his bets on robotaxis.

Bloomberg observes Tesla is building data centres in Buffalo, New York and Austin to process the footage and accelerate the project.

Data Centres Challenge Existentiality of Climate Change

Speaking of data centres, they are chewing up the world's energy and water resources at an alarming rate, and this trajectory is set to continue, begging the question:

If climate change is such an existential crisis to humanity, why is big capital barrelling down the path of AI when those funds could be put to decarbonising faster while simultaneously offering massive savings in carbon emissions? (Ditto for carbon capture and storage.)

No-one seems to have an answer. Given the fledgling state of AI, it is unlikely the massive energy savings that it "might" facilitate will eventuate any time soon. And logic suggests it will contribute to upward spiralling emissions short of massive innovation.

Morgan Stanley posits that AI energy demand *might* lead to higher fossil fuel emissions.

The analyst estimates generative AI will require 6GW of incremental power through 2027 (8% of current capacity); and an AlphaWise survey underpins Morgan Stanley's forecast of five-fold growth in European data centres by 2030 (trends supported by a push to near-shoring data centres).

AI companies are cutting deals now to try and secure future energy sources and the analyst observes Nvidia is tying up with TYL Power I Malaysia (also known as YTL Power International Berhad).

Morgan Stanley expects power generation and transmission companies should be major beneficiaries of this trend.

Macquarie Group ((MQG)) is Australia's major publicly listed global player in this space through Macquarie Asset Management, but the plane hasn't quite landed yet and there are a few bridges to cross, particularly on the critical minerals front.

I guess even more copper will be needed to construct those data centres – analysts are bullish.

It looks like the AI horse (the EV element that is supposed to build barriers to entry) needs to come before the EV cart – or at least not lag too far behind – otherwise the competition would just be crazy, right? Musk's thoughts perhaps?

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:
https://fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/

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

INTERNATIONAL

Generative AI, Investing In The 21st Century Megatrend, Part One

Fierce rallies in technology related share prices are eliciting calls of a new investment bubble a la Nasdaq 2000, but are such fears justified?

Part One: A bubble or just a "natural comparison" to the dotcom bust?

-A narrow concentration of strongly performing big tech stocks
-This time is same but different?
-Valuations are high but not historically extreme

By Danielle Ecuyer

Much has been written on Generative Artificial Intelligence (Gen AI), not least of which is the *cri de cœur* of "bubble" with analogies to the 2000 dotcom bust.

The run up in Big Tech or the Magnificent 7 (Apple, Amazon, Google, Microsoft, META, Nvidia and Tesla) over 2023, spurred on by the posterchild of the Gen AI mega trend, Nvidia, which rose 50% in the first two months of 2024 has brought the bears out in force.

The Mag7 delivered an average 100% return in calendar 2023, and numerous factors including the narrowness of the market rally, the technology thematic and the impact of a new secular trend were sufficient for many to draw a comparison to the dotcom boom and bust of the late 1990's/early 2000's.

Analysing the 'bubble' proposition, Burton G. Malkiel, author of *A Random Walk Down Wall Street* wrote in Barrons in March, that while the US market is not cheap on a cyclically adjusted price/earnings or CAPE ratio of 34 times, twice the historical average, the ratio is nevertheless still -10 points below the 44 times level in 2000.

Equally, Malkiel highlights the Mag7 are trading at a trailing 12-month multiple of circa 42 times, compared to Cisco (the Nvidia of the dotcom bust) which traded at a triple digit price-to-earnings multiple both on a historical and prospective basis in 2000.

Cisco is often used as the example of a bubble bursting in a secular trend. The stock price fell -90% post its 2000 highs and to this day has not recovered.

In a recent podcast *Decoding the Magnificent Seven: Profitability, Fundamentals and the Future*, Alan Pullen, Portfolio Manager at Magellan explains the difference between a "natural comparison" and what he refers to as the "fundamentals".

Although Pullen doesn't see Tesla as the same fit in the Mag7, he stresses the combined group has generated an average 17% p.a. compound growth in revenue from 2017 to 2024 (including current year estimates).

When combined with the net cash balance sheets, strong cash flow generation and strength of margins, the combined group has produced EPS growth of 21% p.a. over the same period (including buybacks).

As Malkiel highlighted, the valuations on average for the Mag7 at circa 34 times earnings is not cheap but remains favourable in comparable to the dotcom 5 - Cisco, Microsoft, Oracle, Intel, and IBM at 80x prospective earnings and Cisco and Oracle at 120x forward earnings back in the early 2000's, emphasises Pullen.

Chief Investment Strategist at UBS Investment Bank, Bhanu Baweja explains the correlations between the current investor 'exuberance' and the mid 1990's until March 2000 in the UBS Global Research Pod Hub, *How similar is today's rally to the 1990's bull run?*

His analysis of history divides the US technology bull market into two phases. The first from January 1995, post a robust 300 basis point rate hiking cycle from the Federal Reserve until June 1998. Baweja states that rally was relatively orderly and broad based.

In contrast, the next phase from October 1998 until March 2000 was characterised by an "explosive and narrow move" of technology and cyclical companies.

Baweja draws three similarities between these periods and the recent outperformance of US technology giants:

- the leadership of technology companies

- the narrowness of the rally (the Top 10 stocks underpinned 34% of the S&P return in 2023)

- and the CAPE valuation at 34 times, which is in the 96th percentile and only -10 points below the peak of the dotcom valuations.

On further investigation, Baweja also notes the current cycle is notable for three major differences:

- the quality of the companies leading the rally are far superior in terms of investor returns, profitability and cashflow generation

- the investor exuberance of the late 1990's leaked into small cap companies

- the IPO market in the late 1990's registered 475 listing p.a. on average, compared to 133 listing p.a. post covid

It is easy to see how those who only watch the share price charts, could be drawn to the comparison of the last major technology boom and bust.

The excitement and potential impact on economies of a new technology (Gen AI) has clear correlations to the internet era and that of mobile telephony and smart phones.

But as Magellan's Pullen explains, the expected revenue growth for the Mag7 is 11% p.a. compound for the next five years. When combined with efficiency gains and productivity improvements, EPS is forecast to grow 14% p.a. over the same period.

This is a far cry from what Pullen describes as a speculative bubble (dotcom) that ultimately collapsed under its own weight.

Coming next, Part Two of Generative AI, investing in the 21st Century Megatrend takes a deep dive into the size, scope, risks, and potential winners in the Gen AI behemoth trend.

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

RUDI'S VIEWS

Rudi's View: Quality Reigns, And How To Identify It

In this week's Weekly Insights:

-Quality Reigns, And How To Identify It
-Macquarie's ASX Quality Compounders

By Rudi Filapek-Vandyck, Editor

Quality Reigns, And How To Identify It

I used to think investors' biggest challenge was related to a cheaper share price not always presenting a better opportunity, or that built-in urge we all have to be part of the next share market rally -FOMO! by any other name- but as my experiences grow, and my daily observations accumulate, I am now of the view the biggest challenge is coping with change.

Given we are experiencing a once-in-a-lifetime period of innovative disruptions and technological breakthroughs, adapting to change may well become the all-important factor that separates the Winners from Losers, both in the real economy as among listed equities, but equally so for those investing in them.

GenAI and GLP-1s are now on everyone's radar given a strong presence among share market winners, but very few are equally aware about the small revolution that has taken place over the past two decades in terms of how to 'value' those companies and their brethren operating in cybersecurity, online retailing, and capital-light software and technology services generally.

Admittedly, in a market dominated by banks and resources companies, and with a large swathe of investors solely focused on franked dividends, there's never been too much urgency to catch up on modern day methodologies to value young-and-upcoming, fresh, modern-day business models. But even the ASX is changing noticeably.

According to my quick analysis, six of the ASX Top20 companies are now consistently trading on above-average PE ratios, while that number grows to eleven if I expand the focus to the ASX50.

The local market's sweet spot, companies ranked between 51 and 100 on market cap, offers plenty of growth achievers on higher multiples that look poised to develop into potential ASX50 members in the decade ahead.

But the likes of Car Group ((CAR)), Pro Medicus ((PME)), WiseTech Global ((WTC)) and Xero ((XRO)) do not only provide investors the opportunity to outperform the local benchmark, their ascendancy is also impacting on traditional measurements to determine whether the local share market as a whole is 'expensive' or not.

Simply put: drawing a straightforward comparison with how the index traded in the past should no longer cut it, if ever that was the case given BHP Group's ((BHP)) heavy weighting today.

Even if we ignore the counter-cyclical PE formation for Australia's largest index weight (high in downturns, low when the sun shines), the elevation of the likes of CSL ((CSL)), Goodman Group ((GMG)), Macquarie Group ((MQG)) et al means the average PE ratio for the Australian share market has by default increased vis a vis the lower references from the past.

So where exactly is today's 'equilibrium' in between undervalued and overheated? Since no such research has been conducted to date (not to my knowledge), we do not know the answer, other than it will be higher than the market's long-term average which is usually placed below 15x times forward earnings per share

(EPS) projections.

The current average has already been impacted as the prior corresponding average was long quoted as 14.4x previously. My 'hunch' is today's number might be closer to 16x. Post August weakness, and the recent return of buyers, the average PE ratio for the ASX200 is now a smidgen above 16x.

My 'hunch' might not be too far off, or so it seems. Early conclusion: don't jump to the 'market is overheated' conclusion too quickly; the past does not offer apples with apples comparison (at least not on this widely used market valuation metric).

The same principle also applies to overseas indices, of course.

Value Versus Quality

A much more important change has taken place for investors' ability to identify winners and losers on the market. Still, the large majority thinks of low PEs when looking for opportunities, but there's a growing mountain of evidence suggesting **low PEs have no predictive powers when attempting to find tomorrow's winners** (beyond that brief rally).

Instead, achieving oversized investment returns over the past decade or so has been closely linked to High PE achievers such as the ones mentioned earlier. So, are we experiencing the next bubble waiting to burst? Is the late Benjamin Graham ringing alarm bells from his grave?

Hardly. Today's scholars will tell us the legendary Graham was much more flexible than his value-seeking disciples tend to be. What usually is ignored when investors base their investment philosophy on the principles explained and documented in *The Intelligent Investor* is that Graham never simply focused on buying 'cheap' assets - he'd also apply a quality filter.

'Quality', rather than 'Growth' or 'Value', has increasingly captured institutional investors' attention amidst changing market dynamics. There's one easily identifiable reason for this: those portfolios that own a variety of high PE achievers, be they on the ASX or on Wall Street, have significantly outperformed portfolios that stuck with AMP Ltd ((AMP)), Healius ((HLS)), Aurizon Holdings ((AZJ)) and other low PE 'value' opportunities.

Yes, indeed, share market dynamics have changed, posing enormous challenges for those investors not willing or unable to adapt. That sound you're hearing in the background is from Charles Darwin's grave.

The discovery of 'Quality' as a major defining factor has not happened overnight. Most indices and data providers, including MSCI and S&P, have compiled their own indices and stock selections representing

'Quality' and in most cases the outperformance of Quality over broader benchmarks looks pretty straightforward.

As we're talking about stocks trading on above-average PE ratios, times of significant bond yield resets are not favourable, but outside of 2022 and comparable periods, Quality indices typically outperform during tough times, either economically or because of elevated risks, and during times when 'Growth' outperforms 'Value', when 'Momentum' trades dominate, and when bond yields embark on a downtrend.

Most importantly; unlike 'Value' and 'Growth' which each tend to have specific periods of (out)performance, Quality works under most circumstances, most of the times. It's not difficult to see the attraction for investment portfolios that like to stay with the winners and avoid as much as possible the losers, without having to churn excessively.

The problem is, however, there is no universal concept or definition of what defines a Quality company, as also illustrated by the observation that all Quality indices and selections available are based on different filters and methodologies.

In a general sense, most filters to find and identify Quality companies revolve around businesses with a leading market positioning, preferably protected by a big moat, generating lots of cash flow, making regular investments, have no leveraged balance sheets, and are highly profitable and consistent in their growth.

Financial metrics used to solidify those characteristics include return on equity (ROE), return on invested capital (ROIC), high margins that remain relatively stable, size of investments made, and measured volatility in revenues, profits and those metrics used. Fundamental analysts will also include industry structure and outlook to determine true competition and threats.

As consistency and predictability play a central role, companies that comply with all filters applied are usually not from ultra-cyclical sectors such as resources (mining & energy) or discretionary retailing, and neither are sectors such as financials, utilities, telecommunication, or real estate (REITs) popular hunting grounds.

Sectors that tend to generate most Quality contenders are healthcare, technology, and consumer staples, as is also apparent from my own research into **All-Weather Performers** (see further below).

Macquarie's Quality Compounders

The team of **quant analysts at Macquarie** recently conducted another in-depth exercise in an attempt to provide additional insights into the merits of and the methods used to identify what they labelled as **Quality Compounders**; businesses that have distinctive competitive advantages, supported by robust cash flows, a steadfast balance sheet, a high and dependable return on capital, and promising growth prospects.

Their at face value observations match those of myself and other analysts that have conducted similar analyses in the past; Quality equals long-term outperformance, even with valuations standard at a (sizeable) premium to the rest of the market.

As a matter of fact, one of the highlighted observations from the Macquarie research report is there's no observable connection between cheap/high valuations and investment returns from Quality performers. The suggestion made is this is because Quality tends to outperform expectations, in a general sense, and share prices tend to underestimate future growth potential, even if they seem highly priced in the here and now.

One of the most important characteristics when it comes to finding Quality Compounders, according to the Macquarie research, is **persistently high profitability**. The analysts identified this as the most powerful distinguisher of truly Quality performers and apply this aspect by measuring whether a company was in the top 33% of stocks by profitability at least four times in the past five years.

Removing companies with a low growth forecast also substantially improved the value of the analysis conducted.

In the end, the search for a better identification method for Quality Compounders has significantly exceeded Macquarie analysts' expectations, with stock selections ending up smaller, but higher-performing in backtesting modeling.

From the MSCI World Universe, Macquarie's additional filtering generated a list of 93 Quality Compounders, including household names such as Alphabet, American Express, ASML, Eli Lilly, Ferrari, LVMH, Microsoft, Nike, and Procter & Gamble.

Lesser-known names included are Automatic Data Processing (ADP), Cadence Design Systems, Sherwin-Williams, FactSet Research, Paychex, Service Now, and Wolters Kluwer.

In Australia, the ASX300 has generated a short-list of 15 companies selected, plus a further 11 that narrowly missed the boat (like CSL, for example, because of post-covid interruption). Those two lists are displayed further below.

All in all, Macquarie's research has a large overlap with my own post-GFC analysis into All-Weather Performers, but it equally comes with more details to digest and to possibly take on board, plus a number of fresh names that have not been on my personal radar up until now.

Most importantly, I'd argue, the research has delivered yet more empirical evidence that Quality matters, it possibly matters more than 'Value' or a cheap share price. It's up to you, self-researching and self-managing investors, to draw conclusions, and take this on board.

Unless, of course, one is inclined to think the decade ahead will be fundamentally different from the decade past, which certainly is not my base case forecast (*au contraire*).

More reading:

-https://fnarena.com/index.php/2024/04/24/rudis-view-a-market-narrative-delayed/

-https://fnarena.com/index.php/2024/04/17/rudis-view-shaky-sentiment-ahead-of-corporate-updates/

-https://fnarena.com/index.php/2024/04/10/rudis-view-lessons-observations-from-asx-all-weathers/

-https://fnarena.com/index.php/2024/04/04/rudis-view-in-search-of-the-holy-grail/

-https://fnarena.com/index.php/2024/04/03/rudis-view-investor-worries-gold-westpac-and-conviction-buys/

-https://fnarena.com/index.php/2024/03/27/rudis-view-facts-fiction-about-gold/

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
-IDP Education ((IEL))
-Pinnacle Investment Management ((PIN))
-ARB Corp ((ARB))
-Breville Group ((BRG))
-Johns Lyng ((JLG))

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

FNArena Subscription

A subscription to FNArena (6 or 12 months) comes with an archive of Special Reports (20 since 2006); examples below.

(This story was written on Monday, 29th April, 2024. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

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

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

SMALL CAPS

SiteMinder Travelling Well

SiteMinder's March quarter update showed the company is on track to reach positive earnings and cash flow next quarter and new product launches offer growth.

-SiteMinder on track to be cash flow positive
-Revenues fall short due to Easter timing
-New product launches offer growth upside
-Plenty of room to move for market share

By Greg Peel

SiteMinder ((SDR)) develops, markets, and sells online guest acquisition platform and commerce solutions for accommodation providers in Australia and internationally.

The company listed on the ASX in November 2021 and proceeded to lose -55% of its value before bottoming out in mid-2023 and rallying 95% to now.

SiteMinder's March quarter saw free cash flow generation in line with broker forecasts, and management reiterated its guidance of targeting 30% organic revenue growth over the medium term and for it to be underlying earnings and free cash flow positive in the second half.

Revenue, up 23.3% year on year, nonetheless fell short of forecasts, which management attributed to Easter not falling within the school holidays this year as it did last year, as well as moderating annual revenue per user growth in subscriptions because of lower price increases this year.

While the June quarter is seasonally stronger, given the weaker March quarter revenue, Citi sees potential for consensus revenue and earnings downgrades.

New Products

SiteMinder showed continued progress in its two new products in the quarter, with Demand Plus called out as

seeing accelerated adoption and strong booking activity and Trip.com signing up to join Channels Plus, giving hoteliers exposure to the recovering outbound Chinese tourism market, and providing SiteMinder with more scale as the fourteenth-ranked online travel agency than Jarden previously expected.

The company's operating cash flow was slightly better than expected in the quarter due to lower administration and corporate costs, offset by higher capex related to higher product development spend.

Online travel agency partners for Channels Plus have increased to fourteen from six at the first half result, with Trip.com signing up to the Channels Plus program. Further, Channels Plus pilot program is now live with 1,000 hotels, earlier than Citi had expected.

This broker continues to see upside to medium-term revenue forecasts from stronger adoption of Channels Plus, with forecasts assuming some $25m in revenue in FY28 from Channels Plus.

The Demand Plus mobile app, launched in the quarter, provides revenue managers a tool to make changes from anywhere, and Morgan Stanley notes very positive initial feedback. The launch of Demand Plus is expected mid-2024.

Wilsons continues to suspect much is baked into consensus for incremental growth from the new products, with SiteMinder now needing to execute.

Growth Opportunity

Wilsons retains a Market Weight rating and a $5.40 target.

The company continued to demonstrate net subscriber momentum in the quarter, with management noting it was the highest room-per-property quarter since June 2022. All of which supports Jarden's view to reiterate a Buy rating, with a target of $6.02, up from $5.48 previously.

SiteMinder is a global hotel technology company with the greatest scale amongst competitors, Morgans notes, with only 4.2% market share, and offers an attractive long-term growth opportunity underpinned by its global under-penetrated total addressable market.

This broker is particularly attracted to the company's opportunity to monetise its $70bn of gross booking value (it currently captures around 0.2%) which it plans to leverage with new products.

Morgans has an Add rating with a price target of $6.25.

The key positives from the update for Citi were the fact that SiteMinder is on track to become free cash flow positive in the June quarter, as well as Channels Plus continuing to gain traction. However, this is offset, the broker suggests, by likely consensus downgrades to FY24 earnings due to weaker than expected revenue growth which could result in the share price underperforming.

Citi retains a Buy rating with a $6.30 target.

Morgan Stanley maintains an Overweight rating with a $6.40 target. UBS rates the stock a Buy alongside a price target of $6.65. JP Morgan has stuck with a Neutral rating and a price target of $5.70. Barrenjoey's rating is Overweight with a $6.10 price target.

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

SMSFUNDAMENTALS

The Hedge Fund Whisperers: Hints For Retail Investors To Unlock Alpha

Hedge funds have long been shrouded in secrecy, their billion-dollar bets whispered only in hushed tones within mahogany-lined conference rooms. But these whispers can be harnessed for the astute retail investor, their secrets decoded to generate market-beating returns. This game of shadows and whispers requires meticulous research and a willingness to take calculated risks. It's a realm where the rewards are high, but so is the potential for missteps.

By Omega Ukama

Legal, Accessible Sources: The Data Treasure Trove

The pathways to deciphering these once-hidden hedge fund strategies start with the trails left within legal and accessible sources. A company's share register is the most obvious source. This legally mandated record reveals the nitty-gritty of ownership: who holds shares, the quantity, and their share class. Contact the company's investor relations or company secretary for access.

For a more streamlined approach focused on trends, start with the ASX website. It often provides a snapshot of major shareholders. Notice any sudden appearances or exits of hedge funds? Perhaps a fund steadily increased its stake in a company prior to good news and a stock price surge?

Financial data providers like **Bloomberg** or **Morningstar** are your go-to tools to uncover deeper patterns, especially historical trends and institutional holdings. These can help identify patterns like concentrated hedge fund buying in a sector (think mining stocks during commodity booms).

Of course, to hunt for hedge funds, you'll need a starting list of suspected funds. Also, don't forget shareholder information can be obscured through proxies, making your search for hedge fund activity in share registries even more meticulous. Yet, the potential insights gleaned from this type of analysis can be well worth the effort!

13F filings in the US can also be useful and may simplify the search, but they don't provide a complete picture as external sources. 13F filings mandated by the SEC can disclose US hedge fund holdings with a 45-day delay, but with the potential of revealing much about trends. A rise in tech holdings after a major market correction may signal a belief in long-term recovery. This was seen in 2008-09 when hedge funds accumulated quality stocks during the downturn.

Comparing 13Fs across multiple quarters is key to spotting these patterns.

The SEC's **EDGAR Database** is the official and primary source for 13Fs filings. Look for filings designated as "13F-HR" (the main 13F form) or "13F-HR/A" (amendments to a previous filing). Many financial websites also offer tools to search, view, and analyse 13Fs, often with additional features for convenience. Some popular options include **Nasdaq**, **WhaleWisdom**, and **Dataroma**. The paid options offer deeper analysis and larger-scale data, including historical information, analysis tools, and APIs for integration.

Beyond the obvious limitation they don't reflect an institution's real-time holdings, 13Fs are also limited in that they only report long equity positions above US$100m and don't include short positions, options, or other holdings.

Public announcements can also be useful. Very rarely, a hedge fund might be required to disclose a position if it crosses certain thresholds in a publicly listed company's ownership. Again, foreign sources are your best bet, it's very difficult to find direct announcements by Australian hedge funds specifically detailing their ASX activity.

Short Interest Figures

Hedge funds don't just play the long game. Focusing on short interest reveals their bearish bets and potential opportunities to capitalise on those positions.

Short interest figures tell us how heavily a stock is being bet against. A spike in short interest, especially concentrated in hedge fund hands, can be a powerful bearish signal. In the "meme stock" frenzy of 2021, hedge funds initially piled into the short side, indicating scepticism. When the short squeeze occurred, those heavily shorted companies like AMC and GameStop saw outsized price gains.

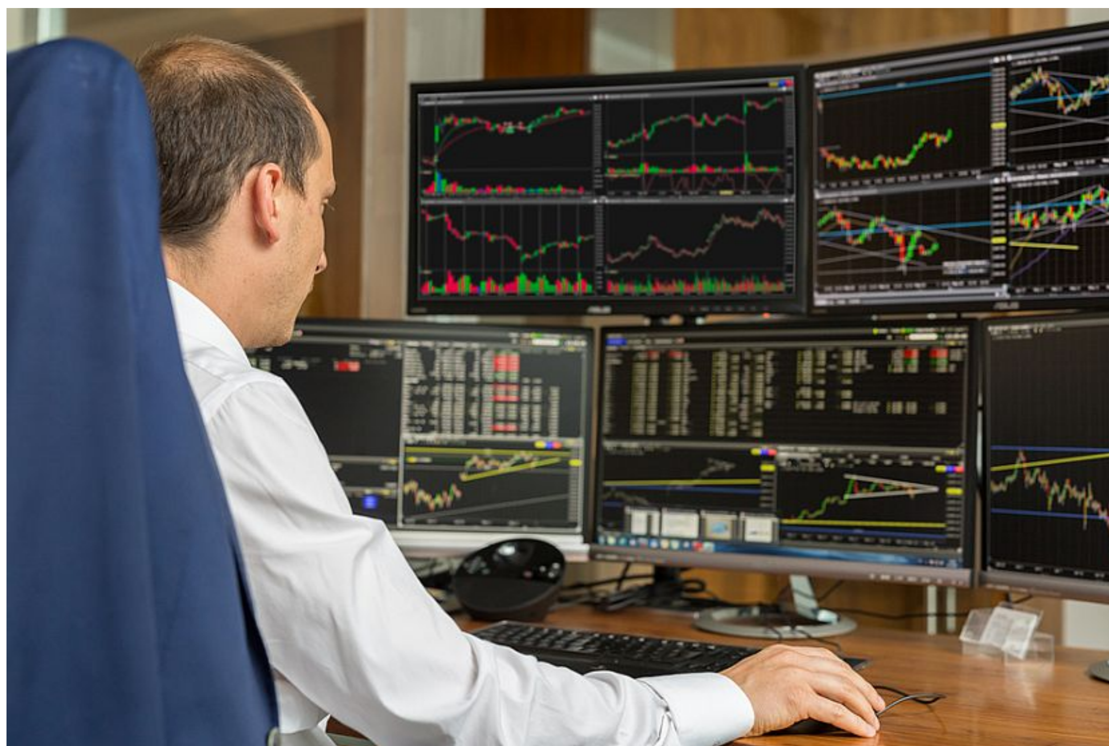
The ASX is the primary source for short interest information locally. However, it's good to know this shows aggregate short interest, not broken down by investor type and discerning the specific contribution of hedge funds to this overall figure can be challenging.

ASIC also releases reports on short positions exceeding a reporting threshold, but again, it won't distinguish between hedge funds and other investors. FNArena has a dedicated section with input and updates from ASIC:https://fnarena.com/index.php/analysis-data/the-short-report/

Some financial data providers (e.g., Bloomberg, Refinitiv) might offer more granular short-selling data in their subscription-based services. They still don't isolate hedge fund activity perfectly, but they provide more advanced filtering options.

Again, external sources will give you a clearer picture, but limited to foreign players. The short interest report on the **SEC website** provides in-depth analysis.

If a stock has an unusually high short interest percentage, it's more likely to have hedge fund involvement. However, it's not a guarantee.



Beyond the numbers

Beyond these data sources, hedge funds often participate in company earnings calls, asking probing questions. Transcripts or recordings of these calls can contain insights beyond the usual financial metrics, revealing areas of interest for hedge funds.

Start your search on the company's investor relations website. These sections (often labelled "Investors" or "Financial Information") are your go-to source for official transcripts and sometimes even audio or video recordings.

If you prefer a broader approach, check out financial websites like the **Australian Financial Review** (AFR) or **MarketWatch**. For serious research power, tap into financial databases like **Bloomberg**, **S&P Capital IQ**, or **Factiva** – they're where you'll find comprehensive records.

While not always containing the recording directly, the **ASX Announcements** Platform can be useful. Search for company announcements related to earnings releases. These announcements might include a link to the

transcript or a webcast on the company website.

Focus on recent calls for timely insight. Transcripts are easier to search if you're looking for specific topics.

Tracking news mentions of stocks alongside hedge fund holdings can also hint at catalysts behind their trades. Tools like **HypeEquity** measure social sentiment, potentially highlighting a stock gaining traction before hedge fund filings reflect it.

Industry-specific resources such as **The Hedge Fund Journal** also offer news and analysis.

Some (but not all) hedge funds might have a website with a news or press release section. Infrequently, they may mention significant ASX activity.

Decoding Hedge Fund Sentiment: Contrarian Moves and Protecting Your Portfolio

Think of hedge funds as the stock market's adrenaline junkies. They fuel wild rallies, then panic at the first sign of trouble, amplifying price swings. But within this chaos lays opportunity for the savvy investor. When the crowd stampedes in one direction, it might be your signal to look the other way.

During the "meme stock" craze, hedge funds initially piled into the skyrocketing stocks. Retail investors jumping in late got burned when the bubble burst. Contrarians, however, might have spotted the frenzy as a sell signal, profiting from the inevitable crash. This phenomenon highlights the dangers of "momentum trading" and the value of a contrarian stance.

Of course, spotting those diamonds in the rough, undervalued companies discarded during the hedge fund fire sale, takes critical analysis. During the pandemic's initial market plunge in 2020, quality companies were thrown out with the bathwater. Those who saw beyond the short-term fear and bought solid names at a discount adopted a contrarian play. Warren Buffett famously advocates this "be greedy when others are fearful" approach.

The key to navigating this volatility? Diversification. Don't put all your eggs in the hedge fund frenzy basket. Spread your investments across different sectors, and asset types – even include some boring but reliable bonds. This way, even if the hedge funds wreck part of the market, your portfolio has a built-in safety net.

Hedge Fund Footprints: ASX

Data show hedge funds do operate on the ASX, but their overall footprint is smaller compared to major markets like the US. Domestic institutional investors (superannuation funds, etc.) play a much more significant role.

Hedge funds tend to gravitate towards sectors where they have specialised expertise such as Mining & Resources; Tech & Innovation; or Biotech.

In March, AFR reported hedge funds scrambled to exit over a billion dollars worth of short positions on ASX stocks. Imagine being a hedge fund with a big bet against a struggling ASX stock – a short position. Now, imagine the market suddenly turning against you. That's what happened, supposedly.

It triggered a nasty short squeeze, especially hitting those beaten-down lithium and nickel companies. Think of it like a chain reaction – as shorts raced to buy back shares, prices skyrocketed, squeezing short sellers even more.

Think of such coverage in the media as a snapshot in time. Hedge funds are notorious for rapid changes, so this February squeeze doesn't necessarily dictate the current landscape on the ASX.

Browsing recent 13Fs, through financial websites like **HedgeFollow**, I found some interesting data points about hedge fund activity on the ASX.

Lithium is hot, and Pilbara Minerals ((PLS)) is a major player in the sector. **TipRanks** painted a picture of potential hedge fund interest – it showed several funds holding the stock. However, keep in mind, we don't know if those funds still hold them today. Data insights are always trailing behind the hedge fund fast lane. Think of it like a blurry snapshot of interest, not a confirmation of current activity.

In the financial sector, Magellan Financial Group ((MFG)) appeared less popular with the hedge fund crowd compared to a hot stock like Pilbara Minerals. One easy to make observation is the news flow surrounding Magellan has become a lot less negative and the shares are trading well off their lows.

Pivoting to infrastructure with Transurban Group ((TCL)). 13Fs, while not the perfect tool for ASX stocks when considered in isolation, hint at a possible decrease in hedge fund interest. Holdings in Transurban might be shrinking. This trend might reflect views on expected bond market and interest rate moves ahead. Transuban shares are equally well off their low from October last year, but also now noticeably down from

December-January share prices.

This is an investigative process, not a crystal ball. Even if we spot signs of hedge funds buying into or abandoning a stock, that's just one puzzle piece. Always couple these clues with your in-depth analysis of the company itself.

The Art of the Tailwind

Harnessing insights from hedge fund moves is about becoming a more informed investor.

Use the data to complement your existing strategies, spot potential turning points, and discover ideas that may be flying under the radar.

Success lies in combining rigorous analysis with a healthy dose of scepticism, allowing to leverage the whispers from the hedge fund world strategically.

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

TREASURE CHEST

Treasure Chest: The Fast Food Conundrum

FNArena's Treasure Chest reports on money making ideas from stockbrokers and other experts. Today’s story is on Collins Foods. Is fast food defensive?

Whose Idea Is It?

Citi

The subject:

Collins Foods ((CKF))

More info:

Collins Foods operates the KFC franchise in Australia, Germany and the Netherlands, plus Taco Bell in Australia.

Back in January, Morgan Stanley initiated coverage of Collins Foods with an Outperform rating. The broker likes the fast food restaurants operator for its defensive qualities amidst a challenging outlook for consumer spending.

In late March, Ord Minnett warned the rally in discretionary retail stocks underway at the time was largely being driven by interest rate cut expectations, which the broker believed were too optimistic amidst ongoing inflation.

On that basis, Ord Minnett believed “trading down” by consumers will insulate the performance of Collins Foods, one of the “two cheapest names under coverage”, along with fast food peer Domino's Pizza ((DMP)).

The question, however, is whether consumers, particularly at the lower income end, will “trade down” to cheaper fast food options, or just reduce their fast food intake altogether. While food inflation has been rife in supermarkets, home cooking can still be a cheaper option than a bucket of fried chicken.

Citi is one broker who is not buying the “defensive” story with regard fast food. In early March, Citi

downgraded Collins Foods to Sell from Neutral.

The broker pointed out Inghams Group ((ING)), which is one of Collins Foods' four chicken suppliers, had recently revealed a decline in poultry volumes sold in the quick service restaurant (QSR) channel in Australia.

At its first half result release (Collins Foods has a May year-end), management indicated a proportion of its customer base (“blue collar”) may reduce order frequency or “drop out of the category”.

Other data points were suggesting to the broker softer trading in Australia driven by higher cost of living pressures, while other cost pressures also remain elevated.

This morning Citi has reiterated that Sell rating, taking “comfort” from March quarter earnings results and commentary from Restaurant Brands and McDonalds.

Restaurant Brands New Zealand ((RBD)) operates the New Zealand outlets of KFC and Pizza Hut together with some KFC restaurants in Australia and California. The company’s latest sales update revealed a further deterioration in Australian sales, citing cost of living pressures which have impacted discretionary spending.

McDonald’s March quarter result also revealed “flat-to-declining” QSR industry foot traffic in Australia, and Germany. That said, McDonalds increased its QSR market share in Germany. If Big Macs have gained share over KFC, that also be bad news for Collins Foods.

More broadly, McDonald’s flagged broad-based consumer pressures globally.

Collins Foods will report second half earnings on June 25, which is when other brokers covering the stock will likely next provide updates.

Citi has a $10.00 target on the stock, while Morgan Stanley initiated with $14.20 (in January) and Ord Minnett retained a $14.40 target (in March).

It is interesting to note on Wall Street, fast food “restaurants” are part of the consumer staples sector, while on the ASX they are consumer discretionary.

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

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

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 26-04-24

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday April 22 to Friday April 26, 2024
Total Upgrades: 4
Total Downgrades: 9
Net Ratings Breakdown: Buy 55.60%; Hold 34.80%; Sell 9.60%

For the week ending Friday April 26, 2024, FNArena recorded four ratings upgrades and nine downgrades for ASX-listed companies by brokers monitored daily.

The tables below show percentage downgrades by brokers to average earnings forecasts were larger than downgrades, while average target price changes were broadly similar.

While Lifestyle Communities received the largest reduction in average target price, brokers can see value emerging for the owner, operator, and developer of resort-style retirement communities, which comes under the umbrella of land-leased manufactured housing estates.

Management provided a trading update last week, with FY24 and FY25 settlement guidance weaker than Ord Minnett's expectations due to ongoing interest rate uncertainty, and Victoria's recently implemented land tax changes. The broker felt headwinds relating to interest rate and construction uncertainties will begin to abate in the medium-term and upgraded to Accumulate from Hold.

As operating performance has likely troughed, UBS upgraded to Neutral from Sell, and will become more positive upon confirmation the Victorian property market has improved and management has slowed the pace of land acquisitions to keep the gearing level in check.

Paladin Energy appears on top of the positive change to target price and negative change to earnings forecast tables below after brokers adjusted for the recent 10-for-one shares consolidation.

Coming next on the negative change to earnings table were Select Harvests, Chrysos, and Mineral Resources.

Last week, management at Select Harvests noted in a business update the FY24 almond harvest will be between 28,500-30,000t, below previous market expectations for more than 30,000t (based on the company's earlier guidance).

US dollar almond pricing has also weakened recently. Management downgraded average price guidance for Select Harvests to be in the range $7.30/kg to $7.50kg.

Historically, La Nina has not resulted in a favourable yield outcome for almond producers in Australia, noted

Bell Potter.

This broker's target was lowered to $4.10 from $4.70 based on a combination of lower forecast FY24 cashflow and the potential La Nina development.

More positively, UBS felt negative impacts for Select Harvests were FY24-specific, and made no change to forecasts from FY25 onwards. From this time, improved overall supply/demand dynamics in California are expected to support a pathway back towards the long-run almond price of around $8/kg.

The average broker earnings forecast in the FNArena database for Chrysos fell last week due to the combination of a weaker-than-expected third quarter update and new research coverage by Ord Minnett.

Chrysos is looking to revolutionise the gold assay industry, according to Ord Minnett, with its flagship product, PhotonAssay, offering a significant advancement over incumbent fire assay techniques.

The broker begins with an Accumulate rating due to some near-term risks. Following a rapid rise in contracted leases, the company's pipeline has essentially stagnated at 48-50 units for the past seven quarters.

Shaw and Partners maintained its positive long-term investment thesis for the company, despite management lowering its assay unit deployment target for FY24. Earnings guidance remained within the prior range, demonstrating to the broker management is firmly in control of the overall scale-up.

While three units were deployed in the third quarter (one more compared to the run rate of the previous two quarters), the company now targets nine units for FY24 (down from 18) due to site-readiness challenges, explained the analysts.

Revenue of $45m for the quarter was in line with Bell Potter's forecast and the quarterly minimum monthly assay payments (MMAP) per average deployed unit rose by 10% quarter-on-quarter.

While the unit deployment guidance was disappointing, Bell Potter points out $45m of revenue implies a continuation of elevated MMAP per unit in the final quarter of FY24, and good prospects for FY25.

Broker forecasts for Mineral Resources fell last week following third quarter operational results, yet the average target price increased to $72.57 from $70.72.

Management is now in agreement with Morgans, the bottom for lithium prices has been reached, but the broker maintained a Hold rating, noting current lithium price strength is already factored into the company’s share price. The analysts also observed the iron ore division is tracking in line with guidance.

Given a focus by the market on the company's liquidity constraints to fund growth, the potential sale of a stake in an iron ore haulage road is considered a key catalyst for the share price, in Citi's opinion.

On the flipside, there were material increases in average earnings forecasts for the miners Alumina Ltd, Ramelius Resources, and Regis Resources.

Ord Minnett raised its target for Alumina Ltd to $1.35 from $1.16 after first quarter earnings improved on the prior quarter, and because the broker raised its alumina price forecast for FY24.

Such changes may prove academic given the analyst ascribes a 75% chance of success to the current takeover bid by Alcoa. Fund manager Allan Gray has thrown it weight behind the transaction, promising Alcoa its 19.9% stake.

Ramelius Resources is set for a record production year, according to Shaw and Partners, given last week’s third production guidance upgrade this financial year.

FY24 production guidance was raised to 285-295koz from 265-280koz, while cost (AISC) guidance fell to $1,550-$1,650/oz from $1,750-$1,850/oz.

Ord Minnett noted strong free cash flow for the upcoming June quarter (the broker forecasts quarter-ending cash of $500m, no debt) should position management to move on both organic and any inorganic opportunities.

Following third quarter operational results for Regis Resources, Macquarie raised its FY24 earnings forecast due to strong sales and a near halving of depreciation and amortisation expense from the prior quarter, despite higher third quarter costs.

Management maintained FY24 production and cost guidance, undeterred by material impacts from weather during the quarter at the Tropicana operations in Western Australia.

Due to timing delays for development of the McPhillamys Gold Project, one of Australia's larger undeveloped open-pit gold resources, Citi suggested potential for a return of dividend payments as a cash build is expected

post the close out of the company's hedge book.

Regis also has debt which can be paid down or refinanced, noted the broker.

Total Buy ratings in the database comprise 55.60% of the total, versus 34.80% on Neutral/Hold, while Sell ratings account for the remaining 9.60%.

Upgrade

BRAMBLES LIMITED ((BXB)) Upgrade to Hold from Lighten by Ord Minnett .B/H/S: 2/3/1

Somewhere between late February and today, Ord Minnett's rating had shifted to Lighten, which is hereby back on Hold, as per February, via today's upgrade in response to share price weakness.

That weakness followed the latest quarterly market update. Ord Minnett whitelabels Morningstar research and thus talks about Brambles being protected by a wide-moat.

The update itself was in line with forecasts and the broker has made no changes to FY24 estimates. Fair value estimate $14 (unchanged).

LIFESTYLE COMMUNITIES LIMITED ((LIC)) Upgrade to Accumulate from Hold by Ord Minnett and Upgrade to Neutral from Sell by UBS.B/H/S: 2/1/0

Yet again Lifestyle Communities' trading update came with disappointing settlement guidance for FY24 and FY25. Operating conditions in its Beachside and North-West Melbourne communities continue to weigh down the financial performance.

Ord Minnett has now positioned itself some -6% below the company's settlement guidance for FY24-FY26. While risks remain, the broker is forming the view value is starting to emerge in the (weakening) share price.

Rating is upgraded to Accumulate from Hold, while the price target falls to $15.80 from $16.90. EPS and DPS forecasts have received a sizeable haircut.

Lifestyle Communities has now downgraded its expected settlements by -31% over two revisions, first lowering guidance -17% in February and now a further -17% today.

As per UBS, medium-term ranges also imply FY25 will be -10% lower than current market expectations. The broker found the announcement of the downgrade to be underwhelming, noting the fundamental issue remains the company's exposure to the weak Victorian market.

Anticipating operating performance has likely troughed, UBS lifts its rating for the stock.

The rating is upgraded to Neutral from Sell and the target price decreases to $12.85 from $14.24.

WHITEHAVEN COAL LIMITED ((WHC)) Upgrade to Add from Hold by Morgans .B/H/S: 6/1/0

While "mixed" 3Q production for Whitehaven Coal had a negligible impact on Morgans forecasts, the broker highlights both the metallurgical and thermal coal markets are finding solid price floors.

The broker highlights the company's compelling leverage to more normalised conditions over the medium-term, and upgrades its rating to Add from Hold and raises the target to $8.90 from $7.75.

The analyst forecasts generation of $4bn in net cash by the end of FY26 (equivalent to nearly $5.00/share). In reaching this number, the broker applies the identical coal price cycle that occurred over FY22-23 to the years FY25-26, and hold dividends constant.

Downgrade

ALKANE RESOURCES LIMITED ((ALK)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 1/1/0

Alkane Resources produced a soft quarterly result, Ord Minnett notes, owing mainly to lower recoveries at Tomingley. This combined with a higher capex figure to materially miss the broker's cash assumption.

Ord Minnett sees some risk to the FY24 guidance target but more importantly sees risk to market expectations for FY25 given the outdated production ramp-up and capex profile for the Tomingley extension project.

Given minimal forecast total shareholder return the broker downgrades to Hold from Accumulate. Target falls to 65c from 75c.

ANZ GROUP HOLDINGS LIMITED ((ANZ)) Downgrade to Sell from Neutral by Citi .B/H/S: 1/3/2

As Citi expects negative jaws (when costs grow faster than income) of around -2-4% over the next two years for

Australian banks, and given share prices have rallied around 20% over the last six months, the broker now has Sell ratings across the sector.

The poor earnings outlook for banks will be exposed, suggest the analysts, now that interest rate cut expectations are being pushed out.

Citi's preferences in the sector (in order) are: Westpac, ANZ Bank, CommBank and National Australia Bank.

The broker's rating for ANZ Bank is downgraded to Sell from Neutral given a share price outperformance versus peers over the last three months. The $26 target is unchanged.

GALAN LITHIUM LIMITED ((GLN)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 0/1/0

Macquarie downgrades its rating for Galan Lithium to Neutral from Outperform on increased execution and jurisdiction risks during the development phase of the Hombre Muerto West lithium brine project in Argentia.

Management has signed an agreement with the government of the Catamarca province (in northwestern Argentina) to pay
royalties on lithium chloride (LiCl) sales.

Under the agreement, the royalty rate will be set at 7%, higher than the company's definitive feasibility study (DFS) assumption of 3% and the broker's prior forecasts of 4.5%.

Macquarie slashes its target to 35c from 60c due to a downgrade of the earnings outlook and after assuming a higher weighted average cost of capital (WACC).

The Candelas lithium brine project is also removed from the analyst's forecasts given the potential change in the company's production plan over the medium term.

KAROON ENERGY LIMITED ((KAR)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 4/1/0

Karoon Energy reported an 18% production increase in its third quarter, missing Ord Minnett's forecasts due to lower output from Who Dat.The company lowered its full year production guidance to 10.5-112.5m barrels oil equivalent.

The broker has lowered its full year earnings per share forecast to 60 cents, noting strength in oil futures has largely offset much of the production downgrade impact.

The broker does expect Who Dat production issues to be comparatively short term.

The rating is downgraded to Hold from Accumulate and the target price of $2.65 is retained.

LYNAS RARE EARTHS LIMITED ((LYC)) Downgrade to Sell from Neutral by Citi .B/H/S: 3/0/2

Citi downgrades its rating for Lynas Rare Earths to Sell from Neutral and lowers its target to $5.30 from $6.70 following March quarter operational results.

While there was a production beat against management guidance for NdPr, sales volumes fell by -41% quarter-on-quarter. The broker sees a bleaker pricing outlook for rare earths expects elevated unit costs.

The broker's NdPr price forecasts for FY25 and FY26 fall by -16% and -22%, respectively, and the long-term forecast is reduced to US$90/kg from US$100/kg.

China is expected to gain greater control over the rare earths market and use excess capacity to ensure prices are at moderate levels and deter ex-China growth, explains Citi.

PILBARA MINERALS LIMITED ((PLS)) Downgrade to Hold from Add by Morgans .B/H/S: 0/3/3

Steady quarterly production from Pilbara Minerals in its third quarter, says Morgans, with the company reporting 179,000 tonnes of spodumene production and 165,000 tonnes shipped.

For Morgans the real highlight of the quarter was achieving an 80,000 tonne production run rate in March, which the broker notes reflects a an annualised 960,000 tonne run rate.

The result was achieved through use of temporary mobile ore sorting equipment, which Morgans notes provides a preview of the capacity increase that can be expected with the new crushing and sorting facilities commissioned this quarter.

The rating is downgraded to Hold from Add and the target price decreases to $4.10 from $4.30.

SOUTH32 LIMITED ((S32)) Downgrade to Neutral from Buy by Citi .B/H/S: 4/2/0

South32 stocks experienced a rally yesterday amid news of key aluminium and alumina assets performing. Year-to-date, points out Citi, aluminium production is up 1%, with Hillside achieving record production and Brazil continuing its ramp up toward nameplate capacity.

The broker also notes news of insurance cover for Australian Manganese likely spurring the share price increase, with operations having been on hold since March following cyclone damage.

South32 is working with its insurers to assess expected insurance recoveries, and is confident the impact can be mitigated through insurance payments and higher near-term manganese prices.

The rating is downgraded to Neutral from Buy and the target price increases to $3.80 from $3.50.

VULCAN STEEL LIMITED ((VSL)) Downgrade to Neutral from Buy by UBS .B/H/S: 1/1/0

UBS downgrades its rating for Vulcan Steel to Neutral from Buy and lowers the target to $7.90 from $8.10 on evidence the NZ consumer's spending power is weakening further and downside momentum is accelerating.

The broker also suggests risk for Australian volumes is biased to the downside.

Weaker-than-expected data in New Zealand suggest lags in monetary policy tightening are likely longer than the broker expected, which should result in more "net tightening" ahead.

WESTPAC BANKING CORPORATION ((WBC)) Downgrade to Sell from Neutral by Citi .B/H/S: 0/2/4

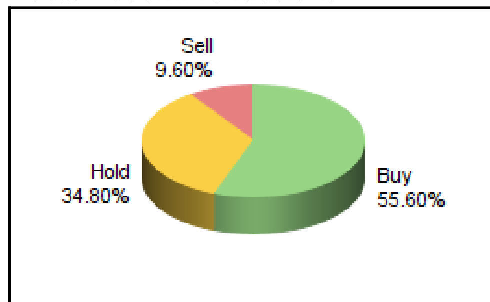
As Citi expects negative jaws (when costs grow faster than income) of around -2-4% over the next two years for Australian banks, and given share prices have rallied around 20% over the last six months, the broker now has Sell ratings across the sector.

The poor earnings outlook for banks will be exposed, suggest the analysts, now that interest rate cut expectations are being pushed out.

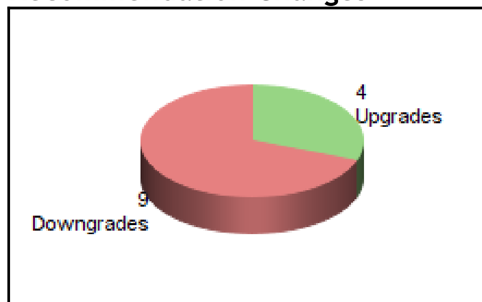
Citi's preferences in the sector (in order) are: Westpac, ANZ Bank, CommBank and National Australia Bank.

The broker's rating for Westpac is downgraded to Sell from Neutral given a share price outperformance versus peers over the last three months. The $22.25 target is unchanged.

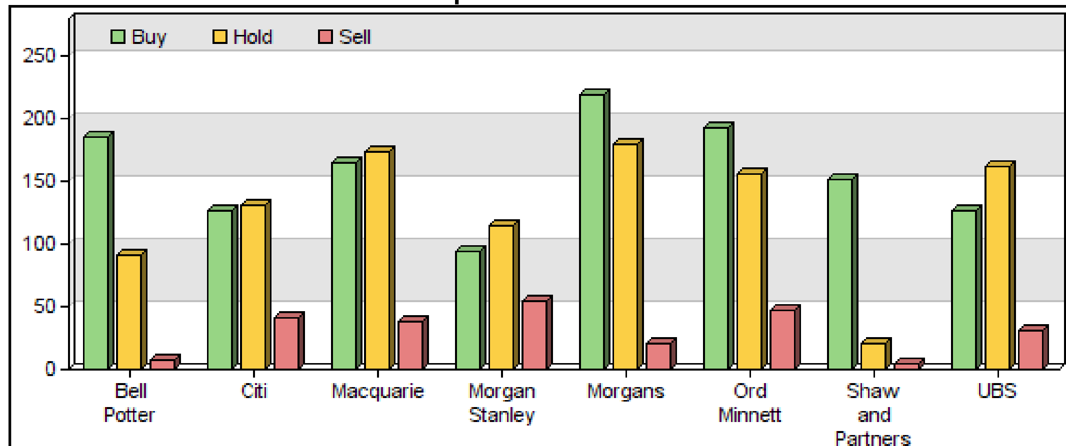
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				

1	BRAMBLES LIMITED	Neutral	Neutral	Ord Minnett
2	LIFESTYLE COMMUNITIES LIMITED	Neutral	Sell	UBS
3	LIFESTYLE COMMUNITIES LIMITED	Buy	Neutral	Ord Minnett
4	WHITEHAVEN COAL LIMITED	Buy	Neutral	Morgans
Downgrade				
5	ALKANE RESOURCES LIMITED	Neutral	Buy	Ord Minnett
6	ANZ GROUP HOLDINGS LIMITED	Sell	Neutral	Citi
7	GALAN LITHIUM LIMITED	Neutral	Buy	Macquarie
8	KAROON ENERGY LIMITED	Neutral	Buy	Ord Minnett
9	LYNAS RARE EARTHS LIMITED	Sell	Neutral	Citi
10	PILBARA MINERALS LIMITED	Neutral	Buy	Morgans
11	SOUTH32 LIMITED	Neutral	Buy	Citi
12	VULCAN STEEL LIMITED	Neutral	Buy	UBS
13	WESTPAC BANKING CORPORATION	Sell	Neutral	Citi

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	PDN	PALADIN ENERGY LIMITED	15.970	1.598	899.37%	5
2	RMS	RAMELIUS RESOURCES LIMITED	2.210	2.067	6.92%	3
3	PRU	PERSEUS MINING LIMITED	2.350	2.200	6.82%	3
4	GOR	GOLD ROAD RESOURCES LIMITED	1.925	1.813	6.18%	4
5	NST	NORTHERN STAR RESOURCES LIMITED	15.130	14.410	5.00%	5
6	AWC	ALUMINA LIMITED	1.338	1.290	3.72%	4
7	WHC	WHITEHAVEN COAL LIMITED	8.679	8.443	2.80%	7
8	MIN	MINERAL RESOURCES LIMITED	72.571	70.729	2.60%	7
9	NCM	NEWCREST MINING LIMITED	29.600	29.033	1.95%	3
10	S32	SOUTH32 LIMITED	3.758	3.708	1.35%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	LIC	LIFESTYLE COMMUNITIES LIMITED	15.517	17.047	-8.98%	3
2	SHV	SELECT HARVESTS LIMITED	4.683	5.070	-7.63%	3
3	HCW	HEALTHCO HEALTHCARE & WELLNESS REIT	1.493	1.615	-7.55%	4
4	29M	29METALS LIMITED	0.420	0.450	-6.67%	3
5	LLC	LENDLEASE GROUP	8.650	9.167	-5.64%	4
6	C79	CHRYSOS CORP. LIMITED	7.550	8.000	-5.63%	3
7	LYC	LYNAS RARE EARTHS LIMITED	6.280	6.560	-4.27%	5
8	STX	STRIKE ENERGY LIMITED	0.257	0.267	-3.75%	3
9	KGN	KOGAN.COM LIMITED	7.500	7.733	-3.01%	3
10	KAR	KAROON ENERGY LIMITED	2.660	2.730	-2.56%	5

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	AWC	ALUMINA LIMITED	1.183	-0.350	438.00%	4
2	RMS	RAMELIUS RESOURCES LIMITED	17.900	14.000	27.86%	3
3	RRL	REGIS RESOURCES LIMITED	6.717	5.383	24.78%	6
4	GOR	GOLD ROAD RESOURCES LIMITED	10.450	9.625	8.57%	4
5	MRM	MMA OFFSHORE LIMITED	21.900	20.633	6.14%	3
6	LLC	LENDLEASE GROUP	55.860	52.825	5.75%	4
7	PLS	PILBARA MINERALS LIMITED	11.667	11.067	5.42%	6
8	WHC	WHITEHAVEN COAL LIMITED	96.614	92.800	4.11%	7
9	PRU	PERSEUS MINING LIMITED	25.132	24.163	4.01%	3
10	NXT	NEXTDC LIMITED	-9.467	-9.800	3.40%	5

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs

1	PDN	PALADIN ENERGY LIMITED	-4.964	-0.792	-526.77%	5
2	SHV	SELECT HARVESTS LIMITED	2.667	7.100	-62.44%	3
3	C79	CHRYSOS CORP. LIMITED	-3.400	-2.600	-30.77%	3
4	MIN	MINERAL RESOURCES LIMITED	151.233	184.133	-17.87%	7
5	LIC	LIFESTYLE COMMUNITIES LIMITED	50.733	61.367	-17.33%	3
6	29M	29METALS LIMITED	-8.567	-7.400	-15.77%	3
7	KGN	KOGAN.COM LIMITED	14.200	16.200	-12.35%	3
8	ATG	ARTICORE GROUP LIMITED	-1.933	-1.767	-9.39%	3
9	FMG	FORTESCUE LIMITED	295.350	317.042	-6.84%	7
10	MAF	MA FINANCIAL GROUP LIMITED	27.867	29.500	-5.54%	3

Technical limitations

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

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

WEEKLY REPORTS

Uranium Week: Nuclear Power And AI

The extensive power required to run AI models at data centres has brought nuclear energy clearly into focus.

-A volatile uranium spot market
-Ship carrying Russian uranium released from Germany
-US tech companies move to shore up supply of nuclear power

By Greg Peel

The uranium spot market was particularly volatile last week, industry consultant TradeTech reports. The sharp price movements are attributed in large part to the lack of consensus among market participants regarding the depth of buying interest.

The price stability of recent weeks was welcomed by utilities, however, other market players viewed the lack of price movement as indicative of waning spot market demand. This resulted in some sellers lowering their offer prices throughout the week in order to encourage buying interest.

The drop in offer prices did succeed in bringing buyers to the market, but it was also read by some buyers as a sign that prices might soften further, and so they stayed away.

After bouncing around during the week, TradeTech's weekly spot price indicator closed at US$87.35/lb, down -US$2.65.

A total of seven transactions were concluded, with prices ranging from US$91.00/lb U3O8 to US$85.95/lb.

Term Markets

In the term uranium market, utilities received welcome news when an ocean vessel carrying enriched uranium product from Russia, which has been delayed for several weeks in Germany due to the presence of EU-sanctioned plywood on board, was released and set off to the US.

The ship had to be re-routed to Philadelphia given the ongoing closure of the port of Baltimore. The delay and the increased volume that other ports must now accommodate adds another layer of concern for the enrichment market.

Market participants continue to focus on securing supply, especially in the time period between next year and 2030 when uranium production is expected to be especially tight, TradeTech notes, and availability of Russian nuclear fuel is less certain.

TradeTech's term price indicators remain at US$95/lb (mid-term) and US$80/lb (long).

[dianomi_video]

Uranium and AI

The Oregon Group has issued a report noting operating AI models requires substantial computing power, which translates to higher energy demand. Building extensive data centres and manufacturing semiconductor chips is not possible without critical minerals.

With regard uranium demand, Oregon notes:

-Amazon Web Services has bought a 960MW data centre powered by a a nuclear power plant in Pennsylvania;

-Microsoft has agreed to buy nuclear power to cover up to 35% of the energy needs for its Virginia data centres;

-The US Energy Secretary has announced a US$1.52bn loan to restart the Palisades nuclear plant in Michigan with an interview where she said conversations with big tech companies need "to accelerate, because this [AI] demand for power is only going up";

-OpenAI CEO Sam Altman has invested in a nuclear startup called Oklo, which is working on small modular

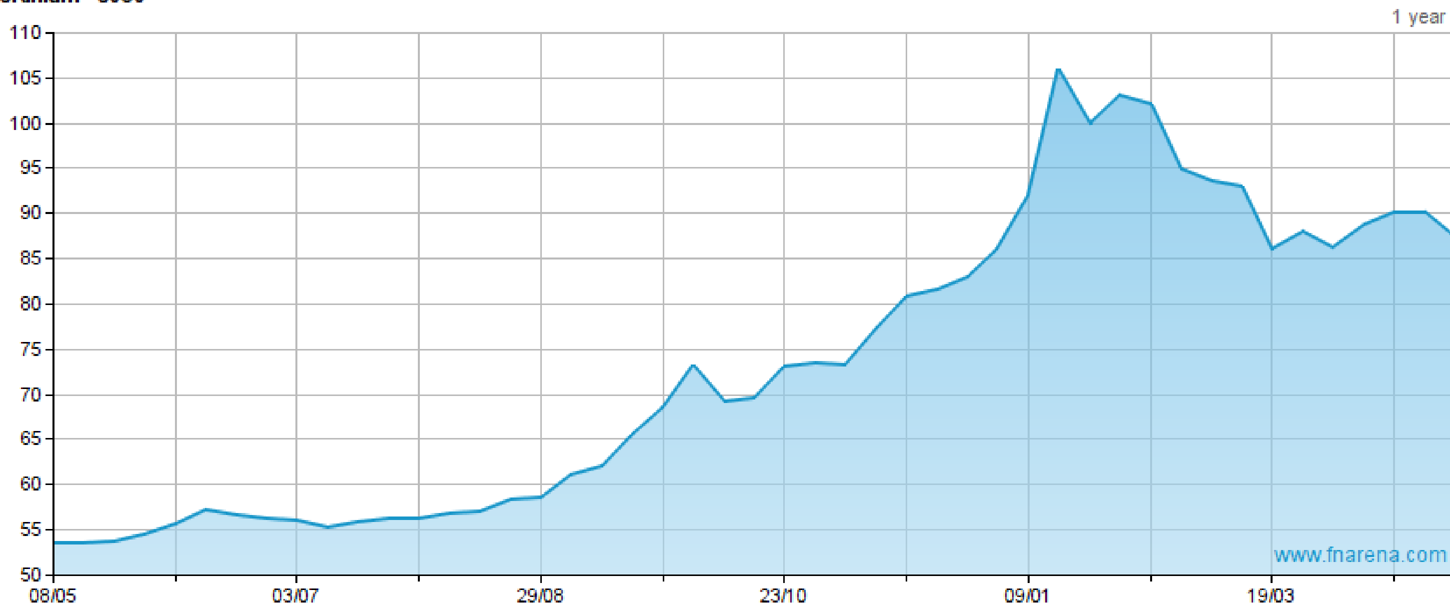
reactors;

-Green Energy Partners, a US data centre and energy developer, has proposed 30 new data centres powered by a new 1.6GW Surry Nuclear Power Plant in southeastern Virginia.

Any new nuclear power will need uranium to power it. In its recent report, *The Uranium Bull Market and Coming of the Second Atomic Age*, Oregon warned uranium is at the start of a ten-year bull market as supply struggles to meet demand, expected to expand 28% by 2030 and nearly 200% by 2040.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	29/04/2024	0.0900	0.00%	$0.19	$0.05			
AGE	29/04/2024	0.0600	▲ 9.43%	$0.08	$0.03		$0.100	▲66.7%
BKY	29/04/2024	0.3400	0.00%	$0.80	$0.26			
BMN	29/04/2024	3.7900	▲ 3.86%	$4.16	$1.19		$7.400	▲95.3%
BOE	29/04/2024	4.7900	▲ 4.82%	$6.12	$2.37	47.1	$5.425	▲13.3%
DYL	29/04/2024	1.4700	▲ 5.54%	$1.76	$0.48		$1.770	▲20.4%
EL8	29/04/2024	0.4900	0.00%	$0.68	$0.27			
ERA	29/04/2024	0.0550	▲ 1.85%	$0.08	$0.03			
LOT	29/04/2024	0.4500	▲ 8.75%	$0.46	$0.17		$0.610	▲35.6%
NXG	29/04/2024	12.5500	▲ 2.93%	$13.66	$5.46		$17.500	▲39.4%
PDN	29/04/2024	13.7400	▼- 1.30%				$15.970	▲16.2%
PEN	29/04/2024	0.1000	▲ 5.00%	$0.20	$0.08		$0.310	▲210.0%
SLX	29/04/2024	5.0400	▲ 2.07%	$5.78	$2.92		$7.600	▲50.8%



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

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

WEEKLY REPORTS

The Short Report - 02 May 2024

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

Summary:

By Greg Peel

Week Ending April 25, 2024.

Last week saw the ASX200 recover from US-related inflation fears, only to fall into a local inflation fear hole, and then back to US fears yesterday.

Amidst all the volatility, short positions changes have been few and far between.

Shorts in Chalice Mining ((CHN)) and Australian Clinical Labs ((ACL)), which have been on the table for months, ticked up slightly last week.

Shorts in WestGold Resources ((WGX)) moved up to 7.0% from 6.2%, but as explained in last week's Report, WestGold has agreed to merge with Canadian-based Karoa Resources, in a cash/scrip deal.

We note that Star Entertainment ((SGR)) has snuck back into the table at 5.0% shorted. The stock has lost some -90% of its value since September 2021 and is still under a casino licence review.

Weekly short positions as a percentage of market cap:

10%+

PLS 22.1
IEL 15.6
SYR 13.3
FLT 11.3
LTR 10.7

No changes

9.0-9.9%

No stocks

8.0-8.9%

SYA, CXO

No changes

7.0-7.9%

WBT, STX, CHN, BOQ, ACL, LIC, WGX

In: CHN, ACL , WGX

6.0-6.9%

LYC, ARU, DYL, GMD, OBL, MIN, OBL

Out: ACL, CHN, WGX

5.0-5.9%

VUL, CUV, A2M, HLS, NAN, IMU, WEB, SGR

In: SGR Out: IFL, ELD

Movers & Shakers

Nothing this week.

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.3	0.3	QBE	0.2	0.2
ANZ	0.3	0.4	RIO	4.6	4.4
BHP	0.5	0.5	S32	0.9	0.9
CBA	1.4	1.4	STO	1.3	1.1
COL	0.6	0.6	TCL	0.5	0.5
CSL	0.3	0.3	TLS	0.4	0.4
FMG	0.9	1.2	WBC	1.2	1.1
GMG	2.0	2.1	WDS	0.6	0.7
MQG	0.6	0.6	WES	1.1	1.1
NAB	0.8	0.8	WOW	0.4	0.4

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

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

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

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

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

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

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

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

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

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 03-05-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

WESTPAC BANKING CORPORATION ((WBC)) Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

Jarden anticipates a resilient but muted half for the four bank majors, expecting sector profits to decline -1% half-on-half to $15.6bn as margin erosion and rising costs continue to impact.

While signs of moderating margin pressure will remain a key consideration of the reporting season, the broker is also interested in indications of further returns of excess provisions. Jarden considers it likely each major will announce new capital returns of $1.0-1.5bn.

The broker estimates a -3% half-on-half profit decline from Westpac to $3.44bn. With the bank still undergoing its existing buybacks, Jarden notes Westpac may choose to return capital through special dividends rather than a top up of its buyback.

The rating is upgraded to Overweight from Neutral and the target price increases to $25.70 from $23.50.

Downgrade

KAROON ENERGY LIMITED ((KAR)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

Karoon Energy has issued a larger-than-anticipated downgrade to FY24 guidance led by ongoing disappointment from Who Dat. Jarden points out the negative news arrived only four months after the acquisition was completed.

The decision to curtail output due to weak pricing does show the lack of control that resides with Karoon Energy, points out the broker. Jarden suggests the loss of confidence that has now occurred will take time to return.

The rating is downgraded to Overweight from Buy and the target price falls to $2.35 from $2.50.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	WESTPAC BANKING CORPORATION	Buy	Neutral	Jarden
Downgrade				
2	KAROON ENERGY LIMITED	Buy	Buy	Jarden

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
29M	29Metals	$0.48	Jarden	0.28	0.30	-6.67%

Company	Last Price	Broker	New Target	Old Target	Change
AMA AMA Group	$0.06	Canaccord Genuity	0.14	0.16	-12.50%
ANZ ANZ Bank	$28.41	Jarden	28.80	26.70	7.87%
BGL Bellevue Gold	$1.75	Canaccord Genuity	2.20	2.25	-2.22%
CBA CommBank	$115.28	Jarden	102.00	99.00	3.03%
CMM Capricorn Metals	$4.81	Jarden	5.35	5.07	5.52%
EVS EnviroSuite	$0.05	Moelis	0.09	0.10	-10.00%
FMG Fortescue	$25.74	Goldman Sachs	16.90	19.60	-13.78%
GDG Generation Development	$2.25	Petra Capital	2.46	2.40	2.50%
GOR Gold Road Resources	$1.61	Canaccord Genuity	2.05	2.10	-2.38%
ILU Iluka Resources	$7.76	Canaccord Genuity	7.40	7.00	5.71%
		Goldman Sachs	9.90	9.20	7.61%
KAR Karoon Energy	$1.91	Jarden	2.35	2.50	-6.00%
KGN Kogan.com	$4.76	Canaccord Genuity	8.00	9.00	-11.11%
LIC Lifestyle Communities	$12.29	Goldman Sachs	18.45	21.55	-14.39%
		Moelis	18.90	20.00	-5.50%
LYC Lynas Rare Earths	$6.56	Canaccord Genuity	7.00	6.90	1.45%
NAB National Australia Bank	$34.30	Jarden	33.80	31.50	7.30%
NST Northern Star Resources	$14.55	Goldman Sachs	14.50	13.30	9.02%
		Jarden	14.10	13.70	2.92%
PLS Pilbara Minerals	$4.18	Goldman Sachs	2.80	2.90	-3.45%
		Jarden	4.10	4.14	-0.97%
PLT Plenti Group	$0.66	Wilsons	1.20	1.05	14.29%
PMT Patriot Battery Metals	$0.78	Canaccord Genuity	1.70	N/A	-
PPS Praemium	$0.47	Canaccord Genuity	0.86	0.81	6.17%
RED Red 5	$0.43	Moelis	0.50	0.48	4.17%
RMD ResMed	$33.25	Wilsons	36.00	32.90	9.42%
RMS Ramelius Resources	$1.96	Canaccord Genuity	2.60	2.65	-1.89%
S32 South32	$3.58	Goldman Sachs	3.70	3.80	-2.63%
SDV SciDev	$0.33	Canaccord Genuity	0.54	0.42	28.57%
SHV Select Harvests	$3.52	Wilsons	5.39	5.53	-2.53%
STX Strike Energy	$0.23	Wilsons	0.33	0.34	-2.94%
WBC Westpac	$26.23	Jarden	25.70	23.50	9.36%
WDS Woodside Energy	$27.18	Jarden	29.25	30.00	-2.50%
WGX Westgold Resources	$2.16	Petra Capital	2.66	2.68	-0.75%

More Highlights

BXB BRAMBLES LIMITED

Transportation & Logistics – Overnight Price: $14.28

Jarden rates ((BXB)) as Overweight (2) –

Jarden assesses that the market is too concerned about the revenue momentum for Brambles post the 3Q24 trading update.

The analyst highlights a slowing in revenue growth to 2.3% over the quarter, compared to 10% in the 1H24 and 7% for the 9 months ending March, but emphasises that the 'slowdown' in the pallet return rate is a positive for the company.

Management has retained FY24 guidance with an expected pick up in 4Q24 revenues, seasonally a stronger period for Brambles.

Jarden makes no changes to FY24 forecasts, however the analyst considers the market is ignoring potential positives from in-period pricing going into FY25.

A Buy rating and $15.70 target are unchanged.

This report was published on April 23, 2024.

Target price is **$15.70** Current Price is **$14.28** Difference: **$1.42**
If **BXB** meets the Jarden target it will return approximately **10%** (excluding dividends, fees and charges).
Current consensus price target is **$15.44**, suggesting upside of **8.1%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY24:

Jarden forecasts a full year **FY24** dividend of **72.96** cents and EPS of **81.95** cents.
At the last closing share price the estimated dividend yield is **5.11%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **17.43**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **89.0**, implying annual growth of **N/A**.
Current consensus DPS estimate is **48.7**, implying a prospective dividend yield of **3.4%**.
Current consensus EPS estimate suggests the PER is **16.0**.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **81.04** cents and EPS of **90.48** cents.
At the last closing share price the estimated dividend yield is **5.67%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.78**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **99.6**, implying annual growth of **11.9%**.
Current consensus DPS estimate is **55.5**, implying a prospective dividend yield of **3.9%**.
Current consensus EPS estimate suggests the PER is **14.3**.

This company reports in **USD**. All estimates have been converted into AUD by FNArena at present FX values.
Market Sentiment: **0.2**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

MAC METALS ACQUISITION LIMITED

Copper - Overnight Price: $21.00

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

Wilsons had only initiated coverage on Metals Acquisition with an Overweight rating and $25 target price in mid-April.

The company announced a significant 67% increase in resources and reserves at the CSA mine, underpinning an updated 11-year mine plan that nearly doubles the previous life based on reserves alone.

The broker points out, Metals Acquisition now boasts around 500kt of contained copper, with expectations for further increases from additional high-grade resources.

Overweight. Wilsons sees Metals Acquisition as a top pick in the copper sector, expecting substantial exploration success and operational expansion. Target $25 (unchanged).

This report was published on April 24, 2024.

Target price is **$25.00** Current Price is **$21.00** Difference: **$4**
If **MAC** meets the Wilsons target it will return approximately **19%** (excluding dividends, fees and charges).
The company's fiscal year ends in December.

Forecast for FY24:

Wilsons forecasts a full year **FY24** dividend of **0.00** cents and EPS of **77.67** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **27.04**.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **125.34** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **16.75**.

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

PLT PLENTI GROUP LIMITED

Business & Consumer Credit - Overnight Price: $0.67

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

On Wilsons' assessment, Plenti Group's Q4 trading result revealed a notable outperformance in Cash NPAT at $4.6m for 2H24, driven by healthy Net Interest Margins (NIM) and reduced loan losses.

Originations grew 3.7% year-over-year to $286.0m, and the loan book expanded 21.1% to $2.1bn. The broker states the upcoming FY25 looks promising due to improved industry pricing dynamics following Macquarie Group's ((MQG)) exit from automotive lending, which is expected to support NIM expansion for Plenti Group.

Also, the first product from the strategic partnership with National Australia Bank ((NAB)) is set to launch in June, which may further bolster growth.

Wilsons retains an Overweight rating with a raised target price of $1.20, reflecting upgraded forecasts for FY24 and FY25.

This report was published on April 24, 2024.

Target price is **$1.20** Current Price is **$0.67** Difference: **$0.53**
If **PLT** meets the Wilsons target it will return approximately **79%** (excluding dividends, fees and charges).
The company's fiscal year ends in March.

Forecast for FY24:

Wilsons forecasts a full year **FY24** dividend of **0.00** cents and EPS of **minus 0.50** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 134.00**.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **0.90** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **74.44**.

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

SDV SCIDEV LIMITED

Industrial Sector Contractors & Engineers - Overnight Price: $0.36

Canaccord Genuity rates ((SDV)) as Speculative Buy (1) -

SciDev reported revenue of $29m in the March quarter, up 38% year-on-year, and continues to generate more than 100% earnings growth this year. Canaccord Genuity described the period as an impressive quarter for the company.

The broker considers SciDev to have substantial ESG tailwinds given its water and waste solutions, particularly in the wake of acceleration of the global PFAS treatment industry following the introduction of new regulations in the US.

As per Canaccord Genuity, the outlook appears upbeat.

The Speculative Buy rating is retained and the target price increases to 54 cents from 42 cents.

This report was published on April 22, 2024.

Target price is **$0.54** Current Price is **$0.36** Difference: **$0.18**
If **SDV** meets the Canaccord Genuity target it will return approximately **50%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Canaccord Genuity forecasts a full year **FY24** dividend of **0.00** cents and EPS of **1.80** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.00**.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **3.10** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.61**.

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

TERMS AND CONDITIONS OF USE, AND DISCLAIMERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

take responsibility for their quality, content or suitability.

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

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

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

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

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

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

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

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

FN arena
PASSIONATE ABOUT FINANCIAL NEWS

Financial News for the Bright and the Uneducated. And for everybody else in between.

FN Arena News
Building the Future of Financial Journalism

www.fnarena.com

Trials are free and without any obligation