WEEK 45

FNArena
FINANCIAL NEWS, ANALYSIS & DATA

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Friday, 8 November 2024

No Quick Fix For Woolworths Margins

Material Matters: Copper, Aluminium & Lithium

Rudi's View: Mate, Where Have The Profits Gone?

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FNArena
Financial News, Data & Analysis

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AUSTRALIA

The Market In Numbers - 2 Nov 2024

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

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

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

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

Australia & NZ

Index	02 Nov 2024	Week To Date	Month To Date (Nov)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
NZ50	12559.280	-1.66%	-0.63%	1.09%	6.70%	7.18%
All Ordinaries	8379.70	-1.03%	-0.50%	-1.86%	7.03%	4.57%
S&P ASX 200	8118.80	-1.13%	-0.50%	-1.83%	6.96%	4.52%
S&P ASX 300	8059.20	-1.13%	-0.52%	-1.83%	6.94%	4.55%
Communication Services	1598.20	-1.11%	-0.42%	0.33%	0.63%	6.46%
Consumer Discretionary	3666.70	-0.15%	-0.73%	-4.49%	13.16%	4.42%
Consumer Staples	11536.30	-5.47%	-0.50%	-7.45%	-6.29%	-6.80%
Energy	8751.30	-1.35%	1.06%	-4.13%	-17.62%	-12.76%
Financials	8410.60	-1.58%	-0.92%	2.30%	25.19%	9.84%
Health Care	43971.00	-2.75%	-1.11%	-0.23%	3.85%	-0.64%
Industrials	7225.70	-1.17%	-0.37%	-2.97%	5.24%	6.08%
Info Technology	2585.90	2.48%	-0.44%	-4.84%	41.08%	10.44%
Materials	17397.70	0.42%	0.20%	-5.02%	-10.74%	3.08%
Real Estate	3919.20	-0.72%	-0.68%	-3.27%	17.07%	9.99%
Utilities	8324.90	-3.10%	-0.10%	-7.33%	1.78%	-10.34%
A-REITs	1789.70	-0.72%	-0.66%	-3.16%	19.12%	10.18%
All Technology Index	3503.30	1.28%	-0.53%	0.85%	30.04%	11.64%
Banks	3550.80	-1.32%	-0.57%	3.20%	27.75%	11.13%
Gold Index	9452.90	-2.69%	-1.75%	8.39%	28.30%	28.48%
Metals & Mining	5726.50	0.75%	0.37%	-4.42%	-11.44%	3.17%

The World

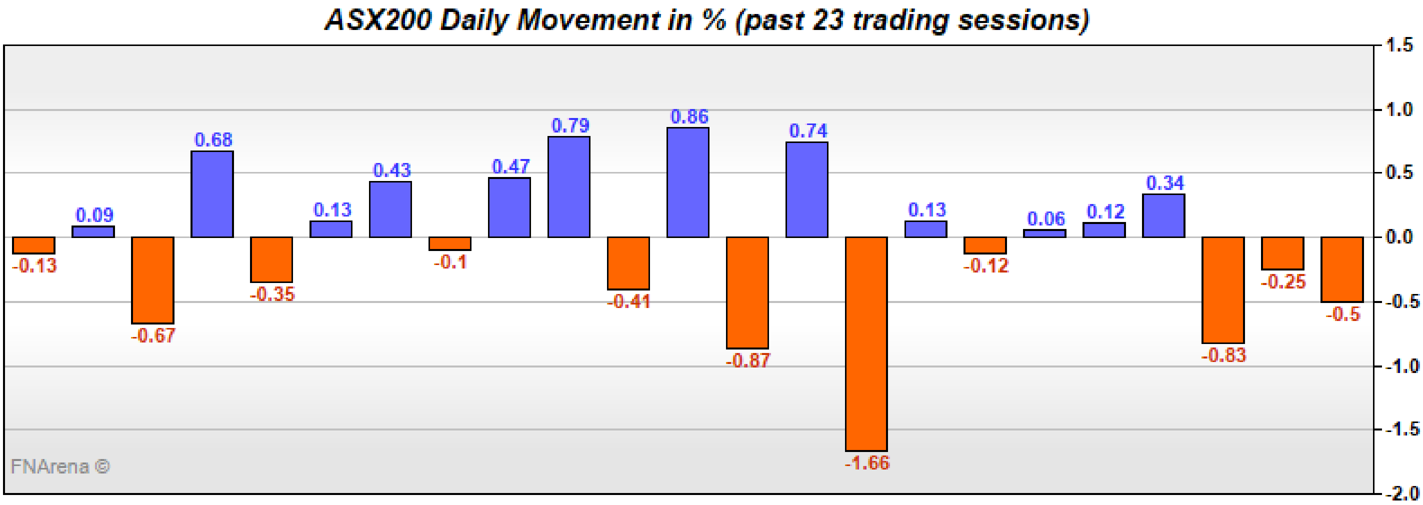
Index	02 Nov 2024	Week To Date	Month To Date (Nov)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
FTSE100	8177.15	-0.87%	0.83%	-0.73%	5.74%	0.16%
DAX30	19254.97	-1.07%	0.93%	-0.36%	14.94%	5.59%
Hang Seng	20506.43	-0.41%	0.93%	-2.97%	20.29%	15.73%
Nikkei 225	38053.67	0.37%	-2.63%	0.35%	13.71%	-3.86%
DJIA	42052.19	-0.15%	0.69%	-0.66%	11.58%	7.50%
S&P500	5728.80	-1.37%	0.41%	-0.58%	20.10%	4.91%
Nasdaq Comp	18239.92	-1.50%	0.80%	0.28%	21.51%	2.86%

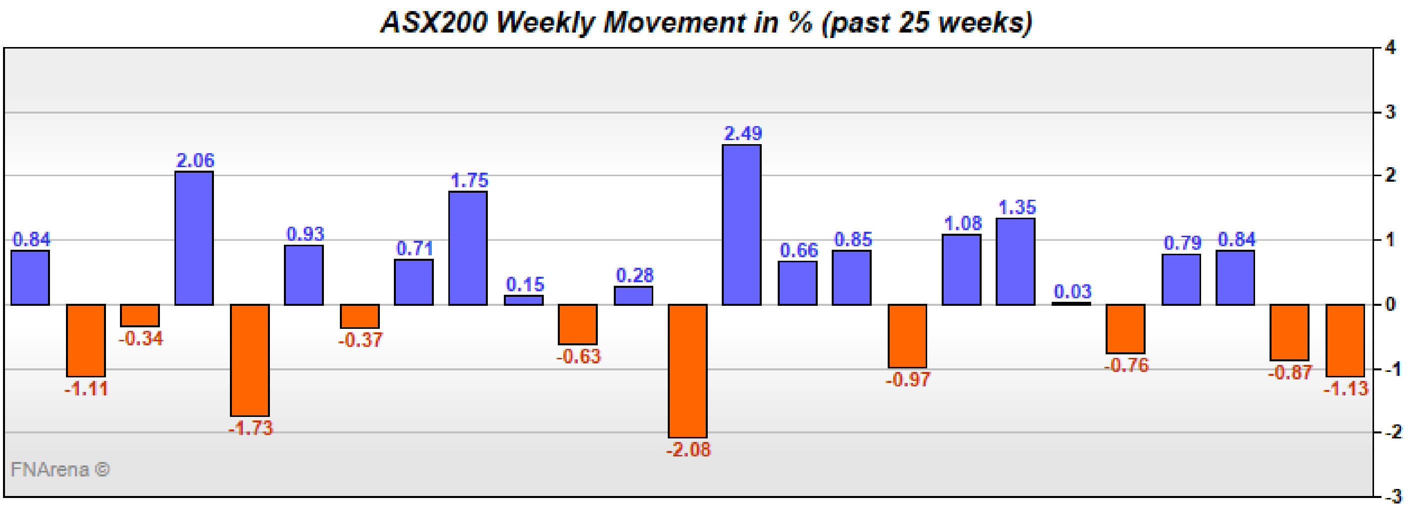
Metals & Minerals

Index	02 Nov 2024	Week To Date	Month To Date (Nov)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
Gold (oz)	2753.95	0.19%	-1.59%	2.70%	34.70%	17.79%
Silver (oz)	32.80	-3.08%	-3.35%	2.80%	34.55%	12.15%
Copper (lb)	4.3632	-0.06%	0.07%	-5.12%	14.58%	0.69%
Aluminium (lb)	1.1814	-0.64%	0.31%	-0.44%	21.51%	5.06%
Nickel (lb)	7.0801	-3.28%	-0.54%	-7.67%	-4.80%	-8.98%
Zinc (lb)	1.3677	-4.55%	-1.71%	-1.32%	21.62%	3.14%
Uranium (lb) weekly	81.00	-2.41%	0.00%	-1.22%	-5.81%	-2.70%
Iron Ore (t)	103.78	-0.59%	-0.29%	11.62%	-24.92%	-2.56%

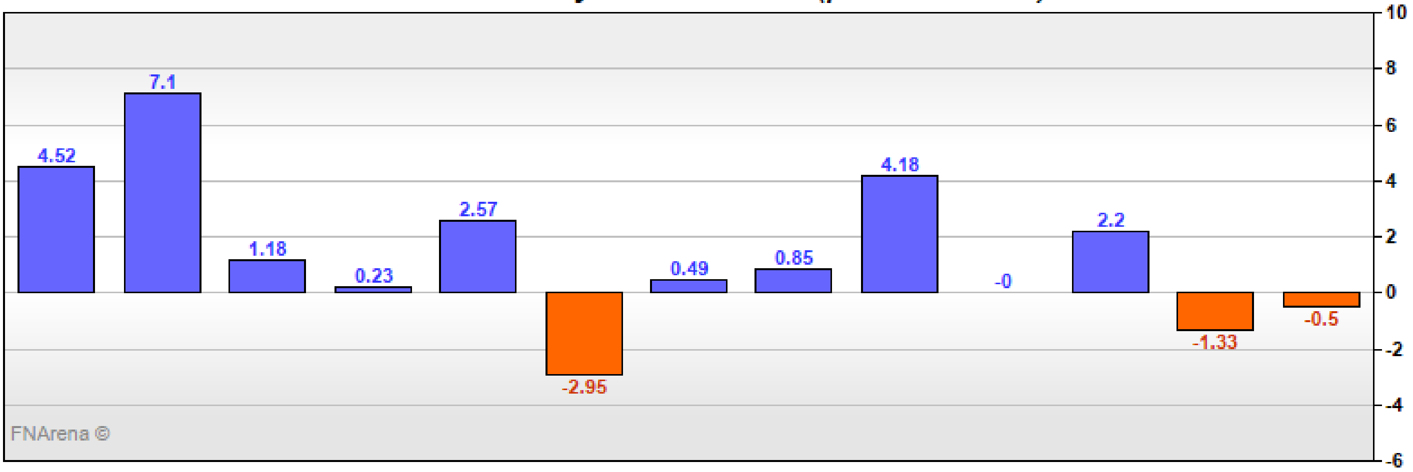
Energy

Index	02 Nov 2024	Week To Date	Month To Date (Nov)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
West Texas Crude	70.52	0.27%	2.07%	2.74%	-4.46%	-13.85%
Brent Crude	74.08	-0.75%	1.88%	3.55%	-6.54%	-13.30%

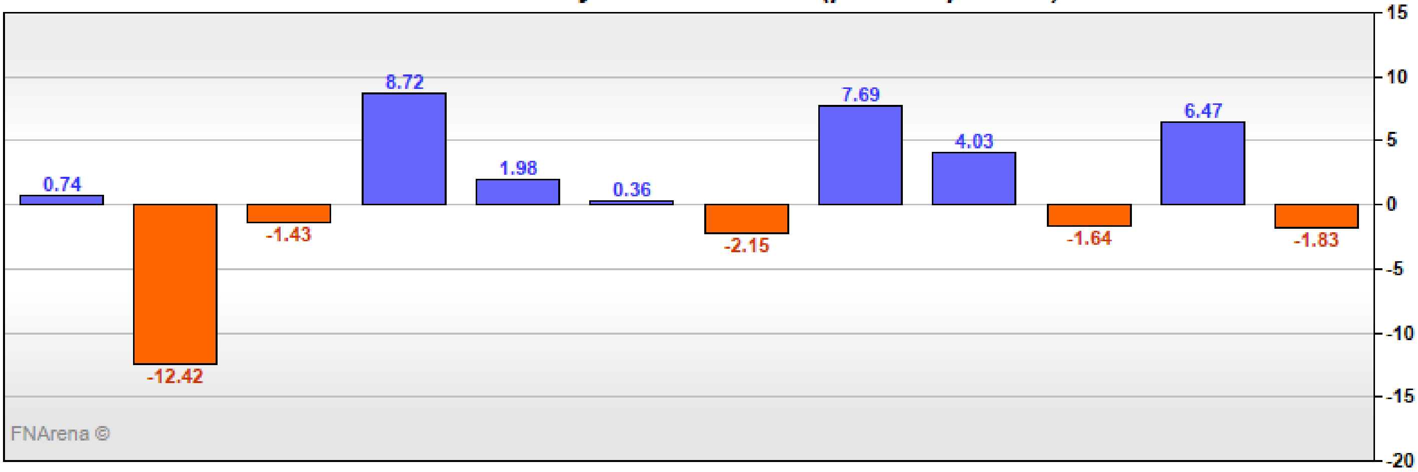




ASX200 Monthly Movement in % (past 13 months)



ASX200 Quarterly Movement in % (past 12 quarters)



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

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AUSTRALIA

What Went Wrong With Newmont?

Australian-listed Newmont shares have crashed some -20% since the release of the company's September quarter update, which included multi-year downgrades. Brokers assess the damage.

-Newmont downgrades production guidance and increases costs
-Gold producer's five-year outlook slashed
-Share buyback offers some respite
-Result now likely priced in, but caution advised

By Greg Peel

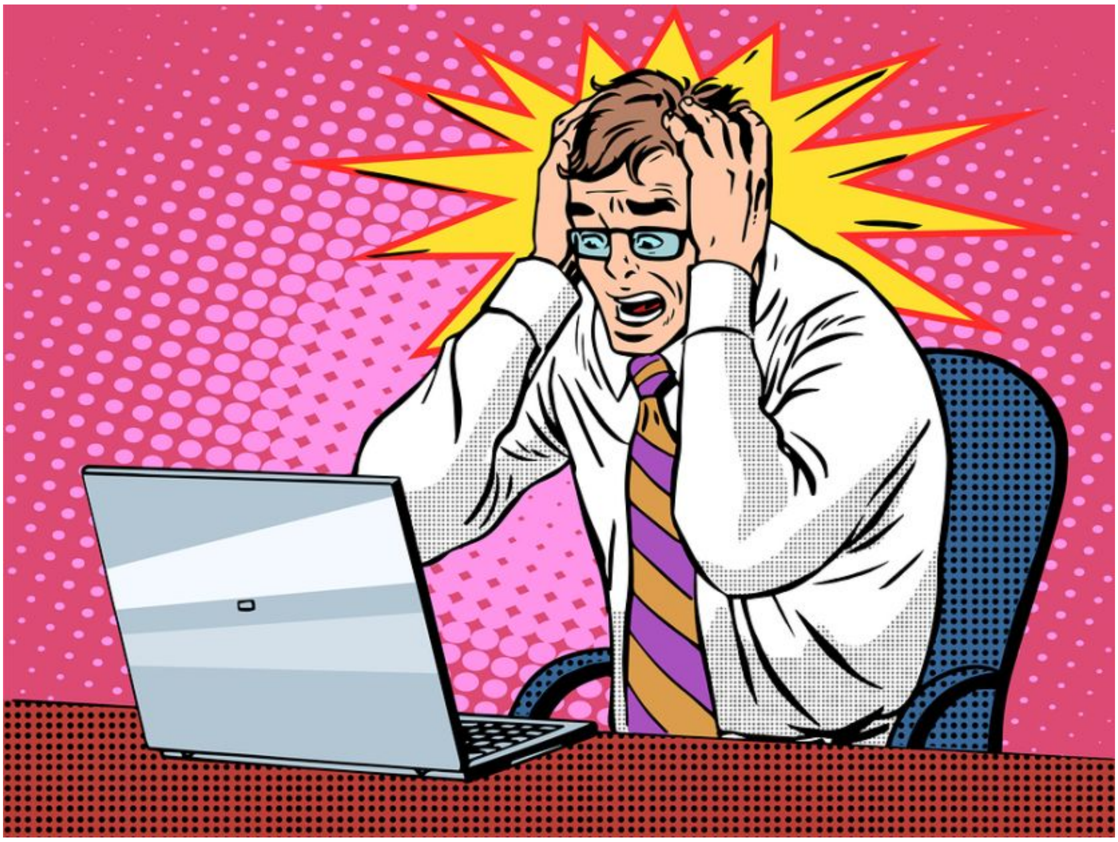
US-based global gold mining leader Newmont Corp ((NEM)), which a year ago acquired Australia's largest gold producer Newcrest, provided a September quarter result last week along with updated guidance for 2025 and beyond.

"The severity of the multi-year downgrade is a large negative shock," said Barrenjoey.

Newmont produced 1.67moz of gold in the quarter which was in line with consensus, but costs were 11% higher than anticipated. Management guided to 2025 gold production of 5.6moz which is -0.6moz or -10% below the outlook provided in February.

A longer term gold production goal of 6.0moz is a -0.6mtpa or -9% downgrade from the February five-year plan. Management suggested all-in sustaining costs (AISC) will be "broadly consistent" year on year into 2025. Macquarie notes Newmont's five-year outlook flagged AISC falling -4% from 2024 to 2025.

At least 2025 (and beyond) guidance risk is now reduced, in Macquarie's view. Earnings guidance for 2025 has been downgraded by -9%.



Bad Move?

The severe share price reaction in both the US and Australian markets is reflective of a large negative downgrade to near- and longer-term business performance, Barrenjoey notes. A large part of the downgrade is down to the newly acquired Newcrest assets of Lihir and Brucejack. This raises questions for Barrenjoey about the merits of the acquisition. The deal maths, in the broker's view, does not appear synergistic.

A 6.0mozpa business (Newmont) merged with a 2.0mozpa business (Newcrest) and non-core assets of around 1.5mozpa are being sold, which should leave around a 6.5mozpa streamlined business.

Newmont was not explicit regarding the Nevada joint venture with Barrick Gold's role in the rebase to a 6moz business, but it has to play a large part for the maths to work, Barrenjoey suggests. It appears both the Newmont and Newcrest business outlooks were worse than the market realised.

The merits of the Newcrest acquisition are now also questioned by Ord Minnett. The Nevade JV equally plays a significant role in the downgrade.

UBS has limited conviction in Newmont's ability to hit guidance and restore market confidence. Factoring in guidance from September results drives material downgrades to this broker's medium-term production and free cash flow forecasts, impacting Newmont's ability to offer superior and sustainable cash returns versus peers.

Offsetting this is the expectation Newmont announces further asset sales that will support near-term cash returns, along with UBS's positive outlook on gold.

Any Good News?

Newmont announced its US$1bn share buyback program currently underway will be tripled to US$3bn to be delivered at the board's discretion over two years. Macquarie expects US$2bn will be delivered over the next one-and-a-half years.

The buyback provides some, albeit limited, offset to broker earnings forecasts that have otherwise been slashed post-result.

Despite the downgrades, Newmont retains a high-quality portfolio of long-life assets in favourable jurisdictions, notes Ord Minnett. The gold price remains at record highs, presenting opportunities to sell non-core assets and potentially increase cash returns through buybacks.

However, concerns remain about ongoing issues at Lihir and the Nevada JV, which may lead to further downgrades. Ord Minnett warns investors should be cautious, especially with an upcoming strategy day hosted by Barrick Gold, the manager of the Nevada JV, on November 18.

The attributes that made Newmont Barrenjoey's top pick in gold remain. The company has a high-quality portfolio of long-life assets, the broker points out, located in favourable jurisdictions. The gold price is at record highs, and it is a good time to sell non-core assets, with upside risk to proceeds.

Newmont still stands to benefit from a period of cash harvest, which means upside risk to cash returns through buybacks. But there is still downside risk, in Barrenjoey's view, to the business momentum. The broker doesn't think Newmont has a firm handle yet on rectifications at Lihir. Clarity is lacking on the magnitude and longevity of issues at the Nevada JV, which Barrenjoey believes is a major implicit driver of Newmont's multi-year downgrade.

Barrenjoey thinks investors should prepare for a downgrade when Barrick hosts its strategy day. The manner in which this significant downgrade to Newmont's outlook was delivered via a conference call -- and the lack of delivery to operational guidance in recent years also have to feature in market debate about earnings multiples.

Priced In?

It is of little consolation for existing Newmont shareholders, but Barrenjoey suggests it may be that the share price decline of some -20% in recent days has priced that in. Barrenjoey has downgraded its rating to Neutral from Overweight and cut its target to $80 from $90.

Ord Minnett has stuck with its Hold rating.

The September results were a significant negative surprise to UBS with management implying no improvement in core production and costs in 2025 on top of a lack of visibility on the medium-term outlook, undermining the broker's Buy thesis. UBS thus downgrades to Neutral from Buy, cutting its target to US$54 from US$67.

While Newmont's update is certainly negative, Macquarie agrees, this broker views the subsequent sell-off as a little overdone. Newmont remains the go-to name for global gold leverage in Macquarie's view. Hence the broker's Outperform rating is retained, with a target price cut of -11% to $80.

An equally disappointed Citi has stuck with its Buy rating alongside a price target of US$66. While acknowledging the short term challenges, Citi analysts are keeping the faith in the ongoing potential for longer-term value creation.

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

AUSTRALIA

October In Review: Five-Month Share Rally Ends

Declines across utilities, staples and materials outweighed gains for financials, healthcare and communication services in October, resulting in a -1.3% loss for the ASX200.

-ASX200 lost -1.3% (total return) in October
-Financials & Healthcare rally, Utilities & Staples weigh
-Growth outperforms Value as the mining rally fades
-The Australian dollar falls by around -5%

By Mark Woodruff

Following the boost for Australian shares in September provided by surprise stimulus announcements in China, the Resources sector retraced in October while weak earnings guidance by Woolworths Group ((WOW)) weighed on consumer Staples.

Following five consecutive months of gains, the ASX200 lost -1.3% (including dividends) in October as the rotation out of Banks from September partly reversed with the sector recovering from month lows and ultimately gaining 3.8% for the month.

However, the rise in banking shares masked material falls elsewhere. Of 23 Industry Groups, 17 underperformed and 10 fell by more than -4%.

In a volatile month for currencies, the US dollar Index (DXY), a measure of the value of the US dollar relative to a basket of foreign currencies, rose by 3.1% to 103.9 by the end of the month.

The stronger DXY impacted on the Australian dollar which moved -4.8% lower in October to US$0.6583.

Regarding offshore equities, the MSCI All country World Index fell by -1.1%, and the S&P500 and the Information Technology sector in the US lost -0.91% and -0.97%, respectively.

The MSCI China Index lost -5.6% while Japan gained 2.3%.

Back in Australia, Financials, Healthcare and Communication Services were the best performing sectors, gaining 3.25%, 0.89% and 0.75%, respectively, while Utilities, Staples and Materials fared the worst by racking up respective losses of -7.23%, -6.99% and -5.21%.

The US 10-year yield rose by 50bps in October to 4.28%, due largely to a 32bps rise in real yields as markets priced fewer interest rate cuts by the Federal Reserve, explains Macquarie.

According to the CME Group FedWatch Tool, there is a 94% chance the Fed will cut by another -25bps on November 7, but only a 5% chance the Reserve Bank of Australia will start cutting in November.

The Australian 10-year year yield rose by 53bps to 4.50% in October.

The first -25bps cut in Australia is now not fully priced until May next year, observes Macquarie, though it is increasingly hard to justify not cutting because of inflation, suggests the broker, given core CPI inflation for September came in just 20bps above the high end of the RBA's target band.

The gold price has risen by 25% so far in 2024.

Given the rise in US yields, a 5% rise in the gold price and the subsequent 10.3% gain for the Gold sector in October surprised Macquarie. One potential explanation, suggests the broker, is the ongoing uptrend driven by geopolitical tensions and central bank demand.

Not all gold stocks prospered, with Newmont Corp ((NEM)) losing nearly -9% on a weaker 2025 production outlook.

Back in Australia, all size-biased indices closed lower in October. Mid caps were the worst performing, while the Small Ordinaries Index was the month's best.

Adding to September gains, the Small Ordinaries outperformed its large and mid cap counterparts by 2.5% and 3.2%, respectively, driven by Materials and Financials, while the Discretionary and Real Estate sectors detracted from the overall performance.

Growth outperformed Value by 2.4 percentage points, recovering nearly half of the underperformance in the prior month (-3.9 percentage points) when the rotation to mining stocks away from banks occurred.

At the individual stock level, CommBank ((CBA)), National Australia Bank ((NAB)), and ANZ Bank ((ANZ)) contributed 50bps, 18bps and 8bps, respectively, along with the respective 8bps contribution each from Aristocrat Leisure ((ALL)) and Northern Star Resources ((NST)).

Banks are still one of the rare parts of the Australian market seeing consensus earnings upgrades, highlights Macquarie, as RBA rate cut expectations are pushed back and bad debts remain low.

On the flipside, BHP Group ((BHP)), Woolworths Group ((WOW)), and Rio Tinto ((RIO)) detracted from overall performance by -68bps, -17bps, and -15bps, respectively, as well as -15bps each from James Hardie Industries ((JHX)) and Wesfarmers ((WES)).

The CRB Commodity Index fell by -1.8% to 279.90 in October.

Gold moved 4.2% higher month-on-month to US$2,745.8/oz, while Brent crude oil closed 1.9% higher at US$73.2/bbl and iron ore fell by -7.3% to US$101.5/t.

Hard coking coal had a bad month, falling by -11.5% to US$207/t, while thermal coal was only down by -0.7%.

Macquarie's proprietary measure of equity sentiment, the FOMO Meter, fell to 0.92 in October from 1.31 in September as asset managers and individuals became less bullish, offsetting slightly more bullish sentiment from advisors.

This broker points out November is typically the strongest month for US equity returns (and second best for the ASX), but a Harris win in the US Presidential Election could disappoint markets hoping for a Trump win.

Over in New Zealand, the NZX50 Index gained 1.73% in October following gains made in August after an interest rate cut by the Reserve Bank of New Zealand.

ASX100 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
HUB - HUB24 LIMITED	18.40	FLT - FLIGHT CENTRE TRAVEL GROUP LIMITED	-28.50
SQ2 - BLOCK INC	15.90	MIN - MINERAL RESOURCES LIMITED	-24.29
EVN - EVOLUTION MINING LIMITED	12.93	REH - REECE LIMITED	-19.96
REA - REA GROUP LIMITED	12.90	ILU - ILUKA RESOURCES LIMITED	-15.78
NST - NORTHERN STAR RESOURCES LIMITED	11.02	JHX - JAMES HARDIE INDUSTRIES PLC	-14.92

ASX200 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
LTM - ARCADIUM LITHIUM PLC	94.10	WEB - WEB TRAVEL GROUP LIMITED	-45.17
SIG - SIGMA HEALTHCARE LIMITED	36.11	FLT - FLIGHT CENTRE TRAVEL GROUP LIMITED	-28.50
RRL - REGIS RESOURCES LIMITED	32.84	MIN - MINERAL RESOURCES LIMITED	-24.29
IFL - INSIGNIA FINANCIAL LIMITED	25.86	PNV - POLYNOVO LIMITED	-21.07
HMC - HMC CAPITAL LIMITED	24.02	CIA - CHAMPION IRON LIMITED	-20.27

ASX300 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
LTM - ARCADIUM LITHIUM PLC	94.10	WEB - WEB TRAVEL GROUP LIMITED	-45.17
TLG - TALGA GROUP LIMITED	46.84	OFX - OFX GROUP LIMITED	-32.41
SIG - SIGMA HEALTHCARE LIMITED	36.11	DRO - DRONESHIELD LIMITED	-30.04
RRL - REGIS RESOURCES LIMITED	32.84	FLT - FLIGHT CENTRE TRAVEL GROUP LIMITED	-28.50
ADH - ADAIRS LIMITED	28.50	MIN - MINERAL RESOURCES LIMITED	-24.29

ALL-TECH Best and Worst Performers of the month (in %)

Company	Change	Company	Change
FND - FINDI LIMITED	32.23	OFX - OFX GROUP LIMITED	-32.41
NXL - NUIX LIMITED	17.99	DUG - DUG TECHNOLOGY LIMITED	-26.48
360 - LIFE360 INC	16.00	4DX - 4DMEDICAL LIMITED	-21.48
SQ2 - BLOCK INC	15.90	TYR - TYRO PAYMENTS LIMITED	-17.55
PPS - PRAEMIUM LIMITED	15.38	WTC - WISETECH GLOBAL LIMITED	-13.78

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

Australia & NZ

Index	31 Oct 2024	Month Of Oct	Quarter To Date (Oct-Dec)	Year To Date (2024)
NZ50	12638.900	1.73%	1.73%	7.38%
All Ordinaries	8422.10	-1.36%	-1.36%	7.57%
S&P ASX 200	8160.00	-1.33%	-1.33%	7.50%
S&P ASX 300	8101.00	-1.32%	-1.32%	7.50%
Communication Services	1604.90	0.75%	0.75%	1.05%
Consumer Discretionary	3693.60	-3.78%	-3.78%	13.99%
Consumer Staples	11594.00	-6.99%	-6.99%	-5.82%
Energy	8659.60	-5.14%	-5.14%	-18.48%
Financials	8488.80	3.25%	3.25%	26.35%
Health Care	44464.40	0.89%	0.89%	5.02%
Industrials	7252.80	-2.61%	-2.61%	5.64%
Info Technology	2597.20	-4.42%	-4.42%	41.70%
Materials	17363.00	-5.21%	-5.21%	-10.91%
Real Estate	3946.00	-2.60%	-2.60%	17.87%
Utilities	8333.50	-7.23%	-7.23%	1.88%
A-REITs	1801.60	-2.52%	-2.52%	19.91%
All Technology Index	3521.80	1.38%	1.38%	30.73%
Banks	3571.10	3.79%	3.79%	28.48%
Gold Index	9621.20	10.32%	10.32%	30.59%
Metals & Mining	5705.40	-4.78%	-4.78%	-11.77%

The World

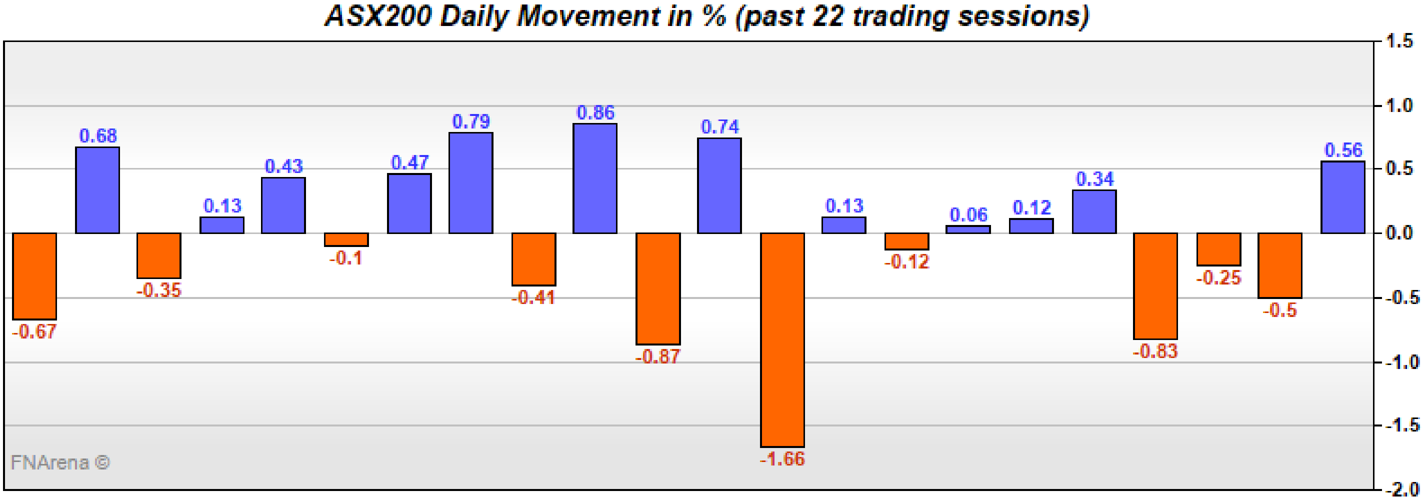
Index	31 Oct 2024	Month Of Oct	Quarter To Date (Oct-Dec)	Year To Date (2024)
FTSE100	8110.10	-1.54%	-1.54%	4.87%
DAX30	19077.54	-1.28%	-1.28%	13.88%
Hang Seng	20317.33	-3.86%	-3.86%	19.18%
Nikkei 225	39081.25	3.06%	3.06%	16.79%
DJIA	41763.46	-1.34%	-1.34%	10.81%
S&P500	5705.45	-0.99%	-0.99%	19.62%
Nasdaq Comp	18095.15	-0.52%	-0.52%	20.54%

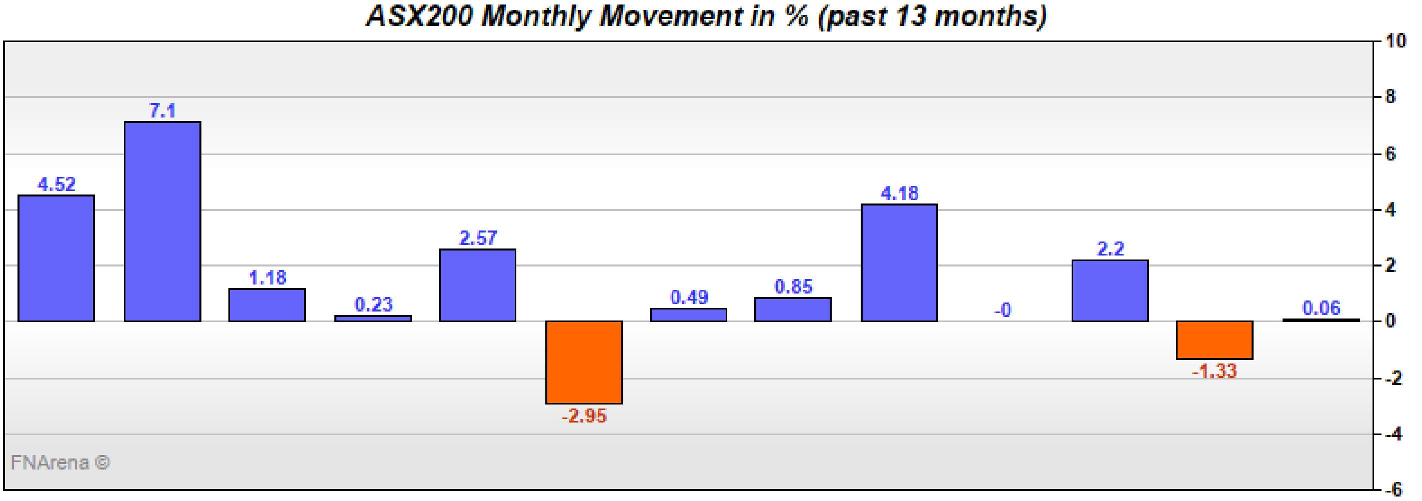
Metals & Minerals

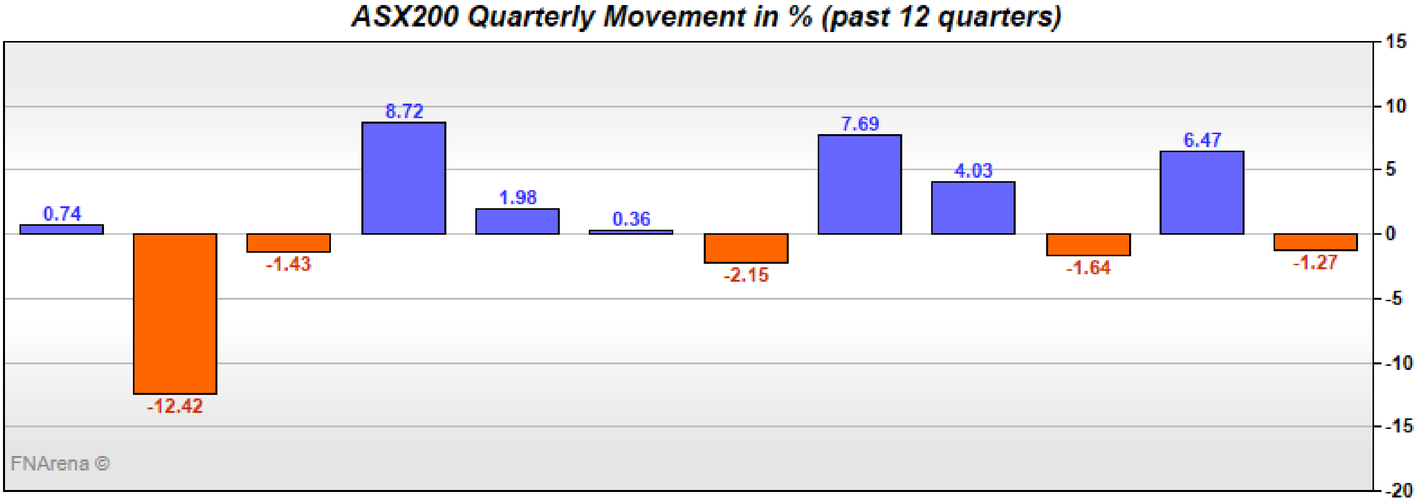
Index	31 Oct 2024	Month Of Oct	Quarter To Date (Oct-Dec)	Year To Date (2024)
Gold (oz)	2798.50	4.36%	4.36%	36.88%
Silver (oz)	33.94	6.36%	6.36%	39.21%
Copper (lb)	4.3600	-5.19%	-5.19%	14.50%
Aluminium (lb)	1.1778	-0.74%	-0.74%	21.14%
Nickel (lb)	7.1186	-7.17%	-7.17%	-4.28%
Zinc (lb)	1.3915	0.40%	0.40%	23.73%
Uranium (lb) weekly	81.00	-1.22%	-1.22%	-5.81%
Iron Ore (t)	104.08	11.94%	11.94%	-24.71%

Energy

Index	31 Oct 2024	Month Of Oct	Quarter To Date (Oct-Dec)	Year To Date (2024)
West Texas Crude	69.09	0.66%	0.66%	-6.39%
Brent Crude	72.71	1.64%	1.64%	-8.26%







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

AUSTRALIA

No Quick Fix For Woolworths Margins

Woolworths saw sales improvement but an earnings miss in the September quarter due to margin pressure from strapped consumers. Brokers also remain concerned about the company's costly investments.

-Woolworths' Q3 update revealed margin pressure
-Aussie consumers feeling the pinch
-Significant investment yet to drive earnings
-ACCC yet to deliver its recommendations on supermarkets

By Greg Peel

Woolworths Group ((WOW)) and rival Coles Group ((COL)) remain under a regulatory cloud. Governments have tried over the decades to break a perceived duopoly through regulation but have had little success in proving anti-competitive practices. The latest move comes following accusations of rampant customer rip-offs in "discount" promotions. The ACCC has to date issued an interim report, with the final report due in February.

Said accusations followed closely behind a Choice magazine survey which found Aldi offered the best value.

Key issues identified in the ACCC's interim report were: (i) price setting practices; (ii) consumer experience; (iii) retail competition; (iv) profitability and margins; and (v) grocery supply chains. Overall, there were no recommendations, with more hearings to be held over October/November involving executives of Aldi, Coles, Metcash ((MTS)) and Woolworths for the final report.

No specific conclusion on supplier concerns raised was made in the report, with more formal hearings and case studies planned around supply chain, prices and margin.

Writing on the release of the report in late September, Jarden suggested the final report, which will include recommendations to the Australian government, will likely have recommendations on land-banking, price establishment periods and supplier engagement in fresh produce.

Jarden saw material negative recommendations as unlikely.

September Strain

Woolworths' Australian food total sales growth improved during the September quarter, beginning at 3.0% and improving to 4.8% by quarter's end for an average 3.8% growth, assisted by a collectibles program late in the quarter, UBS points out. Yet the shift to value by consumers and a desire by Woolworths to maintain sales momentum it built in the June quarter FY24 following a weak March quarter, had a negative impact on earnings and margins.

First half earnings guidance provided came in -7% below consensus.

Margins were negatively impacted by highly value-conscious customers buying more products on special and trading down to lower priced items such as own-branded products. The strong growth in lower margin eCommerce of 23.6% also adversely affected the sales mix when compared to store-originated growth of 0.7%.

In simple terms, consumers have been under cost-of-living pressure and are shopping accordingly. Pressure is not expected to ease until the RBA starts cutting rates, which is not expected before next year.

Woolworths has announced plans to optimise promotions and prudent cost settings for the December quarter, with yet more to come in the second half of FY25.

Too Complex?

Woolworths has not always been prudent in capex and opex in recent years, UBS suggests, with growth the dominant priority versus cost management. Hence, there is significant investor desire for cost savings to be announced, although questions exist about execution capabilities.

The company has created the new W Living division which includes Big W, PetStock, and the emerging businesses of Healthy Life (online pharmacy, telehealth) and Woolworths Market Plus (B2B platform for suppliers). The first half FY24 loss for emerging businesses has been disclosed and UBS expects greater scrutiny to result in a heightened focus on growth and a path to profitability.

There was a lot to unpack in the quarterly update, Jarden notes, particularly with respect to the Aldi impact, online economics, whether Woolworths has become too complex and the extent of losses across new(er) businesses. Ultimately, the latter broker believes Woolworth's costs did not adjust quickly enough and the business lifted discounts under its new CEO, compounded by a consumer more actively seeking value.

Jarden expects to gain clarity on the extent to which these issues are Woolworths-specific or a sector issue in coming months. Near term, it is clear to the broker headwinds will not subside. The key investment decision for Woolworths is whether it can more actively streamline costs and monetise online (profitably) and whether, as consumer spending improves and inflation steadies, its share can re-accelerate (profitably) as is evident in the UK and, to a lesser extent, the US.

Near term, Jarden has cut its FY25 earnings forecasts reflecting the food downgrade, higher losses in new business and removal of the final Endeavour Group ((EDV)) stake (and dividend).

Jarden believes Woolworths' cost base is too high and the business may have become too complex to adjust to short-term market shifts. The broker remains positive and believes a stabilising market could lead to a re-acceleration of market share and profit. However, the trading update suggests the risk of a step-up in industry discounting/competition and step-down in margin has increased materially.

Despite positive factors like lower tobacco sales and growth in Cartology/media (data collection and IT hocus pocus), supply chain investments, eCommerce, and price investments are creating headwinds, notes Ord Minnett. Woolworths aims to improve customer perceptions and close pricing gaps with competitors like Chemist Warehouse Group ((SIG)), Bunnings ((WES)) and Aldi. However, eCommerce growth outpaces store growth, necessitating tighter cost management or price increases to enhance profitability.

Woolworths' strategy of investing in start-up operations is questioned as it has lost market share over the past 12-18 months. The ACCC is scrutinising the competition implications of the company's retail ecosystem. Investors may demand a review and clear profitability plans for loss-making businesses, Ord Minnett suggests.

On the plus-side, management noted Australian food is on track for hundreds of millions of dollars of productivity in FY25 and several initiatives are being accelerated including support cost optimisation, stock loss mitigation and organisation simplification. Goldman Sachs believes the continued growth of high-margin Retail Media (Cartology) will further enable Woolworths to invest in price to gain share.

Woolworths is seeking to build sales momentum in food via higher volume rather than price. Positively, notes Macquarie, this strategy is driving momentum across the remainder of the business. For example, New Zealand food comparable sales are outperforming Australia's, and Big W sales growth has been improving as Woolworths refines its offering, though Big W is still underperforming rival Kmart ((WES)).

Value?

Woolworths's share price has fallen around -17% since mid-August, in the wake of value comparison (Choice), regulatory scrutiny (ACCC) and the first quarter update. Longer term shareholders will note the stock is trading at the same level it did in early 2020.

Brokers agree there will be no let-up in cost-of-living pressure, which is the underlying driver of Woolworth's margin struggle, through Christmas 2024.

Woolworths' FY25 earnings are projected to fall by -14%, with capex spending at 1.6 times (ex-D&A). Management plans similar capex levels for FY26, raising concerns for Ord Minnett about spending without share gains or earnings growth. Margin pressures are expected to continue into the second half of FY25, with supply chain headwinds increasing.

Ord Minnett retains a Hold rating.

Citi believes there is more work to improve the image around brand and price perceptions. The view is further earnings downgrades remain possible, hence Citi downgrades to Neutral from Buy.

UBS retains Neutral despite earnings downgrades as Australian food is a market leader with long term potential, provided execution and cost management improves.

In Morgans' view, Woolworths is a good, defensive business with dominant market positions and long-term earnings tailwinds from increased operating efficiency and population growth. Despite these qualities, this broker sees current valuation as full given the subdued earnings growth outlook, and thus sticks with a Hold rating.

The margin outlook will remain a source of downside risk until the consumer environment improves, Macquarie suggests, and regulatory oversight alleviates. Despite the stock trading towards post-covid lows, Macquarie retains Neutral.

That just leaves Morgan Stanley among brokers monitored daily by FNArena covering Woolworths. Morgan Stanley's trading update response was typically brief, but the broker did note management is aiming to improve promotional effectiveness as well as adopting prudent cost settings for the December quarter to address margin weakness, in retaining its Overweight rating.

Post the update, and subsequent earnings forecast downgrades, the consensus target between the above brokers has dropped to $34.12 from $37.08.

Woolworths' balance of one Buy or equivalent rating and five Hold (among daily-monitored brokers) compares to five Buy and two Hold ratings for Coles ((COL)), noting Bell Potter covers Coles but not Woolworths.

Post Woolworths' update, Jarden retained its Overweight rating but looked to actively review its sector view post Coles' quarterly results. Jarden thereafter retained a Neutral rating on Coles. Jarden cuts its Woolworths target to $37.30 from $38.60.

Goldman Sachs also has a Neutral rating on Coles, and a Buy on Woolworths on "long term competitiveness", cutting its target to $36.20 from $38.90.

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AUSTRALIA

AGL Energy: Data Centres To The Rescue?

Growth in electricity demand from the secular development in data centres could be the driving factor which tips in AGL Energy's favour.

-AGL Energy's FY24 performance well-received in August
-Decade ahead requires heavy investment
-Data centres to the rescue?
-Data centres power demand seems manageable up unti 2030

By Danielle Ecuyer

Australian electricity generators like AGL Energy ((AGL)) are tasked with a challenge; decarbonise generation capacity while balancing the transition from cheap fossil fuel contracts against the capital investment spend in replacement to renewables and firming capacity, against a backdrop of shifting demand dynamics.

Sounds challenging not only for AGL but also for investors, with varying drivers impacting on future earnings.

How did FY24 results stack up?

On balance, FNArena daily monitored brokers gave a thumbs up to AGL Energy's FY24 results with the company reporting better than expected earnings. Underlying profit jumped 189% to $812m, surpassing the consensus estimate of $798.3m.

UBS noted the results were "solid" and up by 2%-3% above consensus estimates with management upgrading FY25 guidance by 5% at the mid-point.

Ord Minnett highlighted the results were boosted by improved electricity prices in May and June. The company achieved greater thermal power plant reliability and received a nine-month contribution from the Torrens Island battery in South Australia.

UBS also highlighted electricity margins are high enough for flexibility on Loy Yang and Bayswater power stations to allow output to migrate up or down intraday. Gas margins rose as the company moved to reduce its portfolio by 30PJ to lower margin commercial and industrial customers and increased exposure to the mass market.

Although brokers emerged from the FY24 results with an upbeat tone on AGL, both Macquarie and Barrenjoey have flagged concerns over the rising impost of capital investment against the loss of favourable gas and coal contracts as the company continues to transition.

Macquarie pointed to concerns over the "heavy" capex burden from FY27 as AGL invests to replace lost earnings from long-standing coal/gas contracts and large-scale generation certificates.

By way of context: an important part of AGL's transition strategy entails selling renewable energy certificates to companies seeking carbon credits.

In September 2023, AGL announced "AGL Energy has signed a 15-year renewable energy certificate agreement with Microsoft. The agreement will provide Microsoft with renewable energy certificates from the Rye Park wind farm project in NSW, under AGL's recently announced Power Purchase Agreement with Tilt Renewables."

AGL's Climate Transition Action plan "aims to add around12 GW of generation and firming by the end of 2035 comprised of circa 6.3 GW of renewables and ~5.9 GW of firming.", according to a company statement.

Morgan Stanley highlights this equates to around 5.5GW of on balance sheet development by 2035, costing between -$3bn-$4bn to FY30 and -$5bn-$6bn for FY31-FY36.

UBS estimates funds from operations to net debt to remain in a range of 50%-75% from FY25-FY29 even with higher capex and lower electricity margins. From a ratings agency perspective, this is believed to provide "ample" room regarding Moody's Baa2 downward rating under sensitivity analysis for electricity price changes and higher capex.

Macquarie notes household solar growing at 2GW p.a. and as grid scale renewables are added, there are risks of added volatility to AGL, although medium term the electrification of gas becomes an opportunity to grow versus replace earnings.

Running on the spot to stay still

Barrenjoey has been very much on the front foot when it comes to the impact from the roll-off of AGL's legacy gas and coal contracts. The broker conducted an in-depth dive into the implications from the expiration of gas supply contracts with Queensland Gas Corporation in December 2027, and Wilpingjog coal supply contract which expires in December 2028.

The analyst estimates AGL is exposed to a decline in EBITDA of some -$300m from FY27 to FY30, a loss of -15%, which compares to market consensus only paring back forecast EBITDA by one-third of the estimated impact (-5%).

Offsetting the decline, the analyst forecasts $75m-plus EBITDA of Liddell battery earnings from mid-2026 based on a pre-tax return of 10%-15% on a -$750m investment. Considering other savings across operating expenditure and higher earnings from investments in reliability and flexibility, Barrenjoey forecast a net decline in EBITDA of -$105m from FY26 to FY30.

Some 20% of the company's FY25 earnings are viewed as "finite", meaning AGL needs a further circa -$1.8bn in investment, swapping out legacy fossil fuel generation for renewables and firming (battery) capacity, to keep earnings flat.

The implications from Barrenjoey's analysis are that AGL Energy will need to invest over the next 10-years to stop its earnings retreating from what was achieved in FY24.

Barrenjoey recently cut earnings forecasts by -8% to -13% for FY26/FY27 followed by a -30% decline in FY28 which includes impact of coal/gas supply contracts resetting higher, with assumptions of no growth in industry electricity demand before FY28, plus a delay in returns from the retail transformation and Liddell Battery.

Megatrend investment to the rescue

While Barrenjoey has been cogitating on the impact from re-priced gas/coal contracts, Morgan Stanley offers an alternative scenario for AGL.

Based on this broker's most recent outlook for data centre developments and demand drivers, the potential uplift in electricity demand should be a potential boon for power prices.

Data centre demand in Australia is forecast to increase "exponentially" with over 2,300MW of new projects announced in 2024, year-to-date.

The broker expects the data centre market to advance by 17% p.a. compared to 13% p.a. previously. This equates to $31bn-$42bn in data centre investment over the next eight years, which underpins data centres to expand to 3,200MW from 2,500MW previously. The extra 700MW supply is based on Australian data consumption growing at 15% per annum.

Compared to the Australian Energy Market Operator's forecasts for data centre electricity demand which were outlined in August, Morgan Stanley projects domestic data centre power usage at around 6TWh by FY30 as a base case and as much as around 33TWh in a bull case scenario.

These estimates represent around 2% to circa 12% of the market operator's total power generation forecasts for FY30.

Forecast demand from data centre energy needs by Morgan Stanley are above the Australian Energy Market Operator's estimates. Including existing, committed and prospective data centre developments, the broker estimates demand rising to 3% of total power generation in 2030 from 1% currently.

Morgan Stanley's projections suggest data centre demand is manageable up unti 2030 but supply constraints thereafter could emerge as coal plants close.

Until then the additional demand from data centres underpins baseload electricity prices, which supports incumbent coal-fired generation. AGL has much more coal fired generation at 5GW compared to Origin Energy ((ORG)) at around 3GW and Energy Australia at circa 3GW with better "near-term coal reserves and contract positions".

The analyst's sensitivity analysis estimates show 3% growth in flat load, which represents consistent and steady demand over a 24-hour cycle, could result in a rise in baseload power prices of circa $6/MWh. This equates to around 10% EPS accretion for AGL, all things being equal, over a three-year period. This is highest sensitivity in the universe of stock coverage.

Demand for carbon neutral electricity for information and technology companies will also help drive renewable energy power purchase agreements, a la the 2023 contract with Microsoft.

The estimated investment opportunities in renewable energy are around $7bn to FY30, based on current power purchase agreements and policy targets, and up to a possible $31bn.

Amongst the FNArena daily monitored brokers, Morgan Stanley and Ord Minnett are Buy-equivalent rated with respectively target prices of $12.88 and $11.20.

Macquarie and UBS are Hold-equivalent rated with $11.28 and $11 target prices, respectively.

Not daily monitored Goldman Sachs is Hold-equivalent rated with a $11.50 target price and Barrenjoey has a Sell-equivalent rating with an $11.20 target.

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COMMODITIES

Material Matters: Copper, Aluminium & Lithium

While victory by Donald Trump in the US elections presents short-term headwinds for base metals, brokers remain upbeat on materials leveraged to the energy transition.

-Global energy transition is creating demand for a range of materials
-Aluminium poised for supply deficits
-Takeover potential for earlier-stage copper companies
-Is there a ceiling to lithium rallies?
-Wilsons' preferred aluminium exposure on the ASX

By Mark Woodruff

The Republican party's overnight win in the US elections will represent a short-term negative for base metals prices due to potential tariff hikes on China and the resultant negative impacts on global trade and industrial production, explains UBS, but medium-term impacts on base metal demand should be limited.

Political considerations aside, RBC Capital Markets sees an accelerating deficit for copper as demand from electrification continues to build while supply remains structurally challenged.

Rising electrification demand is largely resulting from electric vehicle (EV) penetration, renewable energy builds, grid investments and data centre requirements, explains the broker.

RBC forecasts average copper demand growth of 2.8% from 2022 through 2030, above the historical annual average of 2.5% over the last 40 years.

Growth in copper demand from electrification and demand from Asian countries outside China will overwhelm slowing demand growth in China as its economy transitions toward services and away from large infrastructure builds, suggest the analysts.

RBC estimates over $200bn in capital spending is required over the next decade to address an approximate -10mt copper deficit by 2035.

In a previous capex cycle from 2010 to 2012, which also involved a large investment surge, the analysts observed significant delays and cost overruns in projects due to limited availability of inputs and skilled labour.

This broker suggests similar challenges are likely this time, compounded by additional hurdles around permitting, securing adequate social licence, and project location.

Aluminium

Alongside copper, Wilsons highlights aluminium's critical role in the energy transition, due to its essential use in EVs, solar installations, and grid infrastructure upgrades.

Aluminium's demand profile strongly correlates with copper, leading to correlation as well in respective prices, according to the broker.

Driving aluminium demand significantly is a projected increase in EV sales, which could make up over 60% of new car sales by 2030.

EVs use around 30% more aluminium than traditional vehicles due to the need for weight reduction.

Aluminium is also crucial to the solar industry, which Wilsons forecasts will grow at a CAGR of 12%, reaching over US$450bn by 2030.

In addition, the exponential growth of data centres and ageing grid infrastructure are driving further aluminium demand for grid upgrades.

While higher prices could incentivise more supply, Wilsons points out global capacity growth is limited due to China's aluminium production cap of 45m tonnes per annum, introduced in 2017.

While this cap was implemented in 2022, production is now around this level and will restrict global aluminium supply growth, with only moderate capacity expansions expected outside China.

Wilsons concludes **aluminium is currently in its strongest market position in over a decade.**

With restocking anticipated in 2025, the broker expects the aluminium market to shift from oversupply to deficit.

To best take advantage of this swing, the analysts prefer South32 ((S32)) over Rio Tinto ((RIO)) on the ASX due to a greater exposure across the aluminium supply chain, including bauxite, alumina, and aluminium.

In recent years, in line with a strategy pivot towards future facing critical minerals, management at South32 has exited thermal and metallurgical coal operations.

Apart from production of zinc and manganese (two designated critical minerals used in batteries) at the company's Hermosa mine in Arizona and the 45% interest in the Sierra Gorda copper mine in Chile (acquired in February 2022), South32 expects to increase both aluminium and alumina production over the medium-term.

Aluminium production for South32 occurs via the Mozal Aluminium and the Alumar production facilities located in Mozambique and Brazil, respectively, while alumina production stems from Worsley Alumina (Australia) and Brazil Alumina.

By FY26, Wilsons forecasts South32's earnings (EBITDA) mix for aluminium, copper, manganese, and silver will be 50%, 19%, 15%, and 13%, respectively, with a 3% balance remaining for coal.

Nickel and lithium

Nickel prices, after being rangebound for over 12 months, have again dipped below US$16,000/t; a support level hit approximately four times this year, observes Morgan Stanley.

Rising LME inventories and soft demand in the stainless steel and battery sectors continue to weigh on prices, a trend the broker anticipates will persist through the rest of 2024.

Beyond a potential short-term rebound in price, the analysts see little reason for optimism in the nickel market and forecast prices to remain within the US$16,000-18,000/t range.

Likewise, Morgan Stanley notes lithium prices are now at cost support levels, with further downside risk diminishing. However, upside potential is constrained by high but moderating demand as China exits its peak buying season.

China's new energy vehicle (NEV) sales reached a record 1.3m units in September, likely boosted by the "cash-for-clunkers" trade-in program, suggest the analysts.

In this broker's view, any price increase for lithium is likely to be brief, as the rise in swing supply allows additional production to be rapidly brought online in response to price changes.

Upcoming copper M&A activity?

RBC Capital believes it's only a matter of time before more attention is directed toward earlier-stage copper companies, as producing assets that can be acquired at reasonable prices are becoming increasingly scarce.

The recent acquisition of Canada-based Filo Mining by BHP Group ((BHP)) and Lundin Mining may mark the beginning of this trend, suggest the analysts.

BHP's previous approach to Anglo American underscored the scarcity of high-quality producing copper assets.

If copper prices remain elevated but rangebound, RBC anticipates increased deal activity.

Copper producer valuations have re-rated, while pre-production copper equities have experienced multiple compression, increasing the valuation gap between producing and development assets, highlights the broker. General M&A activity has been more focused on producing assets, while valuations for pre-production companies have lagged, as limited financing has hindered exploration, explains RBC.

The analysts note a widening valuation gap between producers and developers, driven by investor preference for producers due to lower perceived risk, reduced capital in specialist resource funds, and potentially greater market discounts applied to project economics.

Even with languishing valuation multiples, RBC points out there is still substantial value to be unlocked in successful exploration and project de-risking.

Adding to copper's appeal, UBS highlights equity investors are seeking more gold and silver exposure through copper miners, with gold at record highs and silver trading near a 10-year peak.

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INTERNATIONAL

Observations On The Impact Of The US Election

Observations on the impact of the U.S. election on the private markets

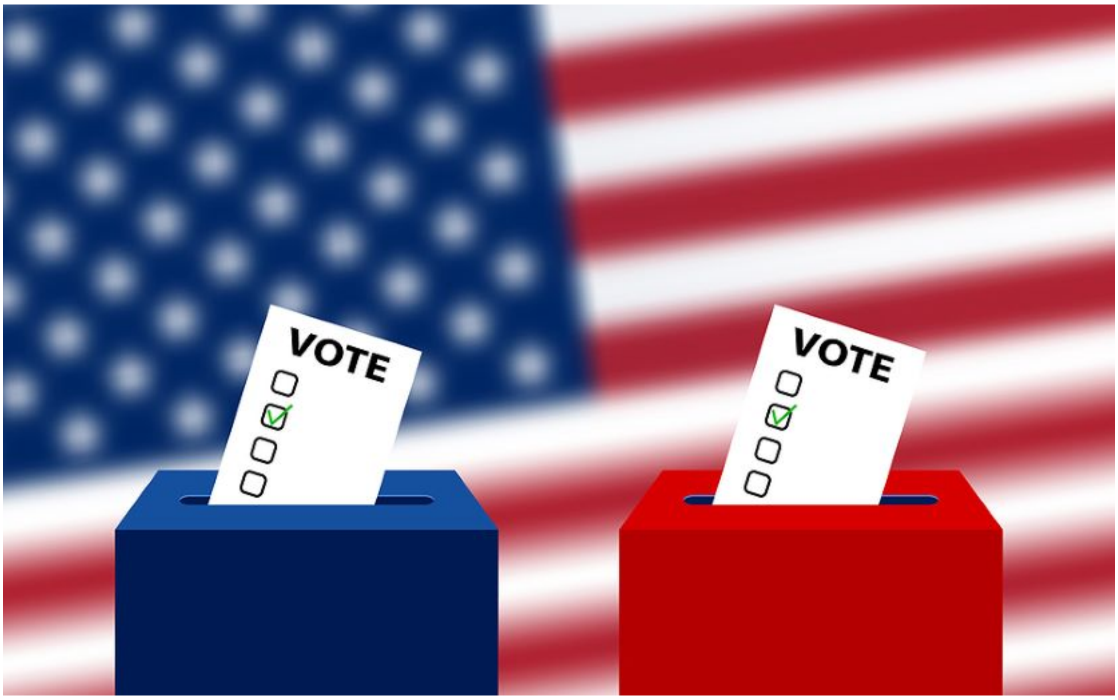
By Drew Schardt, Vice Chairman, Global Head of Investment Strategy, Co-Head of Direct Equity at Hamilton Lane

While the election outcome isn't likely to have a significant impact on private market operations and deal making overall, there may be a near-term pause around some deal making if the election is contested, though we expect private markets investors will largely operate with a business-as-usual mentality. The environment for transactions was already improving meaningfully ahead of November 5.

Investing in private assets will continue to be attractive, especially given the likelihood of persistent public market volatility and the potential for strong relative outperformance within the private markets. That said, depending on which candidate wins the presidency and congressional control dynamics, there will be various tactical overweight / underweight opportunities and likely a wider dispersion of returns. As such, the specific investment area, geography or theme will play a more impactful role on longer term results across strategies.

Election results

Investors like certainty, which is the biggest challenge with this election. We are in for a tumultuous ride. There is a reasonably high probability that we won't know who the victor is for several weeks or a couple of months due to legal challenges. Investors aren't going to love the fact that it could take months for certainty.



Interest rates + inflation

-Over the last 6-9 months, we've been given better clarity around interest rates and monetary policy globally, and deal activity has started to increase dramatically because of the favorable outlook on rate policy. It is unlikely that interest rates will increase, so having the inflation and interest rate picture look better has led to a significant buildup in pipeline and demand. Although anticipation around this election has put some deal activity on hold, if it weren't for that you would continue to see dealmaking surge, reflective of a good North

American growth outlook.

-Trump and Harris have put forth policies that aren't divergent they are both generally inflationary and focus more on an "America first" stance although there are differences in the magnitude and contemplated implementation around these policies.

-Trump is clearly more extreme in this view. 10% universal tariffs (signaling potentially moving to 20%) and 60% on China (potential to strip it of its most-favored nation status).

-Harris has a softer/targeted view, but likely to still maintain existing tariffs on imported goods and create subsidies for American manufacturing.

-The question becomes: does the growth outlook still look strong enough to offset the higher cost of goods and services with those policies? Our view is that it will be something policy makers will have to keep an eye on if inflation starts to peak, it will be more on the modest side, which means policy makers, the Fed and others can stay the course on stable, higher for longer rates, with a more gradual reduction.

Key investment sectors

-Geographically, the U.S. will continue to be the overweight for most investors given its favorable macro growth outlook and a greater abundance of deal making opportunities. Overall, the appetite for demand in U.S.-based businesses tends to be strong.

Infrastructure

-The treatment of the Inflation Reduction Act (IRA) will be important what it means for infrastructure, including the demand for energy and power within the U.S., as industrial growth, the buildout of data centers related to chips and AI creates opportunities for investors around electrification in the U.S.

-A key constraint in addition to the power and set up required for the continued electrification of the U.S. (digitization, AI, datacenter demand, industry complex growth) will be how to connect the new sources of energy generation to the grid to efficiently fill demand. This is a huge opportunity for investors and supported by IRA tailwinds.

-Defensive areas like healthcare offer a wide range of sub-segments with varying characteristics. Generally speaking, there are many underinvested areas (drug development, need for greater efficacy / efficiency of delivery of services, ageing population dynamics, etc.) that continue to make this segment attractive more broadly.

-Global supply chains and logistics management investment opportunities could see greater demand given continuing trends around de-globalization and the need for greater efficiency to control supply channels/costs.

-Recent underinvestment in the commercial industrial complex globally and need for upgrading of various functions/new capital expenditure needs given dampened spending over the last 4-5 years.

Energy transition

-A Trump victory will not change the progress around renewables and energy transition. Rather, you're likely to see a reduction in the regulation / red-tape around oil and gas production, making it lower cost, but not to a point where it makes the development of renewable generation unattractive.

-Harris will likely continue to support fiscal policy that creates greater tailwinds toward renewables. Also, she has taken a more moderate stance around energy generation including comments that she would NOT seek to ban fracking (counter to previous views).

-When Trump was president, renewable energy generation grew 11% and has grown stably at 5-6% since (but expected to pick back up). At the end of the day, the need for greater energy is there and the challenge is how you connect generation onto the grid and into the system.

Taxes

-We are less worried about major changes impacting the private markets. Amending the capital gains tax has been a topic discussed for many years. Whether they have to pay a bigger tax rate or not, the fees on private investing have not changed. Overall, we don't expect this will have any impact on dealmaking.

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INTERNATIONAL

Investing In The Era Of Hyper Change

Nilesh Jasani, founder of the Geninnov Fund chatted with FNArena from Singapore about generative artificial intelligence, change and investing in innovation.

The discussion includes the size and scope of generative artificial intelligence; how technology and innovation are changing the world; what Geninnov invests in and why Jasani still prefers public markets to private markets.

Below is a curated transcript of the interview which is available via the **FNArena Talks** section of the website:

https://fnarena.com/index.php/fnarena-talks/2024/10/17/interview-with-nilesh-jasani-founder-of-geninnov-global-innovation-fund/

As well as via YouTube:

https://youtube.com/watch?v=0mVrFMA2CUY&t=1054s

This interview was conducted on October 9, 2024.

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Danielle Ecuyer: How has your career to date brought you to the place of starting Geninnov, a generative innovation fund?

Nilesh Jasani: It appears like my entire career was always trending towards this point. I was an engineer, and I was fortunate enough to attend a college which had a semiconductor fabrication unit at that time. I was one of the few guys in India who manufactured something on a silicon wafer during my education. I was introduced to neural networks. So, two fields diametrically opposite, are the fields which are of critical importance today and were part of my education.

I started my career at IBM, and things that are important today, when you try to really compare x86 architecture with ARM, those kind of things were, again, part of my career. I also got to manage a team based in Seoul in Korea in the late 1990s. I got to manage a team based in Taipei in the middle of 2000 when companies like Samsung Electronics and TSMC were coming out.

I have been following these fields and areas all these decades, even when I was managing Jefferies and doing all sort of other things. These things were somehow always important to me, for no other reason than they were simply interesting.

Something happened in 2022. I said to myself I want one more inning of the career. The way I see it, 2022 is when humanity learned how to manufacture intelligence without two people having s-x. And that is ushering us into a completely new era. Almost everything that was happening in the name of AI and technology until 2022 meant we could not create machines that had 'intentionality'.

Intelligence is something that is very easy to see but very difficult to define. It's like you have an infant. You're barely teaching her/him how to poop and how to cry, and one day, he/she knows how to manipulate your feelings by crying in a particular way to get picked up. This is something the baby is doing that our machines could not do.

Development of 'intentionality', a narrow neural network method in 2022, completely upstaged that, and that is the reason why the world is in a completely new stage for technology, and a completely new stage for humanity. We have machines that can address every problem out there at a different level of complexity compared to our human brains, and that is ushering us into this era of innovation.

I want to have a front row seat to possibly the biggest theatre of our lifetime. That's why I am starting on the journey of this generative Innovation Fund, because I want to bring together various experiences and interests I've had in life.

I've been fortunate to start new companies and new divisions and worked in so many different markets. I've seen different aspects of technology, from IBM to software, to Palo Alto where my all my friends are, and so on and so forth, bringing all these together appears like something that will allow me to incorporate various things I've learned and that have interested me.

Question: Could you explain how you view the size of the generative AI market?

Jasani: Look. It's going to be all-pervasive.

Transformers started as a narrow neural network method to roughly guess the next word in say, English. That's how the guru math was initially designed in Google Labs about five years ago; and humanity stumbled upon something that is most amazing, one of the greatest discoveries of all time, and we are unable to fathom where its applications are going to end.

What started as a narrow neural network method to understand one language, somehow, the same formula figured out all human languages. The same formula, in no time, figured out all computer languages that we have. It not only did that at the next level of scaling, by 2023 it figured out human vision at the next level of scaling, which is ongoing. It is figuring out inter-relationships and things in our DNA data, or earthquake tremors, or crystal structures; that nothing in our mathematical or statistical toolkit could do until now.

Where this is headed and where it is going? All of us are shocked by the applicability of this method, and machines have started working on themselves, so the implications are not in chat boxes and Copilots. Those are narrow day one use cases, like the way email was for Internet. In the same way the Internet did not remain about computers to computers, communication through emails, but turned out to be much, much more.

This is far bigger.

While popular imagination is still fascinated by what chat boxes can do or cannot do, and the various issues over there, the implications are for driver-less cars. Also, the implications are for robotics, in molecular sciences, drug discovery, renewable energy and whatnot.

It's impossible to even forecast the fields of applicability, let alone the amount of business one can do. I am more in the camp that this is going to be as pervasive as internet or mobile telephony, and with far more applicability over time.

Question: Is the evolution dependent on the build out of infrastructure, like data centres?

Jasani: The simple reality, the way I see it, is that nobody knows exactly where this technology is going and how it is going to evolve. In Chapter One of this era, we are in this concept of data centres and the global brain concept that if Danielle wants to know what is two plus two, that thing will possibly go to some data centre somewhere where 20,000 Nvidia chips are interconnected, and somebody will do a trillion-by-trillion matrix multiplication, and come back saying 'four'.

Do you really need to do that? Are there other ways to do it? Should you not have an agent that says this is a solved problem that can easily get solved on your calculator, rather than go to a data centre?

The reality is that over time, the AI compute, which is 95% in cloud today, will possibly go to 70% in your pockets; 70% in the gadgets or instruments that you have. Your compute will have to be decentralised. Things will have to move to the edge.

Many other things will have to happen. We may stop thinking more in terms of our queries and chat boxes, and we may start thinking in terms of how we use the new technologies and the ones that come thereafter, to really change the driving, to really change the way we work at home, and in all sorts of devices and infrastructure.

So rather than waiting for something to emerge, I think all of us need to start participating. The sooner we get started, the sooner, we ourselves will come up with new innovations and new solutions.

Question: How do you look across the universe of stocks that you are afforded, because you're looking across multiple countries, you're looking across multiple industries. Is it a case of trying to isolate down those companies that have large R&D spends that, as you alluded to, are already first movers?

Jasani: The way we arrive at our conclusions and our starting point is always through material, scientific and technological innovation. We are in a new era. We strongly believe that internet era business models are shifting. The Internet era gave rise to a particular way of businesses, a particular kind of businesses succeeding. Most of the gains were captured in the application layer.

It gave rise to a different way of investing, venture capital investing. That's when innovation moved to garages.

I think in the generative AI era all these business models are shifting. Ideation is getting commoditised. Computers are no longer speaking specialised languages. One can deal with machines in human languages. It is giving rise to completely different kinds of forces.

It is giving rise to this era where anyone can come up with products and features, but making money out of ideas alone or products and features alone is becoming more and more difficult. So, the business posts are shifting, more and more value is captured in hardware or near hardware layers, rather than in the application layer, and that's the material shift for all of us.

Currently, there's a lot of debate on this topic. We have our views, which are somewhat extreme, but there's a lot to think about. The second thing we do is we try to understand not only innovations, but the companies and trends by being close to the sources. We try to spend far more time reading MIT journals and Nature magazine than say, reports that come out of investment banks.

We are trying to understand innovations at the root by talking to the right people, rather than talking to CFOs and CEOs. We are trying to really then focus far more on monetisation rather than simply products or features.

You see what's happening with Microsoft, or what's happening with Salesforce, or what's happening at SAP; suddenly the numbers of products and features are going through the roof.

You can say that some of these companies have introduced more features in the last one-and-a-half-years than over the previous 15 years, but the ability to monetise is in question when the value capture is happening somewhere else.

We try to really focus on those things. We are also at the application end. We realise that lots of these things will spur innovation, like mobility. There are some amazing things happening in terms of level three and level four autonomous driving.

The field had somewhat stagnated over the last 10 years, but suddenly, as machines learned how to really train themselves through observation, level three and level four mobility have become feasible. We also invest in mobility.

We look for where robotics could be going from here. If people like Tesla or Apple are indirectly telling us they are new businesses, there's something else going on. We try to look at demographic forces, why automation could be resisted in certain spaces, say in countries like the United States, while in similar spaces, the automation would be more than welcome in places like China or Korea, because demographic forces are very different.

Our entire thing is we don't care about how many companies are listed out there, and we don't care, obviously, about learning all of them for their quarterly results or for their valuations and so on and so forth.

Our processes are the other way around; we focus on innovations we believe in, and we look for the right expressions. At various points, we add angles like monetisation, macro factors, regulations, valuations et cetera. **In a way, it's a process that's been successfully adopted by people like Warren Buffet that does not worry too much about what we don't know, but try to really do what we know reasonably well.**

Question: You hold Novo Nordisk, could you just possibly run through some of the details of the thesis for this so people can understand a real-life example?

Jasani: You possibly captured one of the three examples in our portfolio that has very little to do with generative AI. This exception is possibly the best way to explain the real nature of the portfolio, or rather our fund; we are an Innovation Fund.

We are not a hardware fund; we are not an AI fund.

Innovations can happen without any machine efforts, and that's fine. The way we see it, is that we are in the era of hyper change. We were in the era of change between 1992 and 2007, when innovation was one of the biggest drivers of businesses and investments globally; when our consumption baskets were changing, when our languages were changing, when we added hundreds of new words to our dictionary, like web, internet, laptops, Palm Pilots, Blackberries and whatnot.

A lot of things had to go away from our basket, like video VCRs and fax machines, to make way for the new things.

Now we are in the era of hyper change. In between, there was a bit of a stagnation. But once again, our languages are changing. Agents are no longer chain spots, and our consumption baskets are changing.

We are replacing our potato chips with GLP-1s. I think GLP-1s is one of the most amazing innovations of all time. Hopefully there are no side effects that we come to know 20 years later.

Somebody I read last week even claimed it's a bigger innovation than generative AI. Here is a molecule which is a gift that keeps on giving. It was supposed to be for your appetite, a suppressing molecule and not only after it became a solution for diabetes. What we are witnessing, almost on a quarterly basis now, is that it's a molecule that could be a solution to certain kinds of heart diseases, kidney diseases, liver diseases, depression. GLP-1 is currently going to less than 2% of the people who need it.

It is such an amazing new molecule, and its potential is so huge. While prices will have to keep coming down over time for it to reach more and more parts of the population, there will be further innovations in the same space.

I think everyone has realised there's a lot of potential in surrounding this space, the GLP-1 inhibitors. So absolutely, a lot more things will have to happen. But in companies like Novo, companies like Eli Lilly, you have completely different types of innovation that is sweeping the world. And they are attractive to us. They're part of the kind of things that we look at; it's fascinating and it's interesting.

Question: Can you explain to people how autonomous driver-less vehicles are being created?

Jasani: Human vision was a problem. We could not make machines learn through observation in the way our kids do. Instruction-based programming is always something that doesn't work in real life. It could not work in translation.

You may remember there was a time when Google Translate completely went away from instruction-based ways of translating from one language to another and went to learning based method. That happened a few years ago. Now, somehow, we could not do that with vision until transformers came in. With vision transformers coming in, roughly about a year, year-and-a-half-ago, it's become possible for us to use vision data and let machines figure out whatever lessons they need to learn.

They're spurring them suddenly in a new direction. Both robotics and autonomous driving are taking off because we can use visual data and let machines figure out what they need to do, rather than provide line by line instruction on 10s of 1000s of 10s of millions of things that happen in real time and how to deal with them.

This is effectively the reason why people like Elon Musk, companies like Tesla want to be in China versus, say, rely on the vision data only in the West; because the laws are very different.

The way you can possibly use camera data from cars moving on the street in China versus the US and the way you can use those data train your models. There are a lot more restrictions in privacy-conscious countries like the United States, while there are far less restrictions in China, where your models can improve very rapidly, because you can use a lot more data.

The entire driver-less mobility is going in different directions, even in terms of model developments. In many countries in the world people will be far happier overall if they can pay the cost for, say, getting a cab ride in a driver-less vehicle compared to a driver vehicle, and that may become the primary factor in an election.

In some other countries the attention could be more on the employ-ability of all the people who are involved in that industry, and producer utility versus consumer utility. All of us are producers and all of us are consumers. Which one dominates is different in societies at different times, and that is what will give rise to completely different innovation directions, not just in robotics or mobility, but across the board.

We're also witnessing how currently chat boxes, consumer applications, and corporate efficiencies are far more important in countries like the United States compared to China. So different countries are moving in different directions with all these technologies, and that's something that one should keep in mind by evaluating them

Question: How do you look at or do you look at rationalising valuations versus those companies that are at the forefront of innovation, with or without the use of generative AI? What interplay does macroeconomics have, if at all in your decision making?

Jasani: Investing is very difficult in public markets. As you know, you always end up having to look at too many factors that don't have much to do with businesses, whether they are interest rates or some election or some geopolitical factors and so on and so forth. One must be somewhat mindful.

For the fund, the reason why we are in public markets and not in private markets, is because we think that a lot of material innovation out here will have to happen with large companies that offer innovation monetisation.

Innovation is more and more moving away from garages and small companies and into the domain of giants. That's our belief and that's the reason why we must be in public markets.

We also want to keep an exit window open. Too many things are changing. We don't know where we are headed. I don't think anyone knows where the world is going to be next year, same time, let alone 2030, or 2025, and investing with your exit window closed in some multi-year vehicle has become risky when the world is innovating.

The world is moving so rapidly.

I think the most important thing to do is understanding the business investment. Try and tune out as much to other macro news as possible, if you are doing genuine business investment. Tuning out is difficult, but that's something we have to do.

Valuations are important, but equally, if we are thinking about investing in companies that are going to be growing at, let's say, 15% or more over a long period, and are accumulating IPs, accumulating leaderships in space and riding ahead of competitors like, say, Nvidia, creating the competitive distance.

Then you must think about valuations very differently. It is not value investing. It is growth investing, and as a result, yes, absolutely, you must look at valuation, but not in the traditional sense. You can't look at a five-year price to earnings chart; you have to compare to growth prospects.

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More information on Nilesh Jasani and the Geninnov Fund can be found at https://geninnov.ai/

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: Mate, Where Have The Profits Gone?

In this week's Weekly Insights:

-Mate, Where Have The Profits Gone?
-All-Weather Model Portfolio

By Rudi Filapek-Vandyck, Editor

Mate, Where Have The Profits Gone?

It's not something that becomes obvious from watching the local share market retreat after climbing to a new all-time record high in September, but profits for corporate Australia are almost literally melting away post the August results season.

That results season, as reported at the time, was one of the worst over the decade past with many more 'misses' than 'beats', specifically through management teams providing more sober outlook statements than analysts and investors had positioned for.

Following a not so fantastic FY23, FY24 saw the average EPS for the ASX200 slump by -5.2%, but at least the following year would see a return to growth with consensus projecting 4% for FY25, followed up with 5.9% growth in FY26.

Two months later, and the outlook for Australian profits has dramatically changed with the consensus growth forecast sinking below 1% (at 0.8%) and continuing to trend negatively. Won't be long and Australia will be challenged to stay above zero yet again this year.

Over at Macquarie, the numbers look a lot worse with this broker projecting -4.9% for the year ahead with both the banks and large cap resources (mining and energy) expected to drag the market's average deep in the negative.

It's not so much about analysts growing more sceptical about the future; what we are experiencing is companies failing to deliver on already pared-back expectations, and so forcing those analysts to shave off yet another slice from forward projections.

The weeks past have provided plenty of examples; from BlueScope Steel ((BSL)) and Macquarie Group ((MQG)), to Metcash ((MTS)) and Woolworths ((WOW)), to smaller caps OFX Group ((OFX)), Cettire ((CTT)), Immutep ((IMU)), and numerous others.

Not all share market updates are by definition negative, as also proven by Westpac ((WBC)) on Monday morning and by Bank of Queensland ((BOQ)) earlier, but it's plain impossible to ignore the balance is heavily skewed in favour of more downgrades.

So how come the share market is still within reach of its all-time high, with the ASX200 trading on a seldom witnessed 18x multiple for next year's dwindling profits and only offering on average 3.6% in dividend yield, against a long-term average of 4.5%?

Should we worry about much lower share prices ahead, in line with rapidly weakening profits?

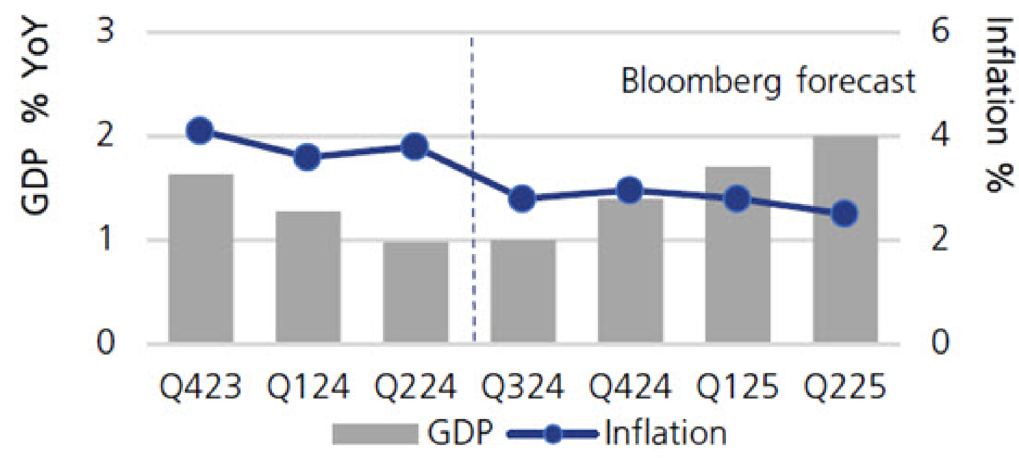
<u>The Cavalry Is Coming</u>

It's a sentiment-driven market, according to analysts at **Macquarie**. But I think part of the mystery, if there is one, can be located in market forecasts for FY26, currently projecting average EPS growth of 7.9%.

That number implies forward-looking investors remain confident of better times ahead, regardless of hiccups and disappointments in the short term.

Australia has been lagging the US in its post-covid recovery, also because the strong innovation drive behind companies in US healthcare and technology only applies locally through second or third derivatives, plus a still hawkish RBA stands out in a world of cash rate cutting central banks elsewhere.

Starting from behind, the Australian economy is expected to play catch-up over the year ahead, as can be seen from Bloomberg forecasts in the graphic below:



Source: Bloomberg as of 31 October 2024.

If current projections prove correct, inflation is on trend towards 2% (blue line) and GDP growth (grey towers) has seen its low for the time being and should double by this time next year. Somewhere in between the RBA is expected to join other central banks with lowering its cash rate.

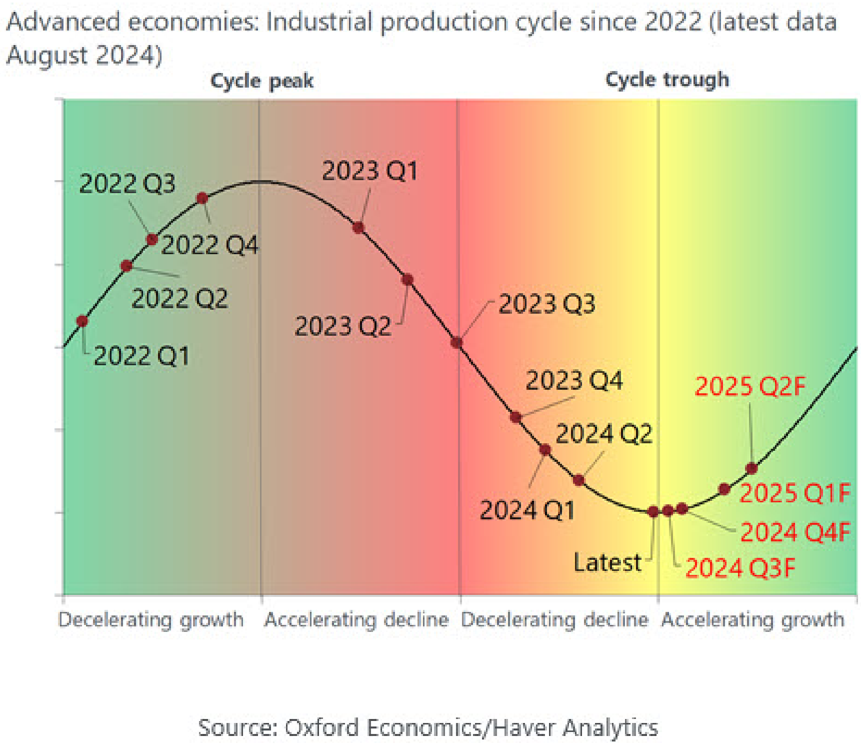
Increasingly, economic signals are underpinning such projections.

From a recent update by **Oxford Economics**:

"Oxford Economics' Industrial Cycle Index for the advanced economies improved to -0.2 in the most recent data from August, compared to -2.7 in the previous month, signalling we are at the bottom of the cycle and gradually moving into expansion."

But also:

"Our projection of a bottoming in the third quarter of 2024 is coming to pass, but the recovery will be halting in its early stages. Cyclical momentum is not expected to improve dramatically for the rest of 2024, and it will not be until the second half of 2025 that the full impact of monetary easing will begin to be felt."



Meanwhile, last week's retail sales data for the September quarter locally revealed the strongest pace of growth since Q2 of 2022, leading economists at **ANZ Bank** to declare "retail sales data suggests household spending has past the low point for this cycle".

Retail volumes per person in Australia have declined for nine consecutive quarters but last week's update revealed a decline of only -0.1% compared with -0.9% in Q2.

Concludes ANZ Bank: *"It appears the combined impact of cost-of-living relief, moderating inflation and tax cuts is flowing through to a modest pickup in aggregate spending."*

But also: *"Our ANZ-Roy Morgan Australian Consumer Confidence measure continues to trend upwards, albeit at a gradual pace. That in turn suggests an elongated recovery in spending growth from here."*

The economists do anticipate to see strong spending around key retail events like Black Friday and Boxing Day sales.

Colleagues at **Westpac** have come to the same conclusion: it looks like the bottom is in for consumer spending in Australia, but the recovery won't be sharp, or rapid, and probably not move in a straight line either:

"Despite some more promising signs, the consumer recovery still has a long way to go."

Snakes & Ladders

The message for investors seems unambiguous: better times are forthcoming, but that won't stop companies from struggling in the here and now.

The combination of these opposing factors does provide context behind what is happening in the share market post the peak in September optimism.

Money is yet again flowing out of smaller cap companies as the risk to own the next major disappointment in this segment is many times over larger than through owning larger cap blue chips.

This remains the case even if the likes of Macquarie Group ((MQG)), Brambles ((BXB)), Woolworths and BlueScope Steel are equally guilty of not living up to expectations.

BlueScope Steel's profit warning implied analysts' forecasts were too high by some -25%, but the share price didn't fall nearly as much in the days after the announcement and already the buyers have returned. It is FNArena's observation the average price target for the stock has actually risen, not weakened, since.

As many a small cap afficionado might be wondering: what kind of extraterrestrial large cap voodoo magic is being applied here?

The following update on the local steel sector by **RBC Capital** on the weekend is likely to provide some answers:

"We believe FY1H25 represents the low point in the current steel market cycle, and as such presents opportunities for investors with through-the-cycle investment horizons.

"By stock, we are Outperform on Bluescope Steel (BSL, PT $24.50), which is our sector preference but only due to its growing operating exposure to the more defensive US downstream steel market.

"For Vulcan Steel (VSL, PT $7.00 from $7.50) we are Sector Perform given it is less exposed to direct pricing, but will likely face demand pressures across the Australian/NZ steel markets.

"For Sims (SGM, PT $14.50) we are Sector Perform, Speculative Risk given our view that seaborne demand for ferrous scrap is likely to remain extremely challenged while Chinese exports remain high."

A similar observation can be made for Macquarie Group whose consensus target has equally slightly increased post disappointment, though an extended share buyback will be part of its share price support (as also applies for Westpac).

There is, however, no uniformity, let alone any certainty as to how the market will respond to the next operational disappointment. Amcor's quarterly update, for example, seems to have elicited a much harsher punishment than what would have been expected, having delivered a broadly in-line performance with signals of improvement.

Maybe the fact the share price was trading well above FNArena's consensus price target before the market update gives us the explanation?

Investors are equally witnessing a notable difference in treatment of misbehaving founders of long lasting success stories at WiseTech Global ((WTC)) and Mineral Resources ((MIN)).

The public humiliation of Richard White has ended, at least for now, but him shifting to a consultancy role, on the same pay and with direct reporting obligation to the board, has clearly appeased shareholders and others.

At $122, and carried by a positive trajectory, shares in Australia's most successful tech story when measured by market cap are not only well off the below-$100 sell off low, the share price is also back above FNArena's consensus target of $118.78 and less than -10% off the recent all-time high.

Things look a whole lot differently for Chris Ellison and MinRes. For starters, the alleged misdemeanours are far more malicious with the board having concluded Ellison enriched himself while shortchanging the company and its shareholders.

But a founder/CEO is not equal to any other business leader, of course, and Monday's announcement suggests he has been given 18 months to officially step down from his position. While this must be a relief for anxious shareholders in the short term, I think a permanent discount to valuation seems but the logical outcome.

This won't stop the share price from recovering -the shares are down -47% in 2024- but it will keep a lid on the potential recovery. Contrary to WiseTech, MinRes is still hampered by its balance sheet, though the recent deal with Gina Rinehart has arrived timely, and its core operations and markets are facing severe cyclical challenges.

Look no further than Newmont Corp, or Iluka Resources ((ILU)), or Paladin Energy ((PDN)), or even Champion Iron ((CIA)) to back up that statement.

All in all, it is easy to see the positive in how the cycle is turning to the benefit of Australian companies, but short-term pressures are quickly turning the Australian share market into a field full of landmines that can not always be confidently avoided.

The big challenge for investors remains to distinguish which companies are less likely to disappoint in a major fashion and, in case they do, which ones are worth holding on to and maybe increase exposure to?

As I stated in a recent conversation with a stockbroker who advised his clients to secure profits from stocks that have performed well thus far in 2024: those are not by definition the holdings one should be concerned about.

Earnings certainty and confirmation will most likely trump the uncertainty from profit warnings and disappointments elsewhere. Something that might again exert itself when solid performers such as Xero ((XRO)), TechOne and Aristocrat Leisure ((ALL)) report their financials in the coming weeks.

Goes without saying, all of the above has been written ahead of this week's US presidential election of which the outcome and ramifications at this stage remain anybody's guess.

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A few things to note:

-FNArena reports weekly on what's happening with analysts' forecasts and valuations:

https://fnarena.com/index.php/2024/11/04/weekly-ratings-targets-forecast-changes-01-11-24/

-FNArena reports daily on analysts' updates and revisions for ASX-listed companies:

https://fnarena.com/index.php/financial-news/australian-broker-call/

-The website has a dedicated section to my personal research into **All-Weather Companies** and various curated lists on Quality Growth, etc:

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

-The website also keeps a tab on corporate results, including an archive dating back to August 2013:

https://fnarena.com/index.php/reporting_season/

The **FNArena Corporate Results Monitor** will play catch-up this week.

All-Weather Model Portfolio

The **FNArena/Vested Equities All-Weather Model Portfolio** managed to slightly outperform the broader market at face value in a subdued October month, but underperformed once dividends had been included.

Not that we pay much attention to such short term considerations, in particular not when the twelve months' return has accumulated to more than 33%, of which only 2% came from dividends.

Strong contributors in recent months have been Hub24 ((HUB)), REA Group ((REA)), ResMed ((RMD)) and TechnologyOne ((TNE)) while disappointments from Audinate Group ((AD8)), Steadfast Group ((SDF)) and Woolworths ((WOW)) erased some of the gains booked.

Readers should note both Audinate Group and Steadfast Group are no longer included in the Portfolio which has increased cash holdings to circa 8.5% ahead of the US presidential election.

Another observation to make is the Portfolio prefers to have exposure to gold through an ETF, rather than also taking on board specific company risks via shares in gold miners and/or explorers. Watching Newmont Corp ((NEM)) shares receiving capital punishment after releasing yet another disappointing quarterly update, among others, is certainly taken as vindication of our lower risk strategy.

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

Prior years:

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

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

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

Video: Why FNArena & All-Weather Stocks

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

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

Model Portfolios, Best Buys & Conviction Calls

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

FNArena Subscription

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

(This story was written on Monday, 4th November, 2024. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

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

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

RUDI'S VIEWS

Rudi's View: Trump Returns, What Now?

By Rudi Filapek-Vandyck, Editor

It'll take a good 2.5 months before the 47th US president will be ready to re-enter the White House, but already analysts have identified the first potential victim from potential import tariffs: Breville Group ((BRG)).

The company released a robust H1 trading update on Wednesday this week, but the Republican victory on the same day hangs as the Sword of Damocles over its share price.

Management at Breville Group is on the case, however, with inventories being built up on US soil before any tariffs might be called upon, plus Breville is redirecting its manufacturing away from China.

Given management has time on its hands, the de-risking of the threat of tariff disruptions in 2025 should be taken as a positive by investors, though questions will be asked about any impact on gross margin and/or product quality from these changes.

Such questions can only be answered as time goes by.

On the other hand, Ansell ((ANN)) has been identified as one potential beneficiary by UBS as US tariffs will make Chinese glove imports uncompetitive in the American market.

The coming days and weeks will see a lot more research and analysis, and predictions about who, what, where and when now that President Trump has won the US election for a second time.

Below are some of the quote-worthy snippets from the early harvest on the day after the 2024 election.

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From Wilsons:

"Historically, higher average annualized returns have occurred during a divided Congress, with lower returns seen during Democratic majorities in both the House and Senate, and higher returns under Republican control of both chambers.

Nonetheless, the market has historically delivered positive returns under all six government compositions.

Consequently, the equity market has largely been unaffected by US Presidential election outcomes. The direction of the market, regardless of the election result, has traditionally been driven by fundamental factors such as interest rates and corporate earnings.

However, we do see some significant tail risk in Trump's stated policy agenda, despite the seemingly comforting lessons from history.

While history cautions again about getting too focused on the result of this week's election, the potential for a Trump trade war and a burgeoning US fiscal deficit are certainly shaping up as significant wildcards for the next couple of years."

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Chris Haynes, Head of Equities at Equity Trustees Asset Management:

"Trump's policies are undoubtedly pro US growth and inflationary. The combination of greater tax cuts, higher government spending and prospect of significant tariffs are likely to keep inflation higher and reduce pace of interest rate cuts.

"Australia has a large numbers of companies with US dollar exposure which overall should be beneficiaries of a pro-business administration.

"The US first/aggressive China push will be a headwind for global growth and China in particular. Steel exports from China potentially impacted, which could be a negative for Australian commodities, particularly energy and iron ore. Thus, negative for BHP, RIO, FMG.

"Much will depend on how China reacts."

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Laura Cooper, Head of Macro Credit, Nuveen:

"Markets must contend with a potential fiscal injection at a time of economic strength and the inflationary implications could drive US yields higher with the curve bear steepening in early price action.

"What has been surprising is the posturing for the inflationary backdrop without consideration of the negative growth impact should widespread tariffs arise.

"Timelines matter, as the sequencing of tax cut extensions versus tariff implementation, will impact the medium-term growth trajectory. Tariffs could initially be growth negative while the impact of other stimulative initiatives may take longer.

"The sustainability of US growth in an environment of elevated yields is questionable.

"And the unknown impact of second order effects depends on what will the retaliatory measures be, even if the US is a relatively insulated economy, it is likely not negligible and business sentiment could be impacted."

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Oxford Economics:

"The outlook for 2025 doesn't change appreciably because it will take time for changes in fiscal, trade, and immigration policy to be implemented and impact the economy. Our new forecast anticipates real GDP growth will be 0.3ppts higher in 2026 than under a continuation of the previous political balance.

"However, as the fiscal support fades and the drag from immigration cuts intensifies, the deviation from the continuation of the current balance narrows before falling 0.6ppts lower in 2028."

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CIBC:

"Tariffs aren't a big winner for the US economy.

"A two-way trade war, in which US exporters face retaliatory tariffs aboard, will likely slow both global and US growth.

"Our base case forecast already had the US economy close to full employment in 2026.

"Shifting that workforce out of sectors that the US has a competitive edge, into producing goods that America can import more cheaply, is a recipe for weaker productivity and a lower level of GDP per capita."

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DBS Research:

"Trump would want an economy supported by low interest rates, but his fiscal policy ideas would get in the way of the Fed cutting by a lot, in our view.

"The Fed may cut a few times in 2025, but the policy easing picture could get considerably muddy if growth remains strong and inflation begins to rebound.

"A clash between the Fed and Trump could then ensue, causing consternation among investors. We are quite concerned about this scenario."

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Franklin Templeton:

"The markets will expect widening fiscal deficits under the Republicans, which we believe will push bond yields higher for at least two reasons.

"First, fiscal expansion will boost demand and hence growth. As a result, the Federal Reserve (Fed) will likely ease less than had been anticipated.

"Second, rising deficits will increase debt issuance. Yields on 10-year Treasuries are likely to push toward 5% over the course of the next few months"

Model Portfolios and Best Buys - Recent Changes

Wilsons' Australian Equity Focus Portfolio has booted out Arcadium Lithium ((LTM)) and added WiseTech Global ((WTC)) instead.

The rest of the Portfolio:

-CAR Group ((CAR))
-Aristocrat Leisure ((ALL))
-WEB Travel Group ((WEB))
-Lottery Corp ((TLC))
-Collins Foods ((CKF))
-Breville Group ((BRG))
-Santos ((STO))
-ANZ Bank ((ANZ))
-National Australia Bank ((NAB))
-Macquarie Group ((MQG))
-Westpac Bank ((WBC))
-Hub24 ((HUB))
-Steadfast Group ((SDF))
-CSL ((CSL))
-ResMed ((RMD))
-Telix Pharmaceuticals ((TLX))
-Worley ((WOR))
-Xero ((XRO))
-TechnologyOne ((TNE))
-BHP Group ((BHP))
-James Hardie ((JHX))
-Evolution Mining ((EVN))
-South32 ((S32))
-Metals Acquisition ((MAC))
-Sandfire Resources ((SFR))
-HealthCo Healthcare & Wellness REIT ((HCW))
-Goodman Group ((GMG))

****

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

The selection consists of 17 companies:

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

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

-Amcor ((AMC))
-Ampol ((ALD))
-APA Group ((APA))
-Atlas Arteria ((ALX))
-Beach Energy ((BPT))
-BHP Group ((BHP))
-Car Group ((CAR))
-Coles Group ((COL))
-Dalrymple Bay Infrastructure ((DBI))
-Iress Ltd ((IRE))
-Lottery Corp ((TLC))
-Macquarie Group ((MQG))
-Metcash ((MTS))
-Mirvac Group ((MGR))
-Pro Medicus ((PME))
-QBE Insurance ((QBE))
-RAM Essential Services ((REP))
-ResMed ((RMD))
-Suncorp Group ((SUN))
-Tabcorp Holdings ((TAH))
-Telstra ((TLS))
-Westpac Banking ((WBC))

***
Part One of Weekly Insights this week: https://fnarena.com/index.php/2024/11/06/rudis-view-mate-where-have-the-profits-gone/

Best Buys & Conviction Calls

Ord Minnett's most preferred choices on the ASX:

-AGL Energy ((AGL))
-Alliance Aviation ((AQZ))
-ARB Corp ((ARB))
-Brambles ((BXB))
-CSL ((CSL))
-EQT Holdings ((EQT))
-Insurance Australia Group ((IAG))

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

****

Wilsons Highest Conviction investment ideas:

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

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

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

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

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

****

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

In Resources:

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

In Financials:

-AUB Group ((AUB))
-Dexus ((DXS))
-Medibank Private ((MPL))

-QBE Insurance ((QBE))
-Suncorp Group ((SUN))

Industrials:

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

The list of **Least Preferred exposures**:

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

****

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

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

Plus:

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

****

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

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

-Macquarie Group ((MQG))

-Suncorp Group ((SUN))

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

-Stockland ((STG))

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

-James Hardie ((JHX))

-Orica ((ORI))

-Coles Group ((COL))

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

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

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

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

****

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

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

****

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

-Acrow ((ACF))
-ALS Ltd ((ALQ))
-Amotiv ((AOV))
-Beacon Lighting ((BLX))
-BHP Group ((BHP))
-Camplify Holdings ((CHL))
-Cedar Woods Properties ((CWP))
-ClearView Wealth ((CVW))

-CSL ((CSL))
-Dalrymple Bay Infrastructure ((DBI))
-Dexus Industria REIT ((DXI))
-Elders ((ELD))
-Flight Centre Travel ((FLT))
-GQG Partners ((GQG))
-HomeCo Daily Needs REIT ((HDN))
-Karoon Energy ((KAR))
-MA Financial ((MAF))
-Maas Group ((MGH))
-Mach7 Technologies ((M7T))
-NextDC ((NXT))
-PolyNovo ((PNV))
-QBE Insurance ((QBE))
-Qualitas ((QAL))
-Reliance Worldwide ((RWC))
-ResMed ((RMD))
-Rio Tinto ((RIO))
-South32 ((S32))
-Superloop ((SLC))
-The Lottery Corp ((TLC))
-Treasury Wine Estates ((TWE))
-Universal Store Holdings ((UNI))
-WH Soul Pattinson ((SOL))
-Woodside Energe ((WDS))

****

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

-Goodman Group ((GMG))
-Seek ((SEK))
-Aristocrat leisure ((ALL))
-Northern Star ((NST))
-CSL ((CSL))
-Computershare ((CPU))
-NextDC ((NXT))
-Flight Centre ((FLT))
-Mineral Resources ((MIN))
-Cleanaway Waste Management ((CWY))
-Steadfast Group ((SDF))
-James Hardie ((JHX))
-ResMed ((RMD))
-Pexa Group ((PXA))
-Treasury Wine Estates ((TWE))
-Viva Energy ((VEA))
-Xero ((XRO))

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

-Suncorp Group ((SUN))
-Telstra ((TLS))
-National Australia Bank ((NAB))
-Westpac Bank ((WBC))
-ANZ Bank ((ANZ))
-BHP Group ((BHP))
-CommBank ((CBA))
-Premier Investments ((PMV))
-Coles Group ((COL))
-Viva Energy ((VEA))
-Atlas Arteria ((ALX))
-Aurizon Holdings ((AZJ))

-APA Group ((APA))
-GPT Group ((GPT))
-Deterra Royalties ((DRR))
-Metcash ((MTS))
-Amotiv ((AOV))
-Charter Hall Retail REIT ((CQR))
-Amcor ((AMC))

****

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

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

****

Macquarie's ASX Quality Compounders:

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

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

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

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

****

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

****

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

-IGO Ltd ((IGO))
-TPG Telecom ((TPG))
-Domino's Pizza ((DMP))
-Bapcor ((BAP))
-Endeavour Group ((EDV))
-Santos ((STO))
-ASX Ltd ((ASX))
-Aurizon Holdings ((AZJ))
-Brambles ((BXB))
-Dexus ((DXS))
-SiteMinder ((SDR))
-APA Group ((APA))
-Fineos Corp ((FCL))
-ResMed ((RMD))

****

Ord Minnett's Conviction Calls:

-Alliance Aviation Services ((AQZ))
-ARB Corp ((ARB))
-Cosol ((COS))
-EQT Holdings ((EQT))
-Electro Optic Systems Holdings ((EOS))

-Lindsay Australia ((LAU))
-Pinnacle Investment Management ((PNI))
-Qoria ((QOR))
-Red 5 (RED)
-Regis Healthcare ((REG))
-SiteMinder ((SDR))
-SRG Global ((SRG))
-Stanmore Resources ((SMR))
-Waypoint REIT ((WPR))

In addition, research analyst Athena Kospetas, recently communicated the following Key Preferred Ideas per sector:

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

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

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

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

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

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

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

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

****

Jarden's Best Ideas among **emerging companies** (small and mid-cap):

-IPH Ltd ((IPH))

-Temple & Webster ((TPW))
-EVT Ltd ((EVT))
-Dicker Data ((DDR))
-Universal Store ((UNI))
-Nick Scali ((NCK))
-AUB Group ((AUB))
-Webjet ((WEB))
-Integral Diagnostics ((IDX))
-Capricorn Metals ((CMM))
-Michael Hill ((MHJ))
-NRW Holdings ((NWH))
-Light & Wonder ((LNW))
-Pointsbet ((PBH))
-National Storage ((NSR))
-Ingenia Communities ((INA))
-Karoon Gas ((KAR))
-Domain Holdings Australia ((DHG))
-Pepper Money ((PPM))
-Telix Pharmaceuticals ((TLX))

****

Barrenjoey's Top Picks:

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

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

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

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

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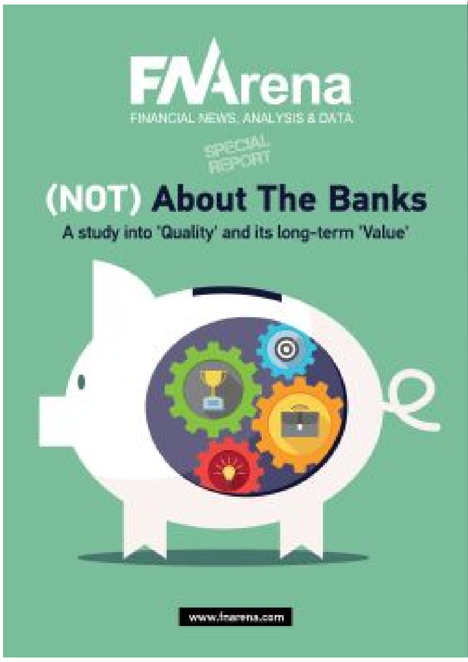

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FNArena is proud about its track record and past achievements: Ten Years On

SMALL CAPS

Nuix Rises From The Ashes

After a post IPO car crash for investors, Nuix has turned the corner as it hits its AI straps and draws comparisons to US tech stock, Palantir.

-FY24 proved an earnings u-turn for Nuix
-Nuix NEO offers AI edge
-Post marketing, momentum might take a breather
-Long-term bullish with near-term clouds

By Danielle Ecuyer

Nuix started listed life with a thud

Nuix (NXL) debuted on the ASX in December 2020 with high expectations, initially rising from its IPO price of $5.31 to $11 within a year.

Backed by Macquarie Group ((MQG)), which sold part of its stake for $565m, Nuix appeared to be the next big tech success story on the ASX. However, following a series of earnings downgrades, legal issues, and governance challenges, the stock plummeted to under $1 by mid-2022, representing around an -80% loss from the IPO price.

Problems, including an ASIC investigation and shareholder lawsuits over alleged misleading statements, deeply damaged the company's and management's reputation.

In June 2021, CEO Rod Vawdrey stepped down. Shortly after the CFO's contract was terminated. New CEO Jonathan Rubinsztein took over in December 2021, beginning a strategic turnaround that aimed to reset the company's focus and rebuild its culture.

By FY24, after three years of losses, Nuix returned to profitability. Investors took notice, especially following the company's September investor day, which revealed a corporate transition to a more AI-focused model.

FY24 results signal a turnaround

Analysts now compare Nuix to US-based AI and data analytics company Palantir, which has seen significant success in the same field. In its FY24 results, Nuix posted a 20% revenue increase, 5% above Morgan Stanley's forecast, with EBITDA growing by 39%.

Morgan Stanley praised the company's turnaround, citing *"credible"* progress and posing the question, *"Where to next?"*

Nuix is known for its advanced data processing capabilities, especially in eDiscovery, where it processes unstructured data, emails, documents, multimedia, legal and investigative uses. Morgan Stanley draws parallels to Palantir, which offers similar capabilities in digital forensics and data analytics.

Traditionally, Nuix's revenue has come from annual subscription licenses. The company recently introduced consumption contracts, generating income based on data processed, and a SaaS model.

NEO brings forth AI capabilities

The company's latest innovation, Nuix Neo, is a subscription-based platform designed to handle advanced data analytics and investigations. It allows users to scale on demand, either on-premise or in the cloud. According to Morgan Stanley, Nuix Neo is helping the company *"close the gap"* with Palantir, as it transforms complex data into actionable insights.

Nuix's stock has since experienced a significant re-rating, in part due to investor day presentations in Sydney, London, and Nashville that specifically focused on Nuix Neo and the company's AI integration strategy.

Petra Capital suggests momentum may slow following these events. With the stock delivering a total shareholder return of 347% at $7.05 per share, the analyst anticipates a leveling-off in expectations and momentum. Note: the shares are now trading at $7.68.

At its August results, Nuix management projected 15% growth in annualised contract values for FY25.
Neo already accounted for $12.1m in annual contract value from 23 licenses. Shaw and Partners noted recent share price gains were underpinned by Nuix Neo, an **"AI-enriched data intelligence platform."**

Shaw expects a large portion of Nuix's 1,000-plus enterprise customers to adopt Neo over the next five years, which could lead to increased revenue from the existing customer base and attract new clients.

Shaw believes Neo could be transformative for Nuix, with an incremental annualised customer value potential of $89m from existing clients and $37m from new clients by FY27.

The transition to Neo, with its advanced automation and AI integrations, is projected to increase average customer revenue by 2.3x times.

New Neo customers in FY24 spent $526k, compared to the current customer average of $186k. Shaw forecasts by FY29, Nuix's revenue could exceed $500m, potentially doubling again by FY34, with EBITDA margins of 33% and free cash flow margins of 25%, on par with Palantir's performance from FY21 to FY23.

Legal hurdles and broker ratings

Despite its progress, Nuix is still dealing with two legal challenges: an ASIC case related to continuous disclosure and a class action. Morgan Stanley suggests resolving these issues could relieve a negative "overhang" on the stock.

Several brokers are positive on Nuix's potential.

Morgan Stanley and Shaw and Partners rate Nuix the equivalent of a Buy rating, with target prices of $5.30 and $7.20, respectively. MST Access has a valuation of $5.51, while Petra Capital, which recently downgraded Nuix to Hold from Buy due to the stock's re-rating, has a target of $6.73.

The company's AGM is set for November 13, where further updates may provide additional insight into its trajectory.

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 - 01-11-24

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday October 28 to Friday November 1, 2024
Total Upgrades: 7
Total Downgrades: 13
Net Ratings Breakdown: Buy 59.35%; Hold 32.66%; Sell 7.99%

For the week ending Friday November 1, 2024, FNArena recorded seven upgrades and thirteen downgrades for ASX-listed companies by brokers monitored daily.

Percentage falls in average earnings forecasts far outweighed rises as can be seen in the tables below, and for the third week in a row these falls were dominated by stocks in the Resources sector.

On the other hand, Industrial stocks were largely behind the positive percentage movements in target prices which were nearly double the size of negative changes.

In the eyes of stockbroking analysts, Zip Co and Coronado Global Resources were polar opposites last week, with Zip appearing atop the positive change to target and earnings tables and Coronado heading up both tables for negative changes.

For Zip Co, Ord Minnett (Buy) raised its target to $3.60 from $2.45 following an "impressive" first quarter performance with group total transaction value (TTV) growth of 23% compared to the previous corresponding period, which included US growth of 39.5% (42.8% in constant currency).

Hold-rated Citi suggested this strong US growth will continue, and with Zip Plus starting to roll-out, this broker also anticipates the A&NZ region will return to growth.

Focusing on the US, Citi noted active customers returned to growth (increasing by around 110,000 in the quarter), yet the key driver of growth continues to be existing customers. Average spend per customer increased by 42% year-on-year to circa US$335 and transactions per customer increased by 36%.

The bad week for Coronado Global Resources included misses against consensus forecasts for third quarter production and sales due to geological/mechanical issues at the Curragh mine in the Bowen Basin, plus a potential delay at the Mammoth underground mine within the Curragh complex.

Given timing risks around the Environmental Authority amendment for Mammoth, Ord Minnett (downgrade to Hold from Accumulate) assumed development will be pushed back, forecasting first coal in the September quarter of 2025 with a ramp-up to 2.0Mt by FY27.

Following Coronado on the earnings downgrade table are lithium-related stocks IGO Ltd, Pilbara Minerals and

Mineral Resources.

IGO Ltd's first quarter revealed a "solid" start for Greenbushes, according to Citi, but this good news was undermined by a lack of cash sweep from Tianqi Lithium Energy Australia (TLEA) and the removal of segment-level disclosures.

Elsewhere, nickel production at Nova missed forecasts by Morgan Stanley and consensus by -18% and -20%, respectively.

These negatives aside, Bell Potter suggested weak lithium prices represent the greatest challenge to IGO, with potential for further share price pressure.

Mind you, the falls in average earnings forecasts for IGO and Pilbara Minerals were exaggerated by small numbers involved. The average target for both remained fairly stable.

The focus within Pilbara Minerals' 1Q report was on the two primary processing facilities at its Pilgangoora lithium-tantalum project in Western Australia: The Pilgan and Ngungaju plants.

Management is planning to shut the Ngungaju plant and operate the Pilgan plant standalone due to depressed market conditions, which also resulted in a downgrade to FY25 volume guidance.

Despite lower volumes, the analyst at Ord Minnett pointed to significant upcoming savings in opex and capex, with management also forecasting a cash flow improvement of approximately $200m in FY25.

For the quarter, Ord Minnett assessed another strong operational outcome at Pilgangoora, despite weak realised prices.

Overall, the company reported quarterly spodumene concentrate (SC) production of 220kt, beating Bell Potter's 185kt forecast.

Despite lower average earnings forecasts in the FNArena database, the target price for lithium and iron ore producer Mineral Resources has remained stable.

Following tax evasion claims against CEO and founder Chris Ellison in the lead up to quarterly reporting, investors were no doubt relieved to see a "steady" operating result, according to Morgans.

Shipments and realised prices were in line with this broker's forecast, though Mt Marion delivered a production beat due to 20kt of port inventories shipped.

Results were (positively) overshadowed by the announced divestment of -100% of the company's gas permits for $1.1bn to Hancock Prospecting and a joint venture over the remaining acres as MinRes seeks to aleviate the burden from its debt-laden balance sheet.

Paladin Energy followed these lithium names on the earnings downgrade table and the company's share price fell sharply after first quarter production disappointed.

But did the market overreact? For a comprehensive summary of broker views: https://fnarena.com/index.php/2024/10/30/paladin-energys-storm-in-a-teacup/

Returning to increases in average target prices last week, here Qantas Airways came in second behind Zip Co after management's AGM trading update implied sustainable growth over the next three-to-five years, Ord Minnett commented.

Citi raised its target to $8.20 from $6.60 on higher earnings forecasts and improving global airline comparatives. Similarly, Morgans went to $8.50 from $7.50 on higher earnings forecasts and higher assumed multiples, but downgraded its rating to Hold from Add after the recent share price rally.

Average targets also rose for Aeris Resources, Pinnacle Investment Management, and Universal Store.

Aeris is a key opportunity for investors, in Bell Potter's view, as it provides exposure to a rising copper price.

The performance at the Tritton operations remains key to management's development objectives, noted the broker.

Fortunately, the Tritton, Cracow, and Mt Colin mines all beat Macquarie's forecasts for costs in the first quarter, and total copper production beat this broker's expectation by 11%.

Commenting after Pinnacle's first quarter update, Ord Minnett noted momentum continues to build across the business, with ample upside remaining over the medium-term should global markets remain supportive.

Funds under management advanced 16% on the previous quarter with organic growth of 7% and the balance from a Pinnacle Affiliate, summarised Macquarie.

For Universal Store, the analysts at Morgans were impressed by a 19.3% rise in direct-to-consumer sales in the first 17 weeks of FY25 compared to the previous corresponding period.

Management affirmed guidance for between 9-15 new store openings in FY25, with seven stores expected to open before Christmas.

ResMed also featured with an 11% increase in average target price last week after posting Q1 beats across all financial metrics against analysts' forecasts.

The share price has now more than reversed the fall experienced after market fears first began around the impact of weight loss medications GLP-1s on the company's sleep apnoea devices.

That said, there remains a slight element of uncertainty: https://fnarena.com/index.php/2024/10/29/resmeds-bounce-back-complete/

On the flipside, the average target price for Talga Resources fell by just under -10% last week after Bell Potter lowered its target to $1.90 from $2.35 on adjustments to dilution forecasts and timing for production at the company's Nunasvaara natural graphite project in Sweden.

More importantly, good news was received last week, as appeals lodged to the Supreme Court were dismissed in relation to the project's Natura 2000 (Environmental Permit), resulting in a share price rally of around 50%.

Total Buy ratings in the database comprise 59.35% of the total, versus 32.66% on Neutral/Hold, while Sell ratings account for the remaining 7.99%.

Upgrade

A2 MILK COMPANY LIMITED ((A2M)) Upgrade to Hold from Sell by Bell Potter .B/H/S: 3/4/0

Bell Potter upgrades its rating for a2 Milk Co to Hold from Sell after a recent share price slide. The broker also cautions year-to-date trade flows for China label products have been tracking below expectations, with September China destined shipments at a 24-month low.

Further, management is in discussions regarding a potential acquisition of a manufacturing facility in New Zealand, which the broker estimates could initially be high-single digit to low double-digit EPS dilutive on a pro forma basis.

The $6.10 target price is unchanged.

BLUESCOPE STEEL LIMITED ((BSL)) Upgrade to Equal-weight from Underweight by Morgan Stanley .B/H/S: 3/2/0

Evoking a Superman analogy, Morgan Stanley's snappy title for BlueScope Steel's 1H25 guidance downgrade is "Tough as steel".

The analyst explains while the lower guidance for 1H25 earnings is a fall of -25% at the midpoint, and disappointing, the new earnings expectations reflect a trough with the stock's risk/reward "more balanced".

The weakness in operations is across the board. Uncertainty around US election and China stimulus creates a softer macro backdrop.

Management announced a $200m cost out with little details, the broker notes. Morgan Stanley lowers EPS estimates by -10% for FY25 and -8% for FY26.

The stock is upgraded to Equal-weight with a lift in target price to $22 from $18. Industry View: In-Line.

COCHLEAR LIMITED ((COH)) Upgrade to Neutral from Underperform by Macquarie .B/H/S: 0/4/1

Macquarie raises its target for Cochlear to $289 from $283 and upgrades to Neutral from Underperform.

After a -16% share price slump since FY24 results on weaker-than-expected FY25 guidance, the current share price implies market-share gains and a NPAT margin in line with the broker's forecasts.

Macquarie still sees greater appeal in other healthcare names CSL ((CSL)) and ResMed ((RMD)).

COLES GROUP LIMITED ((COL)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 5/2/0

Ord Minnett raises its target for Coles Group to $19.50 from $19.00 and upgrades to Accumulate from Hold following evidence of strong management execution with "healthy" Q1 sales and clear cost discipline.

Further, the analyst anticipates healthy free cash flow (FCF) and dividends given tightly managed capex spending. A focus on the core food business while maintaining cost control is proving successful, in Ord Minnett's view.

On the broker's numbers, Coles is now trading at a -16% valuation discount to Woolworths Group ((WOW)).

DRONESHIELD LIMITED ((DRO)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 2/0/0

Bell Potter explains DroneShield reported a disappointing 3Q2024 investor update, which failed to meet elevated market expectations.

The company's Sept quarter revenues of $31.1m fell -20% on the previous year, but Q32023 included a one-off $33m contract.

Assessing management's 2024 contracted revenue guidance, the broker downgrades full year revenue estimates by -20% with less material downgrades for 2025/2026.

Bell Potter lowers EPS estimates by -57% and -28% for 2024/2025.

At current share price levels, the analyst believes this is an attractive entry point and upgrades DroneShield to a Buy from Hold.

Target price is lowered to $1.20 as a result of the earnings forecast changes.

WESFARMERS LIMITED ((WES)) Upgrade to Lighten from Sell by Ord Minnett .B/H/S: 0/2/3

Following Wesfarmers' AGM trading update, Ord Minnett lowers its target to $59 from $60 and upgrades to Lighten from Sell.

Management provided insights on Bunnings and Kmart which matched the broker's expectations. Business customer weakness was noted for Officeworks, while the Wesfarmers Industrial and Safety (WIS) division is experiencing softer trading, notes the broker.

WESTGOLD RESOURCES LIMITED ((WGX)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 2/0/0

After reviewing an uneventful 1Q operational update, the broker upgrades its rating for Westgold Resources to Buy from Accumulate based on materially less cash flow risks post the merger with Karora Resources ((KRR)).

Management maintained FY25 production guidance.

The $3.85 target is unchanged.

Downgrade

AGL ENERGY LIMITED ((AGL)) Downgrade to Accumulate from Buy by Ord Minnett .B/H/S: 2/2/0

After reducing earnings forecasts for AGL Energy and lowering the assumed multiple, Ord Minnett's target falls by -19% to $11.20 and the rating is downgraded to Accumulate from Buy.

These changes result from the broker's review of medium-term earnings risk from the expiry of cheap coal and gas supply contracts.

The analyst believes consensus is only allowing for one third of the potential -$300m hit to earnings (EBITDA) over FY27-30 from the upcoming expiries of the Queensland Gas Company's gas supply contract and the Wilpinjong coal supply contract.

Ord Minnett sees better relative value in Origin Energy ((ORG)) and APA Group ((APA)).

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

Ord Minnett lowers its target for Coronado Global Resources to $1.10 from $1.25 after 3Q saleable production missed the broker's forecast by -8% due to Curragh geological/mechanical issues. A potential delay at the Mammoth underground mine also weighed.

The broker notes timing risks around the Environmental Authority amendment for Mammoth and now assumes development will be delayed, with first coal forecast for the 2025 September quarter.

Due to these permitting issues and a stretched valuation, Ord Minnett downgrades its rating for Coronado to Hold from Accumulate.

CORPORATE TRAVEL MANAGEMENT LIMITED ((CTD)) Downgrade to Hold from Add by Morgans .B/H/S: 3/4/0

For what management could control, Morgans deems the AGM trading update by Corporate Travel Management was positive, but a recent UK government announcement is set to weigh.

The downside cannot as yet be quantified for the company's largest contract after the UK government announced its intention to reduce spending, including on travel, explains the broker.

Given this announcement creates uncertainty around the company's Europe near-term earnings, the analysts downgrade to Hold from Add. The target also falls to $13.50 from $15.95.

Elsewhere, the trading updated showed North America and the A&NZ region have started the year strongly, according to Morgans.

CETTIRE LIMITED ((CTT)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 0/1/0

Bell Potter still believes Cettire will continue to outperform its peer group despite evidence of a 2Q slowdown in sales revealed during the release of 1Q results.

During Q1, revenue beat the broker's forecast, but adjusted earnings (EBITDA) were a miss. While the margin trends appear healthy at 5% exiting Q1, the analysts will wait to see delivered margins in the seasonally largest 2Q.

The $2.00 target is kept despite the broker's lower earnings forecast as the assumed risk-free rate falls as the upcoming easing cycle is factored in. The rating is downgraded to Hold from Buy on valuation.

IGO LIMITED ((IGO)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/2/3

IGO Ltd reported 1Q25 production up 15% with sales up 10% and costs down -23%, Macquarie notes, with opacity on nickel and group costs impacting the result.

Greenbushes performed stronger than expected, however, management confirmed FY25 guidance at 1350-1550t despite the quarter achieving 28% of FY25 production. Cost guidance is unchanged at $320-$380/t.

The broker drops FY25 EPS estimate by -46% because of Cosmos losses, higher exploration/corporate costs and write downs in equity investments.

Macquarie downgrades IGO Ltd to Neutral from Outperform with an unchanged target price of $5.60.

JB HI-FI LIMITED ((JBH)) Downgrade to Lighten from Hold by Ord Minnett .B/H/S: 3/1/2

Ord Minnett assesses an "impressive" 1Q trading update by JB Hi-Fi with 5% like-for-like sales growth for JB Hi-Fi Australia and The Good Guys exceeding consensus expectations.

The broker raises its EPS forecasts across FY25-27, underpinning a target price rise to $71 from $68. Following recent share price strength, the broker downgrades its rating to Lighten from Hold.

METCASH LIMITED ((MTS)) Downgrade to Underperform from Outperform by Macquarie .B/H/S: 2/2/1

Metcash reported below expectations and with 1H25 net guidance some -11% lower than Macquarie's forecasts with weaker sales in hardware, which typically generates higher margins. The "de-leverage" of the division is attributed to weakness in housing.

Management is seeking cost-out initiatives and market share expansion, with the broker highlighting "subdued" chances of a recovery in hardware with rising construction insolvencies and construction at cyclical lows.

Macquarie lowers EPS estimates by -11% to -12% for FY25 through to FY28 largely due to weakness in hardware.

The stock is downgraded to Neutral from Outperform with a decline in target price of -18% to $3.45.

PREMIER INVESTMENTS LIMITED ((PMV)) Downgrade to Neutral from Buy by Citi .B/H/S: 2/3/0

Post the binding bid from Myer Holdings ((MYR)) for Premier Investments' apparel brands, Citi believes much of the good news is backed into the share price with a risk Premier's shareholders divest Myer shares.

No pickup in trading conditions is anticipated for Premier in near-term, but there is a potential incremental boost to Premier from improved Myer performance.

Citi estimates every 1ppt rise in gross margin for Myer equals around a $5m lift in Myer's earnings which benefits Premier shareholders.

The analyst lowers EPS forecasts by -7.1% and -9.8% for FY25 and FY26.

Target price of $36 retained. Stock downgraded to Neutral from Buy.

QANTAS AIRWAYS LIMITED ((QAN)) Downgrade to Hold from Add by Morgans .B/H/S: 4/2/0

Morgans raises its target for Qantas Airways to $8.50 from $7.50 on higher earnings forecasts and higher assumed multiples, and downgrades to Hold from Add after the recent share price rally.

While the company's 1H trading update was in line with expectations, the broker raises underlying profit (NPBT) forecasts.

The analysts incorporate into these forecasts management's updated guidance for fuel costs, capacity, Domestic unit revenues and the employee thankyou payment.

SANDFIRE RESOURCES LIMITED ((SFR)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/5/0

Macquarie describes a "mixed" 1Q result for Sandfire Resources. When compared to consensus forecasts, production of copper, zinc and silver was in line, a -5% miss, and a -12% miss, respectively.

The broker downgrades its rating to Neutral from Outperform after a 44% share price rally so far in 2024.

Management reiterated FY25 production guidance.

The target rises by 2% to $10.20.

UNIVERSAL STORE HOLDINGS LIMITED ((UNI)) Downgrade to Accumulate from Buy by Ord Minnett .B/H/S: 6/0/0

Ord Minnett raises its target for Universal Store to $8.20 from $7.50 and downgrades to Accumulate from Buy after recent share price strength. Accelerating like-for-like sales and an improving gross margin were noted from the recent trading update.

The analyst believes 1H EBIT is tracking broadly in line with consensus, but a higher cost-of doing-business (CODB) outcome could provide a full offset.

The broker reels of a list of positives for Universal Store including high single-digit EPS growth over the next three years, net cash optionality, and potential for index inclusion.

WOOLWORTHS GROUP LIMITED ((WOW)) Downgrade to Neutral from Buy by Citi .B/H/S: 1/5/0

Citi's analyst admits the pressure on Woolworths Group's Australian food business was "underappreciated" in term of margin pressures to reach sales targets which has continued from August.

The broker believes there is more work to improve the image around brand and price perceptions. The view is that further earnings downgrades remain possible.

Citi lowers EBIT forecasts by -8% for FY25/FY26. Target price cut to $34 from $38.56. The stock is downgraded to Neutral from Buy.

ZIP CO LIMITED ((ZIP)) Downgrade to Neutral from Buy by Citi .B/H/S: 2/1/0

Updates by Citi on today's 1Q result for Zip Co will follow, but new research by the broker early today involved a preview of the now-released result.

The broker raises its target to $2.90 from $1.90 and downgrades to Neutral from Buy on valuation.

On cue, the analysts updated for the result around midday, highlighting US growth continues to surprise on the upside.

In an early assessment, Citi anticipates consensus will need to upgrade total transaction value (TTV), revenue and cash EBTDA forecasts given the ongoing momentum in the US and a strong net transaction margin (NTM) in A&NZ.

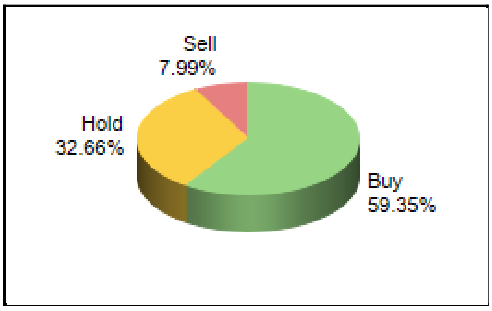
US total transaction value (TTV) beat Citi's forecast by 5% after rising to 43% year-on-year from 42%.
Also, revenue yield in the US increased to 7.1%, reflecting higher usage of the Zip app, in the broker's view.

Considering Zip Plus has not been actively promoted as yet (and is higher yielding), Citi is impressed by a 19.2% increase in revenue yield.

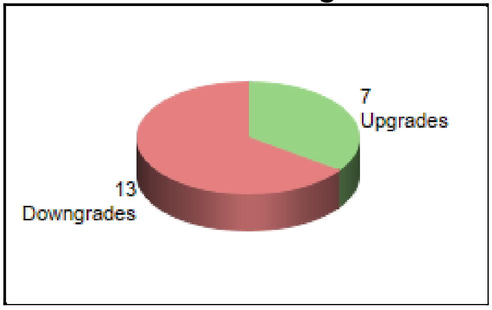
In a further positive, funding costs continue to fall, with the weighted average margin of 2.13% on the latest note issuance, down from 2.65% previously.

Target $2.90 and Neutral.

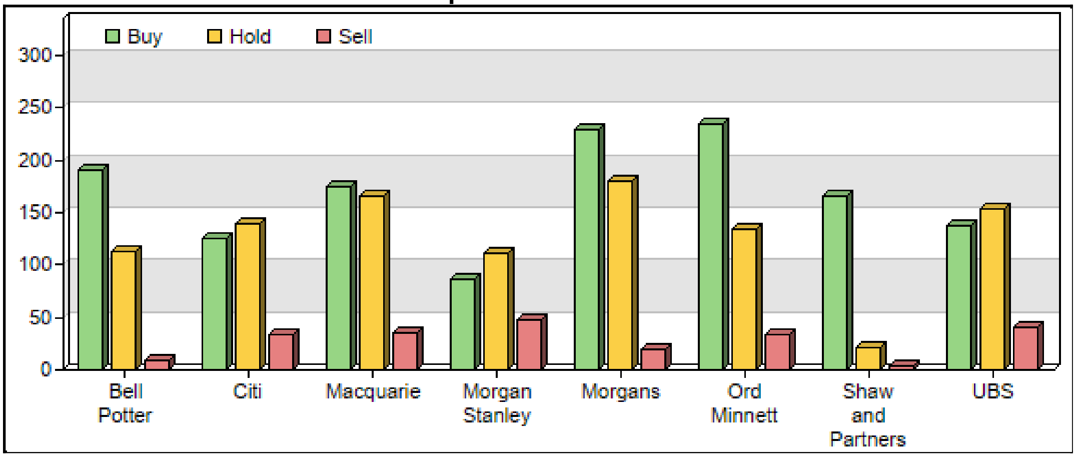
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	A2 MILK COMPANY LIMITED	Neutral	Sell	Bell Potter
2	BLUESCOPE STEEL LIMITED	Neutral	Sell	Morgan Stanley
3	COCHLEAR LIMITED	Neutral	Sell	Macquarie
4	COLES GROUP LIMITED	Buy	Neutral	Ord Minnett
5	DRONESHIELD LIMITED	Buy	Neutral	Bell Potter
6	WESFARMERS LIMITED	Sell	Sell	Ord Minnett
7	WESTGOLD RESOURCES LIMITED	Buy	Buy	Ord Minnett
Downgrade				
8	AGL ENERGY LIMITED	Buy	Buy	Ord Minnett
9	CETTIRE LIMITED	Neutral	Buy	Bell Potter
10	CORONADO GLOBAL RESOURCES INC	Neutral	Buy	Ord Minnett
11	CORPORATE TRAVEL MANAGEMENT LIMITED	Neutral	Buy	Morgans
12	IGO LIMITED	Neutral	Buy	Macquarie
13	JB HI-FI LIMITED	Sell	Neutral	Ord Minnett
14	METCASH LIMITED	Sell	Buy	Macquarie
15	PREMIER INVESTMENTS LIMITED	Neutral	Buy	Citi
16	QANTAS AIRWAYS LIMITED	Neutral	Buy	Morgans
17	SANDFIRE RESOURCES LIMITED	Neutral	Buy	Macquarie
18	UNIVERSAL STORE HOLDINGS LIMITED	Buy	Buy	Ord Minnett
19	WOOLWORTHS GROUP LIMITED	Neutral	Buy	Citi
20	ZIP CO LIMITED	Neutral	Buy	Citi

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs

1	ZIP	ZIP CO LIMITED	3.067	2.267	35.29%	3
2	QAN	QANTAS AIRWAYS LIMITED	8.592	7.525	14.18%	6
3	AIS	AERIS RESOURCES LIMITED	0.287	0.253	13.44%	3
4	PNI	PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED	20.688	18.295	13.08%	4
5	UNI	UNIVERSAL STORE HOLDINGS LIMITED	8.685	7.700	12.79%	6
6	RMD	RESMED INC	40.120	36.136	11.03%	5
7	IFL	INSIGNIA FINANCIAL LIMITED	2.915	2.753	5.88%	4
8	ACL	AUSTRALIAN CLINICAL LABS LIMITED	3.483	3.300	5.55%	3
9	GOR	GOLD ROAD RESOURCES LIMITED	2.188	2.075	5.45%	4
10	ADH	ADAIRS LIMITED	2.313	2.213	4.52%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	CRN	CORONADO GLOBAL RESOURCES INC	1.490	1.660	-10.24%	5
2	TLG	TALGA GROUP LIMITED	1.400	1.550	-9.68%	3
3	MTS	METCASH LIMITED	3.660	4.046	-9.54%	5
4	WOW	WOOLWORTHS GROUP LIMITED	34.117	37.075	-7.98%	6
5	AGL	AGL ENERGY LIMITED	11.590	12.240	-5.31%	4
6	PDN	PALADIN ENERGY LIMITED	13.640	14.160	-3.67%	5
7	LTR	LIONTOWN RESOURCES LIMITED	0.913	0.942	-3.08%	6
8	NEM	NEWMONT CORPORATION REGISTERED	88.750	91.250	-2.74%	4
9	COL	COLES GROUP LIMITED	19.607	20.107	-2.49%	7
10	CIA	CHAMPION IRON LIMITED	6.967	7.117	-2.11%	3

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	ZIP	ZIP CO LIMITED	3.933	2.767	42.14%	3
2	TLG	TALGA GROUP LIMITED	-7.150	-8.700	17.82%	3
3	NST	NORTHERN STAR RESOURCES LIMITED	107.557	95.700	12.39%	7
4	ORG	ORIGIN ENERGY LIMITED	78.175	71.975	8.61%	5
5	LYC	LYNAS RARE EARTHS LIMITED	15.700	14.483	8.40%	6
6	GOR	GOLD ROAD RESOURCES LIMITED	12.275	11.525	6.51%	4
7	QAN	QANTAS AIRWAYS LIMITED	102.540	97.760	4.89%	6
8	HMC	HMC CAPITAL LIMITED	34.800	33.800	2.96%	6
9	CWP	CEDAR WOODS PROPERTIES LIMITED	54.100	52.667	2.72%	3
10	S32	SOUTH32 LIMITED	27.248	26.630	2.32%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	CRN	CORONADO GLOBAL RESOURCES INC	-1.348	4.444	-130.33%	5
2	IGO	IGO LIMITED	2.025	7.700	-73.70%	6
3	PLS	PILBARA MINERALS LIMITED	0.540	1.860	-70.97%	5
4	MIN	MINERAL RESOURCES LIMITED	-67.900	-45.100	-50.55%	7
5	PDN	PALADIN ENERGY LIMITED	37.593	50.171	-25.07%	5
6	CIA	CHAMPION IRON LIMITED	50.505	61.187	-17.46%	3
7	WHC	WHITEHAVEN COAL LIMITED	33.600	40.483	-17.00%	6
8	TPW	TEMPLE & WEBSTER GROUP LIMITED	6.640	7.475	-11.17%	6
9	NIC	NICKEL INDUSTRIES LIMITED	3.738	4.192	-10.83%	5
10	AIS	AERIS RESOURCES LIMITED	6.100	6.833	-10.73%	3

Technical limitations

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

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WEEKLY REPORTS

Uranium Week: Spot Price Fades Into Month's End

Term U308 prices held up despite a tail-off in activity and demand last week in the spot market.

-October caught the uranium buyer blues
-Term U308 markets are where all the action is
-Kazatomprom reports 3Q2024 results
-Paladin, Boss and Lotus Resources in the news

By Danielle Ecuyer

Buyers head to the sidelines

If the month of October started with a 'bang' for the U308 spot price market, then last week ended with more of a 'whimper'.

Industry consultants TradeTech underscored how macro factors such as positive longer-term demand drivers for nuclear power from technology companies boosted interest in the spot price market at the start of October.

Utilities also embarked on a string of announcements, stating their intentions to re-start idled nuclear plants in the US. As TradeTech points out, impatient sellers eventually capitulated to a lack of buying in the spot market and the U308 spot price started dropping as the month ended.

Despite the lower offered prices, no transactions were conducted in the last four days of October.

The TradeTech U308 daily spot price indicator fell -US$2.25lb to US$80lb from the end of September.

TradeTech's Mid-Term U308 price indicator declined -US$2 to US$84lb and the Long-Term U308 price indicator remained constant at US$82lb.

In contrast to the subdued spot market over the second half of the month, utilities were active in term U308 markets. TradeTech points to two major transactions, even though several utilities were highlighted as active in the term markets. One US utility was seeking up to 2mlbs of U308 for delivery between 2028 and 2032 with an optional 300,000lbs p.a. for 2033-2035.

Another US utility is cited as reviewing offers for 1.4mlbs of U308 contained in UF6 or uranium hexafluoride for delivery over 2026-2029.

TradeTech explains the term market is more positive for sellers with activity trading around US$82lb for base prices, with recent macro demand news from tech hyperscalers for nuclear power demand underscoring a more "bullish" tone from sellers.

Friday Nov 1 saw the TradeTech spot price indicator slip by -US$1.50lb from Oct 31 to US$78.50lb, down-US$2.50lb on the week. The lower price encouraged buyers to participate with the consultants reporting two trades, one at US$79lb and a second which followed at US$78.50lb.

Kazatomprom achieves higher annual realised prices

The big news of the day on Friday was Kazatomprom's 3Q2024 trading update. Production of 5,894t U308 was higher by 2% compared to the previous quarter, and up 16%, year-on-year.

Group sales declined -23% on the previous year on an average realised price of US$65.65lb, a rise of 26% on the year. Management retained 2024 production guidance.

Corporate news for the week

Paladin Energy ((PDN)) reported a disappointing 1Q25 production miss sending the shares down -15% on the day and boosting shorts interest in the stock to 14.41% from 13.87% over the week. Paladin is the fourth most shorted stock on the Australian market.

FNArena took a deep dive into what the brokers were saying on the quarterly report which revealed noticeably lower-than-expected production due to what Shaw and Partners described as "run-of-the-mill" commissioning issues for Langer Heinrich.

FNArena's daily monitored brokers have a Buy-equivalent rating with an average target price of $13.62, down -52c post result.

For more details check out the latest update (https://fnarena.com/index.php/2024/10/30/paladin-energys-storm-in-a-teacup/).

Boss Energy ((BOE)) reported 1Q25 production which met Macquarie's forecasts and management reiterated FY25 guidance of 850,000lbs.

Morgan Stanley observed the Honeymoon ramp up with column 1 achieving "nameplate" capacity with a focus now on column 3.

For Shaw and Partners, the ramp up of Honeymoon was in line with expectations and the analyst stresses the "disconnect" between share prices for uranium stocks and improving term contract prices.

Four of the five daily monitored brokers have Buy-equivalent ratings with an average target price of $4.20. Morgan Stanley has a Hold-equivalent rating with a $3 target price.

Boss Energy has the second highest shorts interest at 15.37% which is up from 15.05% a week earlier.

Lotus Resources ((LOT)) announced a non-underwritten share purchase plan to raise $15m with the issue of new shares at a 25c price.

The issue is part of a $130m capital raising announced on Oct 24 with $66.8m raised in the first placement tranche.

The second placement tranche will raise around $63.1m subject to shareholder approval at the company's EGM on or around Dec 9.

The shorts interest in Lotus declined to 5.2% from 9.17% a week earlier.

For more articles of what's been happening over the month of October:

https://fnarena.com/index.php/2024/10/29/uranium-week-us94lb-spot-in-reach/

https://fnarena.com/index.php/2024/10/22/uranium-week-battle-royal-shorts-versus-sprott/

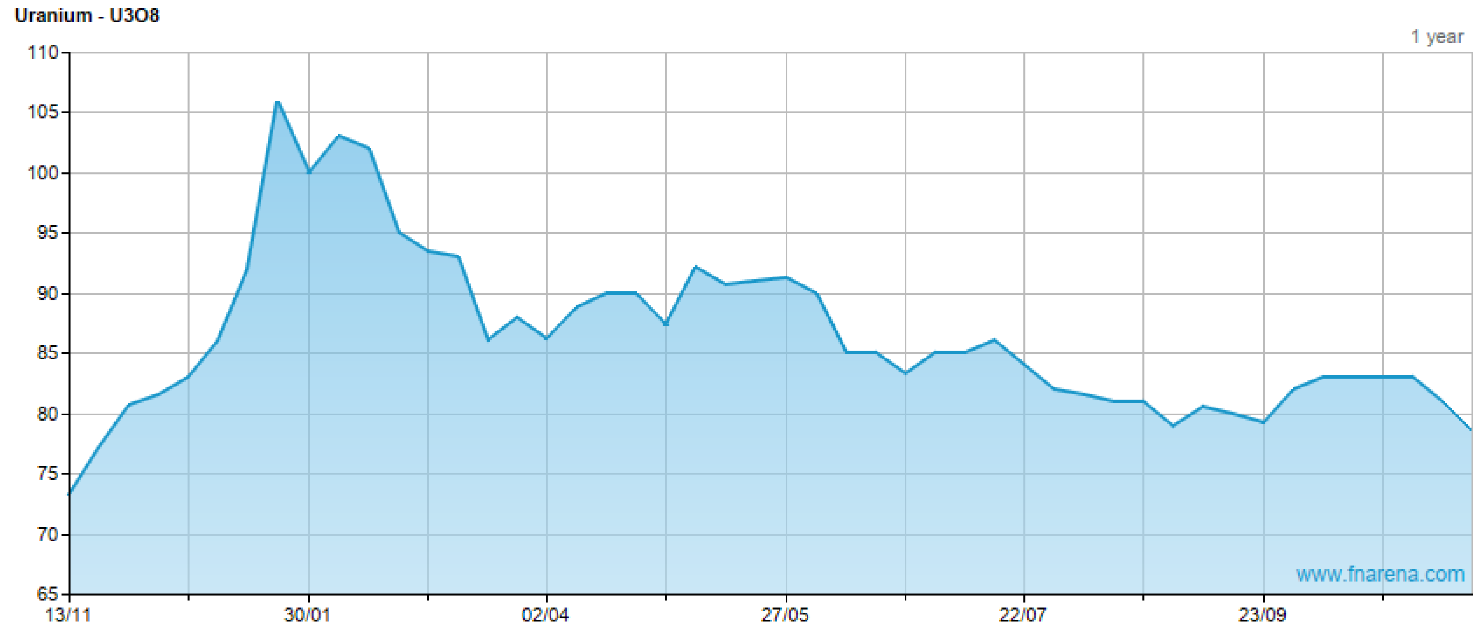
https://fnarena.com/index.php/2024/10/15/uranium-week-nuclear-support-broadening/

https://fnarena.com/index.php/2024/10/08/uranium-week-shorts-versus-growing-demand/

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	01/11/2024	0.0400	▼-20.00%	$0.19	$0.03			
AEE	01/11/2024	0.1500	▼- 3.13%	$0.33	$0.11			
AGE	01/11/2024	0.0400	▲ 2.22%	$0.08	$0.03		$0.100	▲150.0%
AKN	01/11/2024	0.0100	0.00%	$0.07	$0.01			
ASN	01/11/2024	0.0700	▼- 6.67%	$0.18	$0.07			
BKY	01/11/2024	0.3600	0.00%	$0.45	$0.26			
BMN	01/11/2024	2.8800	▼- 3.26%	$4.87	$1.90		$7.400	▲156.9%
BOE	01/11/2024	3.2500	▲ 0.88%	$6.12	$2.38	21.7	$4.200	▲29.2%
BSN	01/11/2024	0.0300	▼- 3.13%	$0.21	$0.02			
C29	01/11/2024	0.0900	▲12.50%	$0.12	$0.06			
CXO	01/11/2024	0.1100	▼- 4.35%	$0.40	$0.08		$0.090	▼-18.2%
CXU	01/11/2024	0.0100	0.00%	$0.06	$0.01			
DEV	01/11/2024	0.1300	▼-10.34%	$0.45	$0.11			
DYL	01/11/2024	1.3300	▼- 1.43%	$1.83	$0.91	-73.9	$1.900	▲42.9%
EL8	01/11/2024	0.3100	▼- 5.71%	$0.68	$0.26			

ERA	01/11/2024	0.0020	▲50.00%	$0.08	$0.00			
GLA	01/11/2024	0.0100	0.00%	$0.04	$0.01			
GTR	01/11/2024	0.0040	0.00%	$0.02	$0.00			
GUE	01/11/2024	0.0900	▲28.57%	$0.18	$0.05			
HAR	01/11/2024	0.0600	▲20.00%	$0.28	$0.03			
I88	01/11/2024	0.5000	0.00%	$1.03	$0.14			
KOB	01/11/2024	0.0900	▼-10.00%	$0.18	$0.07			
LAM	01/11/2024	0.8400	▲ 0.60%	$1.04	$0.48			
LOT	01/11/2024	0.2500	0.00%	$0.49	$0.20		$0.547	▲118.7%
MEU	01/11/2024	0.0400	▼- 4.88%	$0.06	$0.04			
NXG	01/11/2024	11.1300	0.00%	$13.66	$7.89		$16.200	▲45.6%
ORP	01/11/2024	0.0400	0.00%	$0.12	$0.03			
PDN	01/11/2024	10.0300	▼- 1.93%	$17.98	$8.15	27.0	$14.325	▲42.8%
PEN	01/11/2024	0.0900	▼- 1.08%	$0.15	$0.07		$0.260	▲188.9%
SLX	01/11/2024	5.3400	▲ 1.79%	$6.74	$3.01		$7.200	▲34.8%
TOE	01/11/2024	0.3400	▲ 4.84%	$0.70	$0.01			
WCN	01/11/2024	0.0200	▼- 9.09%	$0.03	$0.01			



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WEEKLY REPORTS

The Short Report - 07 Nov 2024

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

Summary:

Week Ending October 31st, 2024 (most recent data available through ASIC).

10%+

PLS 19.22
BOE 15.38
IEL 14.82
PDN 14.64
SYR 12.78
LTR 10.15
LYC 10.08

In: LYC Out: MIN

9.0-9.9%

MIN
DYL
DMP

In: DMP, MIN Out: LYC

8.0-8.9%

KAR
SYA
ADT

In: ADT Out: BGL, DMP, LOT

7.0-7.9%

CTD
CTT
SGR
BGL
LIC
SEK

In: BGL, CTT, SGR Out: ADT, DMP

6.0-6.9%

GMD
STX
RIO
AD8
WBT
IMU
JLG
NUF

In: JLG, NUF Out: CTT, WEB

5.0-5.9%

CUV
SLX
FLT
CHN
SFR
APE
NVX
NCK
ALD
DXS
LOT
IDX

In: ALD, NCK, LOT Out: NUF

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.3	0.3	NAB	0.8	0.8
ANZ	0.6	0.6	QBE	0.5	0.5
BHP	0.3	0.4	RIO	6.5	6.5
CBA	1.4	1.4	STO	0.9	1.0
COL	0.8	0.9	TCL	0.8	0.8
CSL	0.4	0.4	TLS	0.2	0.2
FMG	0.9	1.0	WBC	0.8	0.9
GMG	0.4	0.6	WDS	2.2	2.2
JHX	0.8	0.7	WES	0.7	0.7
MQG	0.6	0.5	WOW	0.5	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.

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WEEKLY REPORTS

In Brief: Retailers That Rock, James Hardie & Infomedia

Peek into the shifting dynamics of retailers, including Harvey Norman, James Hardie's upgrade, and Infomedia's transition.

-Finding the secret sauce for retail outperformance
-Is Harvey Norman in the firing line?
-James Hardie's share price reflects low expectations
-Infomedia looking to scale business

By Danielle Ecuyer

Quote of the week has moved to a snippet from MFS Investment Management on the US election.

"Election outcomes can have deep political, economic and social implications. Fortunately, the balance of power does not lie solely in the hands of an individual or a party, but rather in a system of distributed power replete with checks and balances.

"The push and pull of the political process has fostered an environment in which the US economy and equity market have become the largest in the world. In election years and other times of change, it is important for investors not to let news headlines knock them off course.

"Maintaining a disciplined investment approach, a long-term time horizon and a sensible rebalancing plan remains a sound approach in this election year, as in others."

What Factors Make a Successful Retailer?

Looking at offshore retail companies to examine the characteristics marking success, Jarden has identified a list of Australian retail companies prioritised as "category killers" and the strategic features driving out-performance.

The broker notes the sector has "bifurcated", necessitating a more "bottom-up" analysis rather than "top-down," meaning company-specific factors, rather than macro drivers, have a greater impact on earnings out-performance.

Jarden concludes the key success factors are market share gains, leading to growth in business revenues, as evidenced in JB Hi-Fi ((JBH)) and Wesfarmers ((WES)), specifically Bunnings and Kmart.

Margin expansion is also key, where businesses leverage scale to increase profits, as led by Wesfarmers, JB Hi-Fi, and Super Retail ((SUL)), while upward EPS surprises are also important, with some retailers necessitating positive EPS revisions.

Combining these factors, Jarden finds **successful companies are rewarded with a premium valuation multiple**. The same trend is seen overseas, with Walmart and Home Depot as examples. Notably, leading companies such as Dick's Sporting Goods and Germany's Ceconomy have succeeded despite increased competition from Amazon.

The "secret sauce" includes expanding total addressable markets through trade and retail or B2B options, private labels to boost margins, omni-channel marketing across e-commerce, product and service innovation, and loyalty programs to drive repeat business.

Domestically, the broker expects a more competitive market due to online marketplace growth, like Amazon, which will require higher capital investment and incumbents moving into adjacent categories.

Jarden anticipates, when it comes to market share gains, Wesfarmers, Woolworths Group ((WOW)), and Super Retail are most likely the primary beneficiaries. On EBIT margin, Coles Group ((COL)), Wesfarmers, and

Endeavour Group ((EDV)) are expected to lead.

In summary, Jarden sees JB Hi-Fi and Super Retail as the most attractive, assuming both retain momentum achieved over the last five years, with JB Hi-Fi potentially benefiting from a replacement cycle. Endeavour appears at risk of further de-rating, while Wesfarmers is viewed as fairly valued with Woolworths in a better position if the core business advances as anticipated by the analyst in 2H FY25.

Jarden has a Hold-equivalent rating on Coles, Super Retail, and Wesfarmers, with target prices of respectively $16.90, $16.60, and $61.20. Woolworths and Endeavour are rated Overweight, a ranking below Buy but above Hold.

Target prices are $37.30 for Woolworths and $6.00 for Endeavour. Endeavour's quarterly update is due for November 11, and Coles' AGM is scheduled for November 12.

Competitors Taking a Bite Out of Harvey Norman

Goldman Sachs has downgraded Harvey Norman ((HVN)) to Sell from Neutral, ahead of its AGM on November 27, citing a challenging macro environment.

The analyst expects market share losses in electronics and furniture as JB Hi-Fi and Officeworks, along with Amazon, gain market share.

In New Zealand, JB Hi-Fi plans to double its store count to circa 31 by FY27 from 14 in FY23. Harvey Norman operates 45 stores. Goldman believes consensus earnings forecasts are too high, with the analyst's EBIT estimates below consensus by -8% to -13%, between FY25 to FY27. The target price is reduced to $4 from $4.50.

James Hardie Receives an Upgrade

JP Morgan has previewed James Hardie Industries ((JHX)) ahead of its 2Q25 results on November 13, noting consensus earnings appear conservative at the lower end of management's guidance range.

Recent feedback from US building materials companies and builders suggests a slightly more positive outlook, with industry expectations for activity to pick up in 2025. Recent hurricanes may affect the December quarter, impacting Hardie's Florida plant and causing recovery delays.

Risks to guidance include hurricane impacts and margin pressure as other regional capacities are stretched and haulage prices impact costs. Much of the bad news is believed to be priced into the share price.

JP Morgan has raised its target price by 6% to $55.

Infomedia Refresh

Moelis initiates coverage on Infomedia ((IFM)) with a Buy rating and a target price of $1.88.

Infomedia operates globally, with a presence in over 186 countries and partnerships with more than 50 original equipment manufacturer brands. Headquartered in Sydney, and serving approximately 250,000 users, the company is a significant player in automotive software. Infomedia also has offices in Melbourne, the UK, Germany, and the USA.

The broker highlights Infomedia's strong global position in electronic part catalogues, under Microcat, and service workflow software, Superservice, which have built long-established relationships with car manufacturers and dealerships, supporting recurring revenues.

Leveraging its existing business, Infomedia is expected to expand into data analytics with Infodrive and e-commerce through SimplePart. Moelis believes the mature business generates sufficient cash to support this investment program. Microcat and Superservice provide a VIN-specific database (individual Vehicle Identification Numbers) covering over 1bn vehicles, offering insights into the parts and service markets.

Growing competition in the auto market, particularly from new Chinese brands, and an expanding fleet of "connected vehicles" present growth opportunities for Infomedia. As the company consolidates its databases and integrates systems, the analyst sees potential to unlock the "strategic value" of its portfolio, enabling more innovative products and services.

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WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 08-11-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

INTEGRAL DIAGNOSTICS LIMITED ((IDX)) Buy by Jarden.B/H/S: 0/0/0

Jarden reports Integral Diagnostics showed strong revenue growth in Q1, with Australian organic revenue up by 7.9%.

This outcome exceeds the broker's forecast of 6.5% for 1H25 but slightly trails Medicare benefits growth of 11.2% in Integral-weighted states.

New Zealand operations also performed well, with revenue growth of 10.2%, supported by specific contracts reintroducing indexation, explain the analysts.

The broker views the impending merger with Capitol Health ((CAJ)) favourably, noting potential synergies and benefits from the company's telehealth platform.

Jarden raises its 2025 EPS forecast by 8.8% and adjusts the target price to $3.72 from $3.67, anticipating the merger will be approved in December 2024. Buy.

Downgrade

IONEER LIMITED ((INR)) Downgrade to Underweight from Overweight by Wilsons.B/H/S: 0/0/0

Underpinned by the recent long-awaited award of the final federal permit for the Rhyolite Ridge project, ioneer shares have roughly doubled since August. With attention now turning to the next phase, Wilsons believes newsflow is likely to turn negative in the near term.

Accordingly, the broker makes estimate changes which have driven a -33% cut in target price to 20c, and double-downgrades its
rating on the stock to Underweight from Overweight.

The key potential negatives upcoming are the updated project economics, for which Wilsons expects a significant increase in capex, and material risk to the potential financing arrangements which ioneer has in place to fund that capex.

JAMES HARDIE INDUSTRIES PLC ((JHX)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

Jarden has downgraded James Hardie Industries to an Overweight rating from Buy and lowered the target price to $52.00 from $54.00 due to heightened short-term earnings risks.

The analyst points to the US housing market outlook which has softened, with affordability concerns and interest rate volatility affecting buyer sentiment, especially in key regions like Texas and Florida.

Rising commodity costs, notably pulp and cement, are further pressuring the company's margins.

Jarden lowers FY25 net income forecast to the lower end of management's guidance range.

Despite short-term headwinds, Jarden remains positive on the company's long-term growth potential, citing a strong position in the US repair and remodel market and an under-levered balance sheet.

LYNAS RARE EARTHS LIMITED ((LYC)) Downgrade to Hold from Buy by Canaccord Genuity.B/H/S: 0/0/0

Lynas Rare Earths' September quarter results show NdPr/REO production of 1.67kt/3.6kt, respectively, which are aligned with forecasts, but sales lagged due to a weaker product mix, Canaccord Genuity highlights.

Revenue reached $128m, below consensus due to slower Kalgoorlie ramp-up and capex impacts from the Mt Weld expansion.

Despite a recent 20% increase in NdPr prices, Canaccord Genuity notes Lynas continues to match production to demand, moderating Kalgoorlie's ramp to complete the expansion by mid-2025.

Target price lifts to $7.50 from $7.40. The stock is downgraded to Hold from Buy on valuation grounds.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	INTEGRAL DIAGNOSTICS LIMITED	Buy	Buy	Jarden
Downgrade				
2	IONEER LIMITED	Sell	Buy	Wilsons
3	JAMES HARDIE INDUSTRIES PLC	Buy	Buy	Jarden
4	LYNAS RARE EARTHS LIMITED	Neutral	Buy	Canaccord Genuity

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
A11	Atlantic Lithium	$0.23	Wilsons	0.85	1.05	-19.05%
AGN	Argenica Therapeutics	$0.76	Petra Capital	1.15	1.14	0.88%
ALQ	ALS Ltd	$14.80	Jarden	14.25	14.20	0.35%
AMN	Agrimin	$0.14	Canaccord Genuity	N/A	0.89	-100.00%
APX	Appen	$2.13	Canaccord Genuity	2.35	1.20	95.83%
ASB	Austal	$3.40	Petra Capital	3.70	3.14	17.83%
CIA	Champion Iron	$6.12	Goldman Sachs	7.50	7.60	-1.32%
COL	Coles Group	$17.43	Goldman Sachs	18.50	19.10	-3.14%
			Jarden	16.90	17.10	-1.17%
CPU	Computershare	$29.22	Jarden	30.50	30.10	1.33%
CTD	Corporate Travel Management	$12.21	Wilsons	12.26	12.43	-1.37%
CTT	Cettire	$1.39	Petra Capital	1.38	1.15	20.00%
CVV	Caravel Minerals	$0.16	Canaccord Genuity	0.60	0.65	-7.69%
DMP	Domino's Pizza Enterprises	$30.10	Petra Capital	32.00	34.40	-6.98%
DRR	Deterra Royalties	$3.71	Canaccord Genuity	4.70	5.30	-11.32%
EXP	Experience Co	$0.13	Canaccord Genuity	0.23	0.24	-4.17%
FFM	FireFly Metals	$1.22	Moelis	1.50	1.30	15.38%
FLT	Flight Centre Travel	$16.12	Goldman Sachs	17.50	18.30	-4.37%
GLN	Galan Lithium	$0.16	Petra Capital	0.36	0.38	-5.26%
GOR	Gold Road Resources	$1.79	Canaccord Genuity	2.45	2.35	4.26%
			Moelis	2.40	2.30	4.35%
IDX	Integral Diagnostics	$3.06	Jarden	3.72	3.67	1.36%
IGO	IGO Ltd	$5.28	Jarden	8.28	8.53	-2.93%
INR	ioneer	$0.21	Wilsons	0.20	0.30	-33.33%
JBH	JB Hi-Fi	$81.81	Goldman Sachs	54.40	52.90	2.84%
			Jarden	68.00	64.80	4.94%
JHX	James Hardie Industries	$48.35	Jarden	52.00	54.00	-3.70%
LRK	Lark Distilling Co	$1.17	Canaccord Genuity	1.50	1.20	25.00%
			Moelis	1.25	1.00	25.00%
LTR	Liontown Resources	$0.82	Jarden	0.68	0.90	-24.44%
LYC	Lynas Rare Earths	$8.02	Canaccord Genuity	7.50	7.15	4.90%
MDR	MedAdvisor	$0.25	Moelis	0.45	0.53	-15.09%
MFG	Magellan Financial	$10.59	Jarden	9.90	10.00	-1.00%
MIN	Mineral Resources	$38.46	Goldman Sachs	41.00	45.00	-8.89%

			Jarden	31.20	32.00	-2.50%
ORG	Origin Energy	$9.87	Goldman Sachs	10.30	10.45	-1.44%
PBH	PointsBet Holdings	$0.84	Jarden	1.00	0.95	5.26%
PLS	Pilbara Minerals	$3.01	Jarden	3.30	3.70	-10.81%
PYC	PYC Therapeutics	$0.19	Wilsons	0.39	0.37	5.41%
SDR	SiteMinder	$6.70	Wilsons	7.60	7.20	5.56%
SMI	Santana Minerals	$0.60	Canaccord Genuity	1.16	3.40	-65.88%
SPZ	Smart Parking	$0.72	Petra Capital	1.02	0.73	39.73%
SYR	Syrah Resources	$0.28	Jarden	0.57	0.66	-13.64%
TPW	Temple & Webster	$11.40	Jarden	14.01	14.30	-2.03%
UNI	Universal Store	$7.61	Jarden	8.97	7.88	13.83%
			Petra Capital	8.25	7.50	10.00%
			Wilsons	8.30	8.40	-1.19%
WBC	Westpac	$31.51	Jarden	30.00	29.20	2.74%
WGX	Westgold Resources	$2.84	Canaccord Genuity	4.40	4.30	2.33%
			Petra Capital	3.82	3.60	6.11%
WOW	Woolworths Group	$29.64	Jarden	37.30	38.60	-3.37%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

CCP CREDIT CORP GROUP LIMITED

Business & Consumer Credit Overnight Price: $17.17

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

Canaccord Genuity observes Credit Corp's 1Q25 trading update reflecting 12% year-on-year growth in US collections, driven by strong productivity and a streamlined headcount.

Australian debt-buying collections have stabilised, the analyst notes, while Australian lending shows steady demand with a decline of -6% in new customer volumes compared to the prior year.

Management's FY25 net profit after tax guidance remains at $90-100m, with an anticipated 17% growth mid-point.

Canaccord Genuity remains Buy rated with $20.70 target.

This report was published on October 29, 2024.

Target price is **$20.70** Current Price is **$17.17** Difference: **$3.53**
If **CCP** meets the Canaccord Genuity target it will return approximately **21%** (excluding dividends, fees and charges).
Current consensus price target is **$19.33**, suggesting upside of **11.8%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **70.00** cents and EPS of **138.00** cents.
At the last closing share price the estimated dividend yield is **4.08%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **12.44**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **142.0**, implying annual growth of **90.6%**.
Current consensus DPS estimate is **71.5**, implying a prospective dividend yield of **4.1%**.
Current consensus EPS estimate suggests the PER is **12.2**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **77.00** cents and EPS of **152.00** cents.

At the last closing share price the estimated dividend yield is **4.48%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.30**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **161.5**, implying annual growth of **13.7%**.
Current consensus DPS estimate is **80.5**, implying a prospective dividend yield of **4.7%**.
Current consensus EPS estimate suggests the PER is **10.7**.

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

DTL DATA#3 LIMITED.

IT & Support Overnight Price: $7.38

Jarden rates ((DTL)) as Neutral (3)

Data#3 reported 1Q25 update which aligned with Jarden's expectations, showing stable guidance and a reduced risk of downgrades, with EBIT growth projected at 6.7% year-on-year.

The analyst notes despite challenges in hardware, the company's strengths in software and services are expected to drive medium-term growth, particularly through AI adoption and a strong position in Copilot licenses.

Jarden emphasises Gartner forecasts increased IT spending in Australia and anticipates the trend will suppot Data#3's growth outlook.

Data#3 is Neutral rated with $8.54 target price. The analyst's EPS estimates for FY25-27 remain unchanged.

This report was published on October 31, 2024.

Target price is **$8.54** Current Price is **$7.38** Difference: **$1.16**
If **DTL** meets the Jarden target it will return approximately **16%** (excluding dividends, fees and charges).
Current consensus price target is **$8.88**, suggesting upside of **18.3%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** EPS of **30.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **24.60**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **30.7**, implying annual growth of **9.6%**.
Current consensus DPS estimate is **26.9**, implying a prospective dividend yield of **3.6%**.
Current consensus EPS estimate suggests the PER is **24.5**.

Forecast for FY26:

Jarden forecasts a full year **FY26** EPS of **34.20** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **21.58**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **33.6**, implying annual growth of **9.4%**.
Current consensus DPS estimate is **30.2**, implying a prospective dividend yield of **4.0%**.
Current consensus EPS estimate suggests the PER is **22.4**.

Market Sentiment: **0.3**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

EOS ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Hardware & Equipment Overnight Price: $1.36

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

Canaccord Genuity highlights Electro Optic Systems posted a solid third quarter, achieving $77m in cash receipts, an outcome slightly down year-on-year. There was a cash balance of $55m at quarter's end.

Management maintains robust cash flow expectations and anticipates multiple contract opportunities in Q4, including potential wins in Europe and the Middle East.

Canaccord Genuity retains a Buy rating and a target price of $1.85.

This report was published on November 1, 2024.

Target price is **$1.85** Current Price is **$1.36** Difference: **$0.485**
If **EOS** meets the Canaccord Genuity target it will return approximately **36%** (excluding dividends, fees and charges).
The company's fiscal year ends in December.

Forecast for FY24:

> Canaccord Genuity forecasts a full year **FY24** dividend of **0.00** cents and EPS of **minus 14.15** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 9.65.**

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 1.43** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 95.45**.

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

IFM INFOMEDIA LIMITED

Automobiles & Components Overnight Price: $1.37

Moelis rates ((IFM)) as Initiation of coverage with Buy (1)

Moelis initiates coverage of Infomedia with a Buy rating and a target price of $1.88.

The broker highlights stable core businesses, including electronic parts catalogues (Microcat) and service workflow software (Superservice), which provide a recurring revenue base.

These businesses also support new growth initiatives in data analytics (Infodrive) and e-commerce (SimplePart), explains the analyst.

Moelis notes Infomedia's strategy aligns with industry trends, including leveraging data to improve OEM and dealership profitability and enhancing customer experiences.

The broker forecasts FY25 earnings to be skewed towards the second half, supported by cost control and the timing of price increases.

The analyst also points to the substantial cash position, which provides flexibility for capital management and potential acquisitions.

This report was published on November 7, 2024.

Target price is **$1.88** Current Price is **$1.37** Difference: **$0.51**
If **IFM** meets the Moelis target it will return approximately **37%** (excluding dividends, fees and charges).

Current consensus price target is **$2.08**, suggesting upside of **51.0%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **4.50** cents and EPS of **7.00** cents.
At the last closing share price the estimated dividend yield is **3.28%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **19.57**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **6.8**, implying annual growth of **101.2%**.
Current consensus DPS estimate is **4.7**, implying a prospective dividend yield of **3.4%**.
Current consensus EPS estimate suggests the PER is **20.3**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **4.90** cents and EPS of **7.50** cents.
At the last closing share price the estimated dividend yield is **3.58%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **18.27**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **8.3**, implying annual growth of **22.1%**.
Current consensus DPS estimate is **5.1**, implying a prospective dividend yield of **3.7%**.
Current consensus EPS estimate suggests the PER is **16.6**.

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

PBH POINTSBET HOLDINGS LIMITED

Gaming Overnight Price: $0.83

Jarden rates ((PBH)) as Buy (1)

Jarden reports that PointsBet delivered positive 1Q25 results with top-line growth across Australia and Ontario, maintaining FY25 guidance for earnings (EBITDA) of $11-16m.

In Australia, PointsBet achieved a 7% net win growth in the September quarter to $57m, note the analysts, benefiting from new product features and expanded customer offerings.

Ontario saw a 62% net win growth in online sports betting and iGaming, highlighted the broker, with PointsBet continuing to build out its iGaming content.

Despite a seasonally weak cash flow period, PointsBet reiterated its FY25 target for net cash flow breakeven.

Jarden raises the target price to $1.00 from $0.95 and retains a Buy rating.

This report was published on November 1, 2024.

Target price is **$1.00** Current Price is **$0.83** Difference: **$0.165**
If **PBH** meets the Jarden target it will return approximately **20%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 1.40** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 59.64**.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **0.00** cents and EPS of **5.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **16.70**.

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

SDR SITEMINDER LIMITED

Travel, Leisure & Tourism Overnight Price: $6.75

Wilsons rates ((SDR)) as Overweight (1)

Wilsons maintains an Overweight rating on SiteMinder, increasing the target price to $7.60, driven by anticipated growth through the company's Smart Products, C-plus, DR-plus and SD.

The broker believes SiteMinder's projected 30% revenue growth in FY25 relies on these products following.

Wilsons explains DR-plus adoption is expected among small and mid-market properties, while larger chains may continue with third-party revenue management system solutions.

The company's DR-plus model, featuring a 1% commission structure, aims to capture more revenue per booking.

Revenue from DR-plus and C-plus is forecast by the analyst to contribute around $20m by FY26 and $60m-$70m by FY27, essential to sustaining 30% growth.

Overweight. Target $7.60.

This report was published on November 4, 2024.

Target price is **$7.60** Current Price is **$6.75** Difference: **$0.85**
If **SDR** meets the Wilsons target it will return approximately **13%** (excluding dividends, fees and charges).
Current consensus price target is **$6.85**, suggesting upside of **1.0%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 3.90** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 173.08**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **-3.5**, implying annual growth of **N/A**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **N/A**.

Forecast for FY26:

Wilsons forecasts a full year **FY26** dividend of **0.00** cents and EPS of **2.50** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **270.00**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **1.8**, implying annual growth of **N/A**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **376.7**.

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

SPZ SMART PARKING LIMITED

Hardware & Equipment Overnight Price: $0.76

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

Petra Capital finds Smart Parking undervalued relative to SaaS peers based on the "rule of 40" analysis, which combines growth and EBITDA margin to evaluate SaaS quality, applying a revised 17x EV/EBITDA multiple.

The analyst views the upcoming AGM on 15 November and possible policy changes under Queensland's new government, which could benefit private parking operators as two potentially positive events.

Target price lifts to $1.02 from $0.73. The broker highlights strong prospects in the new Denmark market, expected to enhance profitability through improved gross margins and faster cash conversion cycles due to digital processing.

Buy rating retains. Petra Capital emphasises the company's robust recurring revenue model and potential for further offshore expansion.

This report was published on November 1, 2024.

Target price is **$1.02** Current Price is **$0.76** Difference: **$0.265**
If **SPZ** meets the Petra Capital target it will return approximately **35%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Petra Capital forecasts a full year **FY25** dividend of **0.00** cents and EPS of **2.20** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **34.32**.

Forecast for FY26:

> Petra Capital forecasts a full year **FY26** dividend of **0.00** cents and EPS of **3.30** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **22.88**.

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

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