WEEK 50

FINANCIAL NEWS, ANALYSIS & DATA

STORIES TO READ FROM FNArena

Friday, 13 December 2024

The 2024 Gen.Ai Xmas Special, Incl 2025 Outlook

Rudi's View: Best Buys & Smaller Cap Favourites

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Financial News, Data & Analysis

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AUSTRALIA

The Market In Numbers - 7 Dec 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	07 Dec 2024	Week To Date	Month To Date (Dec)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
NZ50	12809.590	-1.97%	-1.97%	3.11%	8.83%	9.32%
All Ordinaries	8689.30	-0.11%	-0.11%	1.77%	10.98%	8.43%
S&P ASX 200	8420.90	-0.18%	-0.18%	1.83%	10.94%	8.41%
S&P ASX 300	8352.00	-0.19%	-0.19%	1.74%	10.83%	8.35%
Communication Services	1691.40	-0.01%	-0.01%	6.18%	6.50%	12.67%
Consumer Discretionary	4010.80	1.73%	1.73%	4.48%	23.78%	14.22%
Consumer Staples	11777.30	0.57%	0.57%	-5.52%	-4.33%	-4.85%
Energy	8513.80	-1.02%	-1.02%	-6.74%	-19.85%	-15.13%
Financials	8938.00	-0.55%	-0.55%	8.72%	33.04%	16.73%
Health Care	45623.10	-0.26%	-0.26%	3.52%	7.75%	3.09%
Industrials	7691.50	0.31%	0.31%	3.28%	12.02%	12.92%
Info Technology	2923.00	1.96%	1.96%	7.57%	59.47%	24.83%
Materials	16916.70	0.15%	0.15%	-7.64%	-13.20%	0.23%
Real Estate	3937.80	-2.65%	-2.65%	-2.81%	17.63%	10.51%
Utilities	8974.70	-1.27%	-1.27%	-0.10%	9.72%	-3.34%
A-REITs	1796.70	-2.69%	-2.69%	-2.78%	19.59%	10.61%
All Technology Index	4028.60	1.63%	1.63%	15.97%	49.54%	28.39%
Banks	3739.30	-0.92%	-0.92%	8.68%	34.53%	17.03%
Gold Index	9025.10	1.08%	1.08%	3.48%	22.50%	22.67%
Metals & Mining	5492.00	0.31%	0.31%	-8.34%	-15.07%	-1.05%

The World

Index	07 Dec 2024	Week To Date	Month To Date (Dec)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
FTSE100	8308.61	0.26%	0.26%	0.87%	7.44%	1.77%
DAX30	20384.61	3.86%	3.86%	5.48%	21.69%	11.79%
Hang Seng	19865.85	2.28%	2.28%	-6.00%	16.53%	12.12%
Nikkei 225	39091.17	2.31%	2.31%	3.09%	16.81%	-1.24%
DJIA	44642.52	-0.60%	-0.60%	5.46%	18.45%	14.12%
S&P500	6090.27	0.96%	0.96%	5.69%	27.68%	11.53%
Nasdaq Comp	19859.77	3.34%	3.34%	9.18%	32.30%	12.00%

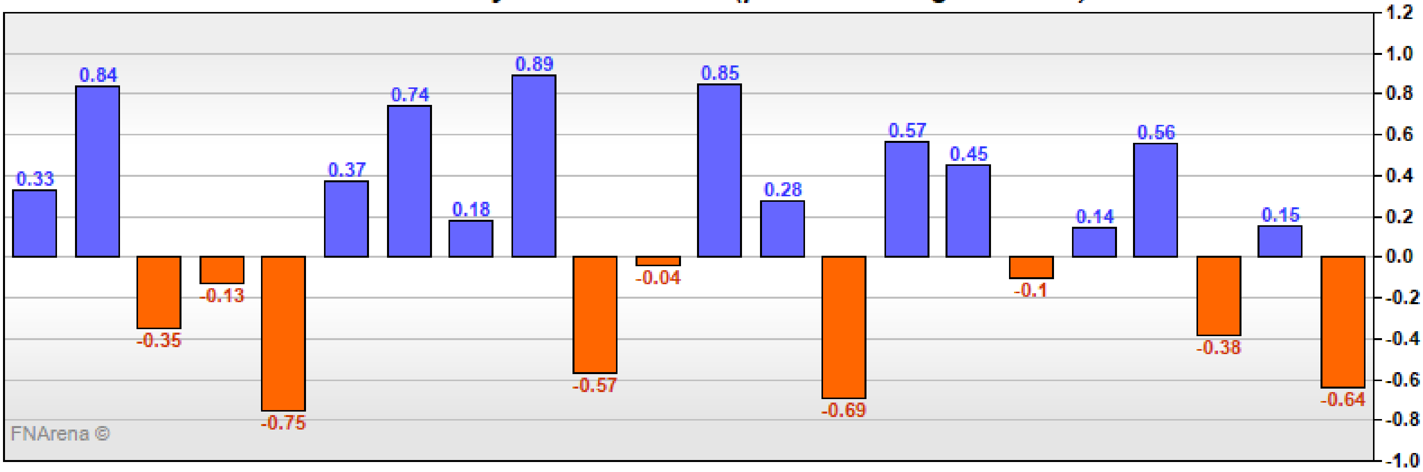
Metals & Minerals

Index	07 Dec 2024	Week To Date	Month To Date (Dec)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
Gold (oz)	2654.59	-0.27%	-0.27%	-1.00%	29.84%	13.54%
Silver (oz)	31.83	3.75%	3.75%	-0.25%	30.56%	8.82%
Copper (lb)	4.2027	1.72%	1.72%	-8.61%	10.37%	-3.02%
Aluminium (lb)	1.1904	1.97%	1.97%	0.32%	22.43%	5.86%
Nickel (lb)	7.1836	-0.96%	-0.96%	-6.32%	-3.41%	-7.64%
Zinc (lb)	1.4005	2.00%	2.00%	1.05%	24.53%	5.61%
Uranium (lb) weekly	77.25	-0.32%	-0.32%	-5.79%	-10.17%	-7.21%
Iron Ore (t)	106.29	2.84%	2.84%	14.31%	-23.11%	-0.21%

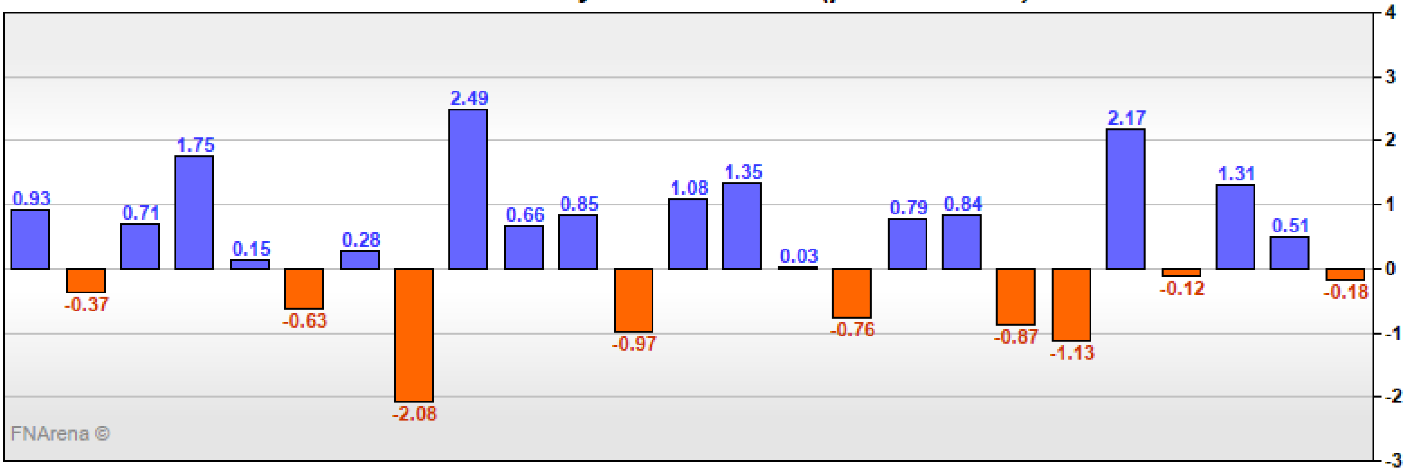
Energy

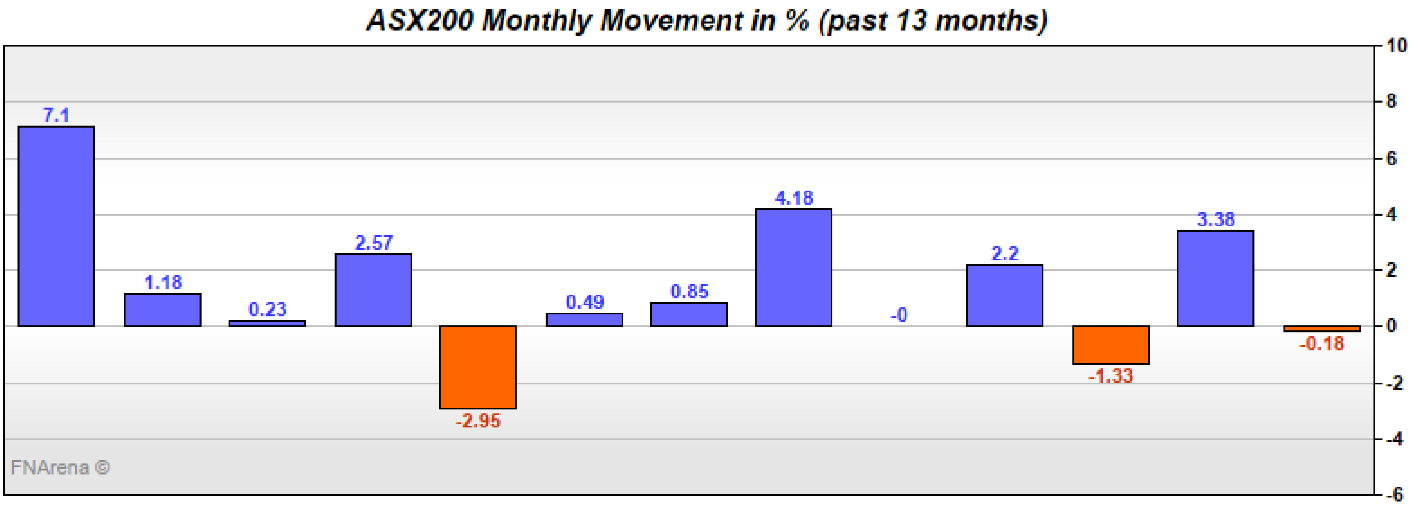
Index	07 Dec 2024	Week To Date	Month To Date (Dec)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
West Texas Crude	68.47	-0.60%	-0.60%	-0.25%	-7.23%	-16.36%
Brent Crude	72.20	-0.66%	-0.66%	0.92%	-8.91%	-15.50%

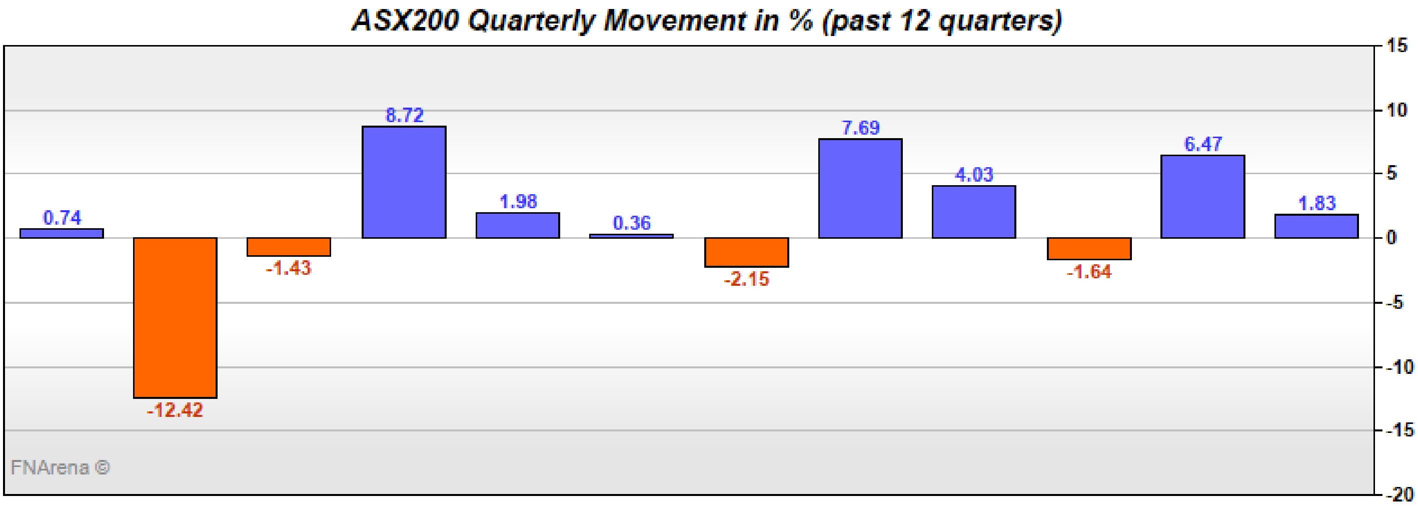
ASX200 Daily Movement in % (past 22 trading sessions)



ASX200 Weekly Movement in % (past 25 weeks)







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

Rio Tinto Looks Into The Future

Rio Tinto's investor seminar outlined near, medium and long term growth plans with a focus on copper, lithium and to a lesser extent, its primary iron ore business.

-Rio Tinto has faith in the energy transition
-Growth in copper and lithium production the focus
-Iron ore awaits the ramp-up of new production
-Capex up, but dividend policy unchanged

By Greg Peel

Rio Tinto's ((RIO)) 2024 investor seminar presented a mixed message of more muted near-term performance --lower production and higher capex-- but a clearer pathway to around a 3% compound annual volume growth rate into the medium and longer term.

Growth will be led by lithium, copper and, to a lesser extent, iron ore. Rio believes it can deliver the growth while maintaining a solid base dividend.

2025 guidance is mixed, UBS suggests. Iron ore shipments flat year on year are below consensus with the mid-term outlook unchanged, while aluminium is performing in line with expectation and copper is also in line with UBS. Not in line, however, with Ord Minnett, who suggests Rio's copper growth target is -10% below market expectations and provided the key "talking point" of the seminar.

Capex guidance is lifted to -US$11bn for 2025 from -US$10bn. There was no update on unit costs, but management reassured inflation pressures have moderated.

Copper

Copper production is guided to 780-850kt in 2025, up 120-125kt year on year, consistent with the Oyu Tolgoi (Mongolia) underground ramp-up accelerating next year and Escondida (Chile) mining through high-grade ore.

Updates on Kennecott Utah Copper were limited, which was disappointing for Macquarie, and did not answer questions for Citi. The company continues to optimise the mine plan and costs at the site which were impacted by geotechnical challenges, and suggests Kennecott will "normalise" in 2027 when geotech issues are addressed and the 30ktpa-plus underground mine has ramped up.

In Ord Minnett's view, lower output from Kennecott is the likely culprit for the weaker than expected copper production guidance. Rio now aggregates production guidance to one line for copper, Citi notes, making it difficult to see what the Kennecott geotech impact is for 2025 on the revised mine plan.

The company still targets 1mt of copper production by 2030, up from around 690kt in 2024, mainly from Oyu Tolgoi.

Meanwhile, Rio has agreed to form a joint venture with Sumitomo, which will pay US$399m for 30% of the Winu copper-gold project in the Pilbara. Rio will remain majority owner and operator. The joint venture will complete a pre-feasibility study in 2025.

With regard further M&A in copper, "It is so expensive to buy copper today", according to Rio's copper CEO.

Lithium

While copper has been the benchmark base metal since the invention of electricity, it is today considered a "future-facing" metal by the big miners given anticipated demand growth as the world further electrifies. On that theme, where goes copper goes lithium.

Rio has a **high conviction on the energy transition** which underpins its constructive lithium demand growth outlook of five times growth by 2050. The company plans to build Rincon (Argentina) with a nameplate capacity of 60ktpa lithium carbonate, which is 13% larger than previous guidance and 20% larger than Macquarie's prior estimate.

The proposed acquisition of Arcadium Lithium ((LTM)) is expected to complete in the second quarter next year. Arcadium's global operations include facilities and projects in Argentina, Australia, Canada, China, Japan, the UK, and the US.

Combined with its own developments Jadar in Serbia and Rincon in Argentina, the Arcadium acquisition would position Rio Tinto as the world's number three lithium miner and lift its annual total production of lithium carbonate equivalent to more than 450kt by 2033 from some 75kt tonnes currently.

Yet, Macquarie notes half of the growth has higher uncertainly and relies on successes in greenfield development, key permits (Jadar) and new technologies (DLE expansion). No capex indications were provided.

Goldman Sachs sees the possibility of Rio forming a joint venture with Codelco in Chile that could see it vend its DLE (direct lithium extraction) technology and help fund early-stage project development. Rio sees the potential to accelerate investment in near-term production assets of Arcadium in Argentina and Canada once it has obtained full ownership.

Iron Ore

Rio's 2025 Pilbara iron ore guidance of 323-338mt is flat year on year and expected to feature an elevated share of lower grade ore (lower cost but lower realised price) to the 65-70mt produced in 2024, which represented 20% of production, UBS notes.

Depletion remains volatile, with -12mt in 2024 lifting to -19mt in 2025 then -5-10mt in each of 2026 and 2027. The start of Western Range in the first half next year, which will require a 12 to 18 month ramp-up to around 25mtpa, and a further volume uplift of some 5mtpa through efficiency gains, help keep guidance flat.

Goldman Sachs continues to think the 80mtpa development of the high-grade Rhodes Ridge deposit has the potential to be significant for Rio's Pilbara business as it offers accretive blending options as well as lifting system capacity, thereby utilising spare rail and port infrastructure. Goldman believes this will help close the free cash flow per tonne gap with BHP Group ((BHP)) over the medium to long run.

The Simandou project in Guinea, Africa's largest mining and related infrastructure project, is on time and on budget, but further expansion is unlikely. 2025 volumes will be "minimal", Morgan Stanley notes, while long-term expansion beyond full project production of 120mtpa is unlikely given infrastructure (port) constraints. Pushing volumes further requires a deep sea port, which would raise capital intensity substantially, according to management.

First ore from Simandou is targeted in late 2025, followed by rail completion in 2026, and port at full capacity in early 2028. Rio aims to reach full capacity of 60mt in late 2028. The implied 36-month ramp-up is faster than Macquarie had forecast, and the broker still sees risk to full system utilisation.

Rio believes the long-term outlook for iron ore is robust, driven by urbanisation and industrialisation of the "Global South". Management noted there are more than two billion people in countries for which GDP per capita will lift to the level at which economies typically become more steel-intensive.

Management expects crude steel production to grow to 2.1bn tonnes by 2040, from 1.9bn tonnes in 2023, and estimates 40% of supply will need to be replaced over next ten years.

Capital Management

Rio's capital allocation policy is unchanged. The company aims to maintain a solid 'A' credit rating and will return excess cash to shareholders after the base dividend policy of a 40-60% payout, though management has sustained 60% for many years, UBS notes, and would like to maintain this level.

Management would like to have the flexibility to implement a share buyback and will discuss this with Chinalco, which currently owns 14.9% of shares. Rio believes it does "not make economic sense to collapse the DLC" (dual listing company structure UK-Australia) despite shareholder pressure.

Rio does not see the DLC as an impediment to the business and the cost to collapse it is high (more than US$5bn), and most growth going forward is outside of Australia which implies little in the way of franking credits. The company says it is still considering issuing Ltd (Australia) shares to finance Arcadium, which is currently bridge-financed, as this will increase the free float and could help lower the Ltd-Plc spread.

A Lot to Absorb

Taking all of the above into account, brokers have fiddled their valuation models and made (minor) adjustments to earnings forecasts, resulting in either a higher or lower target price.

The net result among the six brokers monitored daily by FNArena covering Rio Tio is a less than a dollar consensus target increase to $127.17.

Between them, there are three Buy or equivalent ratings and three Hold, unchanged post the investor seminar. This compares to five Buys and one Hold for rival BHP.

Goldman Sachs is among brokers reducing their targets, down -1% to $135.10, while maintaining a Buy rating.

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

AUSTRALIA

The 2024 Gen.Ai Xmas Special, Incl 2025 Outlook

A Christmas special with a deep dive into why Generative AI remains a growing tour de force for both enterprises, consumers, economies and investors. What's in store for 2025?

-Gen.Ai Robotics are big business
-Extracting productivity gains might come more slowly
-Investing in Gen.Ai is not an "if" but a "when" for companies
-Big Tech embracing sustainable goals
-Goodman Group boosts shareholder value
-Microsoft adds AI value to Suncorp

By Danielle Ecuyer

"The approaching year is sure to come with its own well-choreographed drama. Like the falling snow in Finnish December, markets are certain to descend from lofty heights at some point next year. And when they do, the pundits --the GenAI skeptics-- will flare up, emboldened by any dip, to parade their arguments adjusted for the developments they may not have expected so far.

These proclamations, which will echo the halls of digital media during the bear phases, will revolve around the theme that GenAI is nothing but a bubble ready to burst. Fundamentally, they will revolve around perceived capability lacks, insufficient use cases, overzealous investment, stagnating model improvements, or perhaps the ever-controversial valuations.

While such articles are as inevitable as the holiday season, those harboring doubts might find engaging with the quiz below prudent. It might just offer a moment of reflection. During some future moments of dread, these questions may help settle at least one doubt: GenAI is not a hoax. It has enormous use cases and staggering utility."

Nilesh Jisani, Founder GenInnov Global Innovation Fund dishes the sceptics with his Christmas GenAi Quiz, available at https://geninnov.ai/blog/bah-humbug-a-christmas-quiz-for-the-genai-skeptics.

Suffice to say as at late 2024 large language models are part of countless apps and platforms which makes estimates of the number of users difficult but is currently placed at nearing or over one billion.

The future is AI robotics

Robotics is not new, but AI-enhanced robotics has the potential to change the world, according to Citi. Cutting across a swathe of end users, robots have a role in autonomous vehicles, domestic cleaning, drones, humanoids, food service, caring, food and grocery deliveries, and labour substitution in manufacturing.

Citi estimates four billion AI-robots will be in operation by 2050. In the robotic vacuum cleaner market, Euromonitor highlights the market has grown at a compound annual growth rate of 13% between 2018-2023, reaching US$7bn in value in 2023 from US$3.8bn in 2018.

Citi cites forecasts from four independent sources suggesting the market size will grow to US$24.8bn by 2030, a 22% annual compound growth rate from 2023. Autonomous vehicles are identified as one of the largest potential markets for AI robotics. Citi's research forecasts global level 3 and above autonomous vehicles will rise to around 380m in 2035 from 27m in 2024 and to 1.9bn by 2050.

Staggering the technology, there are five levels of vehicle automation, from level zero (no automation) to level five (full automation). Levels one and two, which many cars possess, include adaptive cruise control, lane departure alerts, or collision warnings. Level three allows autonomous driving with human intervention at the ready, while level four enables full automation without a steering wheel or pedals.

Under level three, including Tesla's self-driving offering, 70m miles of autonomous driving on US roads occurred in 2024, a 59% rise from July 2023. Waymo has driven over 25m miles and has been authorised to drive without a driver in San Francisco since August 2023. The company achieves 100,000 rides per week. Citi anticipates 1.8bn autonomous vehicles by 2050.

Humanoids are highlighted as one of the newest robotic developments. Tesla is reportedly using humanoid robots in its factories to change light bulbs, according to a fund manager who observed the robots in action. Manufacturing and warehouses are environments where humanoid robots hold the most promise, followed by households and commercial premises for cleaning.

AI-enhanced robots can take on increasingly complex tasks and environments with autonomous decision-making capabilities.

"The rapid development in humanoid robotics hardware will undoubtedly continue at pace, though it is unclear how far these systems will progress beyond basic capabilities such as locomotion and pick-and-place tasks. Endowing large, pre-trained models with explicit reasoning ability remains a frontier in AI and will unlock broader deployment of robotics where agents act and interact in the physical world."

The above quote is froim Ingmar Posner, Professor of Applied Artificial Intelligence, Department of Engineering Science, Oxford University.

Citi draws multiple conclusions on AI robotics. The pace and rate of change in some markets, such as cleaning, are accelerating. Others, like autonomous vehicles, are positioned at the bottom of the S-curve. Time-saving robots are likely to be embraced by humans for various functions, including cleaning, caring, and personal assistance.

Businesses and government departments, like defense, are also expected to adopt robotics to address staff shortages, enhance supply chains, and bolster intelligent defense capabilities amid rising geopolitical risks.

Citi estimates the total addressable market for humanoid robots could reach US$7trn, with capital readily flowing into these markets. China is a leader in industrial robot installations, innovation patents, and price reductions. Robots are also expected to exert deflationary effects on wages and interest rates.

The broker concludes AI robots have the potential to create new roles, augment existing ones, or substitute them.

"Given significant change lies ahead, AI robots will not wait for workers to catch up."

Quote from Citi's report *The Rise of AI Robots. Physical AI is Coming for You.*

<u>Benefits of Gen.Ai remain in question</u>

Shaw and Partners took a deep dive into "AI and its potential impact on productivity and economic growth".

Historically, productivity improvements were driven by manufacturing, where innovative technological applications provided tangible benefits, such as fewer people producing the same output. However, productivity gains in services have been harder to achieve due to the labour-intensive nature of the work. AI has the potential to boost productivity in service markets, though the broker notes insufficient data to ascertain current impacts.

Shaw highlights more than half the slowdown in global GDP growth stems from declining productivity when comparing 1955-2005 with 2006-2019 in the US. This was exacerbated by declining labour force participation and slower growth in the working-age population.

In conclusion, Shaw observes AI has the potential to offset demographic headwinds to GDP growth by increasing productivity. The broker sees promising potential impacts in the services sector, differing from historical productivity advancements in technology.

However, the broker notes the outcome remains "somewhat intangible," concluding AI is likely to represent an evolution for productivity and GDP growth rather than a revolution.

<u>Companies must invest in Gen.Ai to stay relevant</u>

RBC Capital sees generative AI as an imperative for companies to remain competitive in the long term.

While margins may be impacted in the short term due to investment costs, the broker believes the jury is out on whether implementation will result in margin growth, likening it to the "debatable" savings from cloud adoption.

The broker envisions Gen.Ai boosting internal processes such as product development and enhancing operational efficiency. RBC describes Gen.AI as a *"highly data-consumptive artificial intelligence technology"* capable of producing various content types, including text, images, audio, and synthetic data.

AI models are trained using thousands of GPUs in data centres, which consume significant amounts of electricity. This has implications across industries, including software, internet, semiconductors, real estate, industrial equipment, data centres, bandwidth providers, utilities, and energy providers.

RBC observes cloud sales from hyperscalers continue to reflect momentum, with capacity constraints limiting demand, as noted in recent quarterly earnings calls. Microsoft cited power and data centre supply constraints, while Google Cloud mentioned agreements to adopt small modular reactor power.

Capital expenditure by hyperscalers remains robust, with increases anticipated in 2025 for cloud, AI, and addressing capacity constraints. One of the key factors for Gen.Ai is compute efficiency as AI models scale and transition from training to inference.

"Inference Phase: Once the model is trained, it enters the inference phase, where it applies what it has learned to new data inputs to generate outputs. This could be anything from classifying images, predicting stock prices, translating languages, or generating text", Microsoft Co-Pilot explains.

RBC details sector implications for monetising AI, highlighting accelerated revenue growth for software companies, improved developer productivity, reduced app development costs, enhanced security needs for Gen.Ai, increased creativity, improved sales and marketing outcomes, and better enterprise contact centre outputs.

Data centre operators and utilities are facilitating the energy needs for Gen.Ai compute. RBC explains the substantial demand increase is driven by AI workloads, leading to rising demand for liquid cooling systems for "high-density" compute.

Major US data centre operators like Equinix are investing -US$15bn as part of a joint venture to expand AI capacity for hyperscalers. **NextDC (**(NXT)) is also seeing increasing demand from cloud and AI sectors, shifting to "build-to-suit" models for these industries.

Investment in data centres and digital infrastructure has become the asset class of choice for major asset managers like Ares, Blackstone, and Blackrock; all are acquiring platforms and scaling operations.

<u>Technology companies embracing sustainability</u>

S&P Global's Market Intelligence highlights key takeaways from US and European technology earnings calls over the last eight years, noting a shift in management priorities toward sustainability. Data centres, which consume large amounts of energy, are becoming a focal point as companies align sustainability goals with business objectives.

The number of sustainability mentions in tech earnings calls has risen significantly, increasing 60% in 4Q 2019 after the UN Climate Action Summit and reaching 80% by 4Q 2021 post-COP26. European companies tend to focus on regulatory compliance, while US firms prioritise innovation, profitability, and customer loyalty.

S&P sees an intersection between growth, innovation, and sustainability as companies pursue low-carbon solutions and ambitious decarbonisation targets, while also securing increased energy supply.

<u>Goodman set to extract earnings value</u>

Barrenjoey highlights the strategic re-direction of **Goodman Group** ((GMG)) towards data centre development alongside moving up the value chain, indicating a convergence of its earnings model with pure play NextDC's model.

Management at Goodman aims to increase its data centre pipeline while retaining developments as operating assets, which is expected to materially lift earnings. The broker estimates Goodman's data centre pipeline at $245m, up from $125m, with around 50% retained as economic interests or delivering 60% of its 7.5GW power bank as operating assets.

Barrenjoey notes the shift away from traditional core, shell, and turnkey projects under real estate leases allows Goodman to attract a "deeper pool" of tenants. The analyst forecasts data centre work in progress will rise to 80% from 42% of the total pipeline, with development backlogs taking 17 years to complete due to the scale and lead times of the sites.

Goodman's annual production is expected to grow to above $10bn by FY28 from $6.5bn currently.
Data centre revenue from operating assets is anticipated to be three to four times higher than traditional development, with pricing of US$100kUS$200k per KW per month.

Through-the-cycle gross margins are forecast at 80%.

Barrenjoey has this week upgraded Goodman Group to a Buy-equivalent rating from Sell-equivalent and raised its target price to $41 from $35.

Suncorp grabs the Microsoft AI bulls by the horns

"Having established the right foundations through cloud migration, engineering excellence, digitisation and automation, we are now working together to safely deploy GenAI as scale and transform our end-to-end operations",
Suncorp's CIO Adam Bennett stated this week.

Microsoft and **Suncorp Group** ((SUN)) announced the extension of an existing agreement for another five years to advance the integration of AI at scale across Suncorp's operations. The deal includes the addition of Azure OpenAI and Microsoft 365 Copilot to enhance efficiency in processing claims for customers and improve everyday work processes for employees.

Having experimented with large language models before ChatGPT was widely released, Suncorp is now actively investigating 120 AI use cases, of which twenty will be implemented in FY25.

The (now) pure play insurer highlighted the use of Azure OpenAI services for generating a unified view of a claim, reducing the time per claim and saving between five and thirty minutes per claim review, depending on case complexity.

Tech and Gen AI Christmas goodies for 2025

Technology specialist and investment bull Dan Ives sows the seeds of further upside for 2025 with the Wedbush Top 10 Christmas List for the Tech sector in 2025.

Against a backdrop of a changing regulatory environment and a more business-friendly Trump administration, Ives points to an expected 50% increase in M&A activity in the tech sector, including the publicly listed space, with Lina Khan leaving the FTC regulatory body. Activity across software, cybersecurity, AI infrastructure, and consumer tech is anticipated.

Under a base case, US tech stocks are expected to rise another 25%, driven by the AI revolution and the second/third derivatives of the **"tidal wave of tech spending"** and AI capex.

Apple is anticipated to become the first US$4trn market cap stock as the iPhone 16 brings the AI revolution to the company and to consumers, delivering a new super cycle for the company. Apple is expected to ship more than 240m iPhones in 2025, setting an annual record.

Ives also flags Nvidia and Microsoft will follow Apple into the exclusive US$4trn club as the AI revolution enters its next growth phase.

A pathway to AI capex of US$1trn in 2025 is described as probable with the *"next wave of use cases and software buildout across the consumer and enterprise landscape."*

Tesla is expected to achieve a US$2trn market cap by the end of 2025, with the autonomous story ascribed a US$1trn value. The Tesla narrative depends on full self-driving, autonomous vehicles, and the launch of Cybercab in early 2026.

Antitrust headwinds should ease, and concerns over structural changes to Big Tech might not be as severe as previously flagged.

Cybersecurity is expected to continue as a "robust sub-sector" and could grow by 30% over the next year, supported by an acceleration in cloud and AI growth, as well as M&A.

Top-performing Palantir is expected to become the next Oracle and continues to be considered the most "underappreciated" tech stock.

Lastly, Elon Musk is expected to play a significant role in the China tariff talks in 2025, with Apple, Tesla, and Nvidia likely to achieve *"carve-outs in this game of high-stakes poker between DC and Beijing."*

FNArena's dedicated section to Gen.Ai: https://fnarena.com/index.php/tag/gen-ai/

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COMMODITIES

Material Matters: Base/Bulk Metals & Stock Picks

A glance through the latest expert views and predictions about commodities. Brokers update 2025 outlooks and mining stock preferences for 2025.

-Copper down short term, up long term
-Alumina up, reflecting on aluminium
-Ongoing strength in gold
-Lithium weakness to continue
-Sector analysts' stock preferences

By Greg Peel

Dear readers, China's Politburo issued a statement overnight suggesting more proactive fiscal policy, moderately loose monetary policy, extraordinary counter-cyclical adjustments to boost consumption forcefully and to stabilise property and the stock market.

All the research mentioned in today's story was written and published before the Politburo statement.

Copper

Following the short-lived rally after China's stimulus announcements in September, the copper market has turned cautious in recent months, RBC Capital notes, as China's stimulus efforts have yet to have a noticeable impact and Trump's election win has brought fresh concerns around tariffs which may impact Chinese and global growth.

It may take a few months before we see clarity, as was the case in 2016 when the first Trump administration threatened and later applied tariffs, hence the copper price may be rangebound to start 2025, but RBC is optimistic any new tariffs won't have a significant impact on copper demand and fundamentals will reassert themselves.

On the demand side, a combination of global rate cuts and fiscal stimulus can drive higher global industrial production. RBC forecasts a similar increase in supply as new mines ramp up which could keep the market largely balanced in 2025.

After that, the analysts don't see much supply that has been sanctioned, and forecast growing deficits from 2027 onwards which could lead to a period of **substantially higher prices**.

RBC has trimmed its 2025 copper price estimate to US$4.00/lb from US$4.50/lb, 2026 to US$4.50/lb from US$5.00/lb as it forecasts balanced markets in both years and maintains US$5.00/lb from 2027-2028 and US$4.00/lb long term from 2029.

The analysts continue to see rising deficits in the coming years which would require higher incentive prices to spur a supply response, thus medium and long term price forecasts may prove conservative.

RBC further sees a **positive multi-year story for copper**, believing the energy transition including renewable energy, EVs and the associated grid improvements can drive strong demand for copper, while the data centre build-out could also add a new layer of demand. This growing demand is set against an aging supply base without much new supply committed to come online post 2025, and it's getting harder to build new mines due to rising costs and social issues.

For this reason, RBC believes a period of higher prices is needed to spur investment in new copper mines and maintains an estimate for 2027-2028 of US$5.00/lb. This price could be conservative if demand accelerates, the analysts suggest, and the mining industry struggles to build new supply.

The outlook for commodities has deteriorated since November, UBS notes, and prices for major commodities have all retraced on concerns that Trump's proposed tariffs will drive lower global growth and headwinds from a stronger US dollar, and China's stimulus will underwhelm. There is significant uncertainty on the impact of potential tariffs and magnitude of China stimulus going into 2025 and, as a result, it is too early for UBS to turn positive on all industrial metals.

UBS prefers commodities underpinned by compelling supply dynamics and demand supported by energy transition applications, being copper and aluminium, as well as gold, which benefits from lower real rates and geopolitical uncertainty.

A less favourable macro backdrop is not typically bullish for copper, but UBS remains constructive and expects the physical market to be tighter in 2025 due to supply constraints and demand holding up, albeit not accelerating.

The broker still expects mine supply growth in 2025 to be modest (around 2%) and refined production to be weaker with record low benchmark smelter fees and tightening of the scrap market to result in smelter closures.

Macquarie is Underweight copper in the near term but more constructive longer term.

Aluminium

The aluminium market is facing multiple challenges, ANZ Bank analysts note, including changes to trade policies, supply disruptions of bauxite and alumina, and sanctions. China's recent cancellation of the 13% export rebate will impact aluminium flows through the first quarter 2025, and lower smelter margins can make small producers unprofitable.

Additionally, Trump's proposed import tariffs are likely to keep the US spot premium elevated. But while shifting trade policies create uncertainty around supply flows, the tightness in raw materials and narrowing smelter margins will have a more profound impact on the market, ANZ believes.

In Africa, Guinea Alumina Corporation's suspension of bauxite exports has worsened global supply, ANZ points out, lifting the price of raw material to a record high. If GAC does not resume exports, the tightness will persist into 2025. And higher alumina prices will increase production costs, subduing smelter profits.

Aluminium production growth in China is likely to plateau due to a 45mt capacity limit and environmental regulations, ANZ suggests. This will leave global output growth at 2.3% or 73.5mt in 2025. With demand growing at 3% to 74mt, the market will be undersupplied. ANZ believes a negative market balance will protect the downside for aluminium prices near US$2,400/t.

RBC Capital has raised its long-term aluminium price by 9% to US$1.20/lb to reflect higher long-term alumina prices.

Macquarie is Overweight alumina and Equal-weight aluminium.

Gold

RBC Capital has raised its 2025 gold price forecast by 6% to US$2,823/oz. The analysts' scenario ranges outline approximate price upside by 2025 to US$3,100/oz and downside to US$2,500/oz, with these ranges now a large positive skew versus spot.

Despite a post-election dip to around US$2,550/oz from record highs, current prices are attractive against RBC's 2025 expectations, which are supported by easing monetary policies and solid investment demand. While its 2029 long term forecast remains at US$2,200/oz, RBC's mid-term prices for 2026-2028 have risen by an average of 11%, reflecting growing mining costs and the positive bias of the analysts' model.

UBS remains constructive on gold, expecting the price to be supported by lower US real rates, heightened geopolitical uncertainty and increasing allocations by central banks.

Macquarie is Equal-weight on gold, although ahead of consensus forecasts.

And the Rest

Along with alumina, Macquarie is Overweight metallurgical coal.

Along with aluminium and gold, Macquarie is Equal-weight nickel.

Along with copper, Macquarie is Underweight iron ore, lithium, zinc, manganese and thermal coal. Longer term, Macquarie is more constructive on both copper and lithium.

For iron ore, over the near-term RBC Capital is cautiously optimistic on Chinese demand. The analysts forecast iron ore to increase to US$110/t in the first quarter 2025 due to restocking and a seasonal dip in seaborne supply, and forecasts US$100/t in 2025.

On met coal, RBC also remains upbeat on the fundamentals for 2025 as it expects Indian steel production to rise and China to remain stable. The analysts maintain a price estimate for next year of US$250/t.

RBC has once again pulled down price forecasts for lithium. Nevertheless, recent production cuts will significantly narrow the market surplus through to 2027, the analysts note, and recent strong demand and drawdown inventory in China are encouraging.

RBC forecasts lithium chemicals to be in surplus next year, but feedstock/spodumene will likely see deficits during periods of high demand, being the second and fourth quarters.

Stock Preferences

Given RBC's upgrades to gold price forecasts, the largest forecast increases have come from its gold equity coverage. There is a 12% average rise in price targets for gold stocks under coverage, which consist of pure-play companies except for Evolution Mining ((EVN)), which has some 30% copper exposure.

Among RBC's coverage, companies with limited or no hedging include Westgold Resources ((WGX)), Regis Resources ((RRL)), De Grey Mining ((DEG)), which is set to be taken over by Northern Star Resources ((NST)), Gold Road Resources ((GOR)),.Evolution Mining, and St Barbara ((SBM)).

More hedged gold miners include Vault Minerals ((VAU)), Bellevue Gold ((BGL)), and Northern Star.

Overall, RBC's covered gold equities are up 15% in 2024, behind the gold price at 35%. Equity performance has caught up in recent months (FY25 to date 20% equities versus 17% gold). RBC has argued FY25 guidance would be more reliable than in past years due to improving industry conditions.

From a global perspective, RBC has listed eight gold producer preferences, but none of them are Australian.

A weaker Aussie dollar sees Macquarie increase gold stock target prices by around 3%. Newmont Corp ((NEM)) is the broker's preferred large cap given downgraded guidance and asset sale proceeds. Vault Minerals is the preferred mid-cap, given strong free cash flow growth. Macquarie has downgraded Capricorn Metals ((CMM)) to Neutral from Outperform after meeting expected share price catalysts.

Over RBC's base-and-bulks coverage, the analysts see smaller moves with price targets moving on average 2-3% higher (ex-lithium). RBC's Outperform recommendations in the sector include South32 ((S32)), Fortescue ((FMG)), Sandfire Resources ((SFR)), and Mineral Resources ((MIN)).

South32 is RBC's top pick in the diversified space, given large mark to market upgrades, a strong balance sheet and free cash flow, and total shareholder return upside. RBC continues to favour BHP Group ((BHP)) over Rio Tinto ((RIO)) in the large-cap diversified segment, given its near-term copper growth and relative outperformance in the iron ore businesses.

For Fortescue, RBC retains an Outperform rating, on further near-term upside for iron ore and a compelling FY25 free cash flow yield despite an elevated capex outlook.

In its global coverage, RBC has three preferences, one of which is Champion Iron ((CIA)), which is, after all, Canadian.

RBC's lithium coverage has seen large negative revisions as the analysts lower lithium price forecasts, with price targets falling on average -3-5%. Nevertheless, RBC sees value across the space, with Pilbara Minerals ((PLS)) and IGO Ltd ((IGO)) the key picks.

Globally, RBC's top name is Pilbara Minerals.

Globally, RBC has four preferred copper equities, one of which is Capstone Copper ((CSC)).

Macquarie likes Capstone Copper due to its strong organic growth, Whitehaven Coal ((WHC)) for met coal due to deleveraging, and Champion Iron in iron ore.

South 32 sees 59% earnings upgrades from Macquarie in FY25 (off a small base) due to alumina price upgrades, while BHP sees -1-5% downgrades in FY25/26 due to met coal price downgrades. RIO sees 3-4% upgrades in 2024/25 due to alumina upgrades. Fortescue's earnings increase 15%-11% in FY25/26 predominantly due to the weaker Aussie, while Mineral Resources also sees earnings upgrades.

Lower lithium price forecasts are offset by weaker Aussie across Macquarie's coverage. This broker prefers IGO over other names, due to its tier-1 exposure to Greenbushes, but upgrades several smaller producers as it believes lithium prices have reached a bottom.

Macquarie downgrades Nickel Industries ((NIC)) to Neutral from Outperform due to lower nickel price forecasts.

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RUDI'S VIEWS

Rudi's View: Best Buys & Smaller Cap Favourites

Today's update includes:

-Dividend Investing, The Smart Way
-Focus On 2025
-Best Buys & Conviction Calls

By Rudi Filapek-Vandyck, Editor

Dividend Investing, The Smart Way

Back in 2011, I researched and wrote up a case study comparing retailer David Jones to Super Cycle Beneficiary Rio Tinto ((RIO)) and asked investors the following question:

You are allowed to go back ten years but you can only buy one of these two and you have to hold the shares for the full ten years, which one do you choose?

Most investors would choose Rio Tinto, of course, and take the underperforming option. As it turned out, David Jones paid out Rio Tinto's total return in dividends over that period, with the capital appreciation, which was significant, the proverbial cherry on top.

The 'secret' is to find a decent dividend paying company that has a lot of growth potential while cyclical companies like Rio Tinto, well, they are cyclical with lots of ups and downs along the way, even when supported by a Super Cycle.

Not everyone might have understood the message at the time, but the key lesson for investors is to not solely focus on the 'yield' that is on offer, but equally consider the quality and reliability of earnings that support the dividend, as well as 'growth'.

Investors in Australia, on my observation, often forget to pay attention to growth.

The key lessons from that exercise were later applied to the local banking sector in an FNArena Special Report titled *Dividend Investing, The Smart Way* which is available for paying subscribers via the Special Reports section on the website: https://fnarena.com/index.php/analysis-data/special-reports/

The reason as to why I am remembering all of this is because **analysts at Wilsons** published a similar case study this week, comparing **TechnologyOne** ((TNE)) with **National Australia Bank** ((NAB)) and the numbers are equally surprising.

Back in 2009, Wilsons recalls, both stocks looked cheaply valued offering a yield of circa 5%, but one was a great buy and the other not so. Investors who bought $100,000 worth of TechOne shares 15 years ago and held on to them up until today would have received the princely sum of $25,000 in dividends just this year.

Those who put that money into NAB shares instead saw the bank paying out no more than $6000 in 2024.

The difference is because one has had consistent double-digit growth over that period, the other has had hardly any growth. Compare the pair, as they say.

Taking the lessons from that exercise on board, Wilsons has screened the ASX for the better dividend investments a la TechOne instead of NAB, starting with a minimum grossed up yield greater than 3% on FY27 forecasts.

That screening led to the following 18 companies, which does include a number of cyclicals (but then Wilsons' horizon only stretches out to FY27):

-Santos ((STO))
-HealthCo REIT ((HCW))
-Super Retail ((SUL))
-Telstra ((TLS))
-ANZ Bank ((ANZ))
-Rural Funds Group ((RFF))
-Collins Foods ((CKF))
-South32 ((S32))
-Coles Group ((COL))
-Ridley Corp ((RIC))
-Worley ((WOR))
-Transurban ((TCL))
-Steadfast Group ((SDF))
-The Lottery Corp ((TLC))
-Scentre Group ((SCG))
-Sandfire Resources ((SFR))
-Macquarie Group ((MQG))
-Car Group ((CAR))

In a different document, Wilsons strategists offered the following assessment of Australian equities for the year ahead:

"*[...] the local sharemarket is at risk from over-optimistic valuations relative to the tepid growth outlook. We continue to focus on companies with company specific growth drivers (often global).*"

Focus On 2025

'Tis that time of the year when everybody who counts in the world of investing offers their educated guesstimates and outlook for the year ahead. This always opens up wide gaps between preferences and return projections as small differences (can) make significant impacts on forward projections.

As reported previously, this year in particular the gaps seem notoriously wide, depending on whether one forecasts significant stimulus from China, and by when, and whatever the views and expectations are for four more years of a revitalised Trump presidency.

Locally, the one crucial question remains when the RBA will --finally-- deliver its first rate cut and how many can possibly follow next? Most economists are still prepared to forecast a better environment for household spending, also helped by falling inflation and the latest tax cuts (there will be an election too).

Strategists at **T Rowe Price** have chosen the glass-half-full approach, believing the US economy will be a net beneficiary in 2025 and the US share market, as a result, will broaden its momentum away from this year's narrow leadership.

T Rowe Price in particular likes financials and industrials, sectors that have been historically undervalued on the asset manager's assessment, with smaller caps also back on the radar. Emerging Markets, on the other hand, do not have the strategists' blessing. Tariffs and a strong USD are too much to deal with right now.

In Australia, slow growth remains on the menu, but reduced spending by over-indebted state governments should take care of this year's inflation resilience. Resilient inflation, however, might well prove next year's problem in the US, which is why T Rowe Price portfolios are currently overweighted to cash.

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Next year's **outlook by ANZ Bank** is built around three key assumptions:

-no economic recession as private sector balance sheets are healthy
-the Trump presidency will prove more disruptive than destructive
-China's stimulus will remain largely structural

Plus equally important: the USD is now so excessively strong that more upside will remain limited, even with ongoing positive newsflow.

Putting it all together, Group Chief Economist and Head of Research Richard Yetsenga advises "Much like 2024's interest rate purgatory, 2025 is likely to be about assessing the twists and turns rather than looking for one dominant theme".

Here are next year's key ingredients as far as ANZ Bank is concerned:

-A more modest central bank easing cycle, which is already priced in by bond markets
-Metals and energy likely to perform strongly in 2025 (as Trump's plans for energy are facing headwinds)
-Tariffs and trade actions will inject volatility into commodity markets for which 2025 is likely to be a "volatile year"
-China's structural slowdown poses headwinds for iron ore and coking coal but with limited downside to prices because of limited supply growth
-Gold is poised to rise, pulling other precious metals along

For Australia, ANZ is forecasting a "soft landing" with only two RBA rate cuts. The AUD is expected at US67c by year-end 2025.

****

Strategists at Macquarie remain of the view that PE ratios have rallied too hard in 2024 and 2025 will, at the very least, see a small contraction in multiples, which means next year's investment returns will be a lot more dependent on companies achieving actual earnings growth.

Shorter term, Macquarie prefers a defensive focus in portfolios. As the world continues to rely on US consumers' spending, US exceptionalism is likely to continue, hence Macquarie stays Overweight US equities.

Macquarie's proprietary FOMO Meter is signalling investor sentiment has not been this bullish since 1990. Incidentally, risk appetite according to the S&P Global Investment Manager surveys is now the highest since April 2021.

The offset is the S&P500 might well post its strongest annual performance in 25 years by December 31.

****

A sobering observation from **Morgan Stanley**: "Bond yields in China have declined to fresh lows for the year. What this suggests is that investors appear not to be convinced that the easing measures will reflate the economy.

"Sustainable reflation requires a sizeable fiscal expansion that is tilted towards supporting consumption."

****

Stockbroker Morgans sees plenty of opportunities in beaten-down **biotechnology** stocks. The broker has pretty much spent the whole week past trying to seduce its clientele into considering taking up some exposure.

The suggestion made is to compile a basket of exposures, combining higher risk/more speculative options with lesser risk peers that should represent a higher degree of success.

Nominated among High Risk options are:

-Neurizon Therapeutics ((NUZ))
-Percheron Therapeutics ((PER))

To be combined with lesser risky options, such as:

-Dimerix ((DXB))
-Clarity Pharmaceuticals ((CU6))
-Opthea ((OPT))

Finally, a list of clinically validated options:

-EBR Systems ((EBR))
-Avita Medical ((AVH))
-Neuren Pharmaceuticals ((NEU))
-Imricor Medical Systems ((IMR))

****

RBC Capital organised a joint collaboration between consumer and retail research teams across the US, Canada, Europe, Asia and Australia to compile a global list of Top Picks for investors looking to expose their portfolio towards **consumer spending** and companies leveraged to it.

The end result has been a short list of ten stocks, like Chewy and Planet Fitness in the US, Ferrari in Italy and LVMH Moet Hennesy Louis Vuiton in France. Two ASX-listed companies made the list: Webjet Group ((WEB)) and Domino's Pizza Enterprises ((DMP)).

****

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

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

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

Since the last update, IPH Ltd ((IPH)) and AUB Group ((AUB)) are no longer included, and Qualitas has been added. Jarden only recently initiated coverage and clearly likes Qualitas' prospects and potential.

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

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

Here, National Storage ((NSR)) has lost its inclusion since the prior update.

****

Macquarie has updated its selection of **best fundamental picks among quality mid-cap companies** on the ASX:

-AUB Group ((AUB))
-Breville Group ((BRG))
-Ebos Group ((EBO))
-Flight Centre ((FLT))
-Fisher & Paykel Healthcare ((FPH))

-Integral Diagnostics ((IDX))
-Lovisa Holdings ((LOV))
-Nick Scali ((NCK))
-Megaport ((MP1))
-Monash IVF ((MVF))
-Propel Funeral Partners ((PFP))
-Pinnacle Investment Management ((PNI))
-Qualitas ((QAL))
-Reliance Worldwide ((RWC))
-Ventia Services ((VNT))

Best Buys & Conviction Calls

Ord Minnett's lists of preferred stocks on the ASX :

CORE BLUE CHIP

-BlueScope Steel ((BSL))
-Brambles ((BXB))
-CSL ((CSL))
-Insurance Australia Group ((IAG))
-James Hardie ((JHX))
-Santos ((STO))\
-Telstra ((TLS))
-Westpac Bank ((WBC))

VALUE (INCOME)

-Dexus Convenience Retail REIT ((DXC))
-Medibank Private ((MPL))
-Metcash ((MTS))
-Qantas Airways ((QAN))
-Rio Tinto ((RIO))
-Vicinity Centres ((VCX))
-Ventia Services Group ((VNT))

SMALL CAPS

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

GROWTH

-Aristocrat Leisure ((ALL))
-Hub24 ((HUB))
-Judo Capital ((JDO))
-Lynas Rare Earths ((LYC))
-Qube Holdings ((QUB))
-ResMed ((RMD))
-WiseTech Global ((WTC))

-Macquarie Group ((MQG))
-Xero ((XRO))

****

RBC Capital's selection of Global Best Ideas in the Energy sector still includes Woodside Energy ((WDS)).

****

Crestone's freshly updated **Best Sector Ideas** are an attempt to identify the best in breed business models for major industry group sectors for long-term oriented investors. Anticipated performance over the next three years is part of the key considerations.

The selection consists of 17 companies (no changes made since the prior update):

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

Crestone's selection of **sustainable dividend growers** consists of 22 names, with equally no changes made since the prior revision. Historically, the stock pickers remind investors, companies that grow dividends consistently can offer superior long-term return for those who own them.

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

****

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

-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))
-Ramsay Health Care ((RHC))
-IDP Education ((IEL))

****

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

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

****

Wilsons' Australian Equity Focus Portfolio:

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

-HealthCo Healthcare & Wellness REIT ((HCW))
-Goodman Group ((GMG))
-WiseTech Global ((WTC))

****

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)).

****

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))

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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))

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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))

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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))

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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))

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

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

<u>Resources</u>
-Rio Tinto ((RIO))
-Newmont Corp ((NEM))
-Red 5 ((RED))

<u>Energy & Utilities</u>
-Santos ((STO))
-Strike Energy ((STX))
-AGL Energy ((AGL))

<u>Healthcare</u>
-ResMed ((RMD))
-CSL ((CSL))
-Regis Healthcare ((REH))

<u>Consumer stocks</u>
-Qantas Airways ((QAN))
-ARB Corp ((ARB))

<u>Communication Services & Technology</u>
-Xero ((XRO))
-Seek ((SEK))
-Telstra ((TLS))

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

<u>Real Estate</u>
-Vicinity Centres ((VCX))

-Waypoint REIT ((WPR))

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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))

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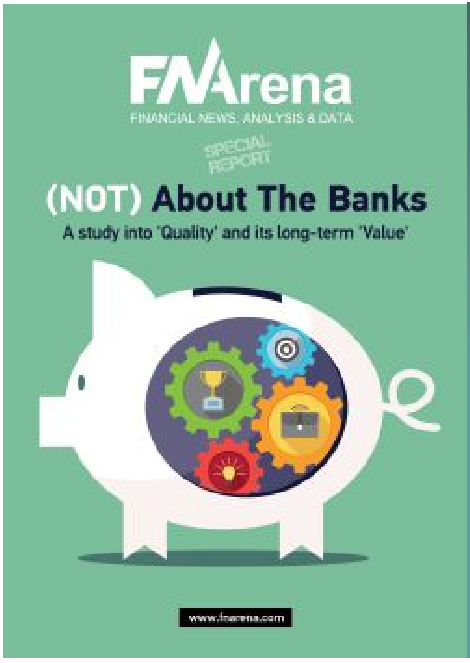

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SMALL CAPS

Acrow's Contact Win & Record Pipeline

Acrow secures a major contract in an emerging segment as strong civil and infrastructure demand builds a record pipeline of projects.

-Acrow wins large new contract, record project pipeline
-Higher recurring revenues from mix shift toward Industrial Access
-Hire contract wins jump by 57% so far in FY25
-Moelis praises superior products and technical solutions

By Mark Woodruff

Management at integrated construction systems services provider Acrow ((ACF)) plans to sustain strong earnings growth by capitalising on robust civil and infrastructure demand and leveraging a record project pipeline.

In an overall high-margin business, the rapidly growing Industrial Access segment plus Formwork business leadership drive ongoing contract wins and hire revenue momentum, explained broker Moelis when initiating research on Acrow in mid-October.

A standout $56m contract with Snowy Hydro for scaffolding labour hire was a major win around 16 months ago, and management this week announced the company's second-largest Industrial Access contract, worth $42m, for the Ceres Urea Plant in Western Australia, set to become one of the world's largest urea facilities.

The term Access refers to temporary systems designed to ensure safe and efficient movement of personnel and equipment on construction sites, including modular scaffolding systems that provide vertical and horizontal access across construction sites. These and various other systems are integral to Acrow's mission of enhancing construction safety, efficiency, and project mobility.

Shaw and Partners notes the Ceres Access contract was secured through a competitive tender process, with Acrow's ownership and leasing model for scaffolding equipment being a key factor in the successful outcome.

This latest contract is a significant opportunity for profit growth within a relatively new segment, suggests the broker.

Operating across six Australian states, Acrow is one of Australia's largest formwork and scaffolding companies servicing the civil infrastructure, industrial (energy, pulp, paper, and mining), commercial, and high-rise residential sectors.

The business is divided into three segments: Formwork, Industrial Access, and Commercial Scaffold which accounted for 56%, 33%, and 11% of FY24 revenue, respectively.

Formwork relates to temporary moulds into which concrete or other material is poured to support concrete structures during construction. Revenue in this segment is generated through dry hire, renting out formwork materials and systems without operators or additional services, yielding a 70% contribution margin.

In a key leading indicator of future performance, according to Morgans, management advised at the November AGM hire contract wins increased by 57% to $33.8m in the first four months of FY25.

While FY25 guidance suggested a lower EBITDA margin, this analyst viewed this as expected given the sales mix shift toward Industrial Access, which offers lower margins but more recurring revenue, compared to the higher margin yet more cyclical Formwork segment.

Morgans emphasised management's strong capital allocation over time, with return on equity (ROE) improving to 27% in FY24 from 17% in FY20.

<u>Competitive environment</u>

Delivering a key point of difference from major competitors, the company has around fifty dedicated engineers providing technical solutions as well as innovative products, highlighted Moelis.

The global scaffolding and formwork market is dominated by several large multinational companies, notably Doka GmbH, Peri SE, Altrad RMD Kwikform, and Layher, while locally smaller competitors include ASX-listed Big River Industries ((BRI)) and Oldfields Holdings ((OLH)).

Moelis noted comparisons with local peers are limited due to differences in service offerings, scale, and scope of operations.

The analysts believe Acrow is undervalued compared to peers, even accounting for size and liquidity, trading at an approximate -42% discount to the median peer price-to-earnings multiple for FY25.

October's trading update

Acrow reported a 51% increase in new hire contracts in the first quarter, reaching a record $24.8m, compared to 17% growth in FY24.

Petra Capital attributed this uptick to a high conversion rate from the FY24 tender pipeline of $189m.

New contract wins highlighted the strength of Acrow's competitive position, and the benefits being derived from its broadening suite of products and services, noted Petra Capital, while providing a good lead indicator for FY25 revenues.

Given a record level of secured hire contract wins for the quarter, which followed a record level of contract wins in June, this broker envisaged upside risk to its forecasts.

The key risk to the analyst's EPS estimates remains construction project delays, noting circa $600m of road and rail project funding deferrals were a key contributor to Australia's FY24 budget surplus.

Moelis recently noted any periods of low construction activity could heighten the risk of Acrow failing to replace completed projects with new work, while margins can potentially face pressure from aggressive tendering by engineering and construction firms competing for fewer opportunities.

Outlook

Following November's AGM trading update, Morgans felt the outlook for Acrow remained strong on the back of elevated civil infrastructure activity and a growing pipeline of opportunities.

At the same time, Ord Minnett noted the company was well-placed to either meet or exceed FY25 guidance, supported by strong new hire contract win momentum, a record pipeline and regained momentum in Industrial Access.

With FNArena's daily coverage Ord Minnett, Morgans and Shaw and Partners all have Buy (or equivalent) ratings and an average target of $1.30 suggesting around 20% upside to the latest share price.

Outside of daily coverage, Moelis and Petra Capital have Buy ratings with respective targets of $1.41 and $1.32.

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SMALL CAPS

Generation Development, The Next Hub24?

Could Generation Development experience a similar long growth runway as Hub24?

-Morgan Stanley thinks Generation Development can mimic Hub24 in years ahead
-Fast-growing Managed Accounts, Lonsec's increasing market share
-Relationship between model managers and platforms

By Mark Woodruff

In new research released by Morgan Stanley, the analysts claim specialist provider of innovative tax-effective investment solutions Generation Development ((GDG)) could be the next Hub24 ((HUB)), a notable assertion considering Hub24's 7.5-fold share price increase since June 2020.

Anticipating "excellent" shareholder returns for Generation Development, the broker cites Hub24's success as evidence Australian wealth-exposed businesses with industry-leading value propositions in structural growth segments can achieve sustained high earnings growth over long periods.

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

Already, the market leader with approximately 5% market share, Lonsec is positioned to capture a significant portion of the Managed Accounts industry's growth, the research asserts, via both M&A activity and organic expansion, supported by a doubling of the total addressable market (TAM) to $500m in funds under management (FUM) by FY29.

Financial reporting by segment is split between Generation Life (Investment Bonds), Lonsec (Managed Accounts), Lonsec (Research & Ratings), and Generation Life (Annuities).

Co-existence of platforms and model managers

While investment platforms like Hub24 help implement/facilitate portfolios (e.g. buying/selling securities) and any subsequent rebalances, Model Managers like Lonsec help manage portfolios to meet objectives such as growth and income for the Managed Account.

Morgan Stanley explains financial advisers need both Platforms and Model Managers to use Managed Accounts, noting Platforms are unlikely to vertically integrate given portfolio management is not their core competency, and Model Managers may threaten to move to alternative platforms.

Happily, Managed Account structural tailwinds benefit both Platforms and Model Managers.

Managed Accounts

Managed Accounts will be the company's fastest growing division with Morgan Stanley forecasting a 22% revenue compound annual growth rate (CAGR) from FY24 to FY29, closely followed by Investment Bonds with an estimated 20% CAGR.

Managed Accounts are benefiting from rising adviser adoption, boosting productivity and efficiency, while Investment Bonds gain from growing demand for tax-efficient growth and alternatives to superannuation, explains the broker.

Managed Accounts have been a key driver in funds under management (FUM) growth for platforms like Hub24 and Netwealth Group ((NWL)).

Investment Bonds

In the case of investment bonds, here the company is already garnering 50% of industry inflows and FUM is proving very sticky given the tax benefits from holding for longer than 10 years.

When initiating its own research on Generation Development back in March, Ord Minnett stated superannuation reform and an ageing population both provide a significant tailwind for demand in Australia.

Appealing to individuals with higher marginal tax rates, investment bonds can hold a broad range of asset classes, with earnings and distributions taxed at a maximum effective rate of 30%, but the actual effective tax rate incurred can be substantially lower, due to tax credits and active tax management strategies.

A dominant market position in Investment Bonds, annuities and Managed Accounts should provide Generation Development a scale advantage, enabling investment in more product innovation, and allowing increasing expenditure in areas like sales and marketing, to drive fixed cost leverage, points out Morgan Stanley.

For the remaining segments, Ord Minnett explains Research offers lower growth potential, yet the estimated 8% CAGR is highly predictable, and while the Annuities segment is loss-making, it gives management high-option value given the large addressable market as more Australians reach retirement age.

Generation Development's first quarter of FY25

First quarter Investment Bond sales of $209m were a quarterly record for Generation Development, rising by 40% on the previous corresponding period, while Lonsec also experienced 10% sequential asset under management (AUM) growth compared to the year prior.

In the aftermath of the quarterly update, Morgans raised its EPS forecast for FY25 and FY26 by 6% and 10%, respectively, on higher sales/funds under management (FUM) growth expectations in both the Investment Bond franchise and Lonsec.

Potential to significantly accelerate growth has arisen from the full ownership of Lonsec and the roll-out of the new Lifetime annuity product, explained Morgans.

Also upgrading its forecasts, Moelis highlighted solid growth from Lonsec with new product growth underpinned by ongoing expansion of the private market offerings from fund managers.

Management also noted "active financial advisers continue to increase quarter on quarter" and pointed to the launch of five new tailored Managed Account solutions during the quarter and a strong pipeline of new tailored Managed Accounts in development.

Moelis explained legislation changes to superannuation tax for balances of $3m and above are not factored into its current estimates, providing a potential catalyst to further accelerate Investment Bond flows.

Outlook

Back in March, Ord Minnett could see scope for significant operating leverage as scale increases and forecast an EPS compound annual growth rate (CAGR) of 36% over the next three years.

Updating for first quarter results in October, this broker noted key features of the investment case include the Lonsec acquisition, and a strong competitive position in the investment bond market.

Moelis highlighted M&A activity could offer upside potential to its estimates, as the broker currently excludes any contributions from inorganic growth.

After Overweight-rated Morgan Stanley joins the fray with its new coverage, there are now three daily covered brokers in the FNArena database researching Generation Development, including Ord Minnett (Buy) and Morgans on Hold.

The average target price of the three brokers is now $4.05, up from $3.71, given Morgan Stanley begins coverage at $4.75. The average target suggests less than 6% upside to the latest share price (for now).

Outside of daily coverage, Petra Capital and Moelis have Buy ratings and respective targets of $3.91 and $2.95.

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SMALL CAPS

GQG Partners Shrugs Off Adani

While there was an immediate rush to the exits following the recent Adani news, funds are flowing back into GQG Partners and brokers point to longer term performance success.

-GQG Partners suffers initial outflows due to Adani
-December to date shows funds flowing back in
-Longer term outperformance solid
-Targets trimmed but mostly Buy ratings

By Greg Peel

Last month, boutique fund manager GQG Partners ((GQG)), headquartered in Fort Lauderdale, Florida, saw its shares plunge by -20% following news that Adani Group companies, of which GQG is a major backer, was facing indictment charges from US authorities over an alleged bribery scheme.

Jarden estimates GQG has invested around 4-6% of funds under management (FUM) into Adani companies. While both Adani and GQG each lost an immediate -20% in share price on the news, since the Adani founder was accused of having participated in a bribery scheme, Adani stocks are down by -6% (to Tuesday), with GQG down by -16%, reflecting not only its Adani exposure, but also, in Jarden's view, fears that net funds flows will deteriorate.

The outsized GQG fall has also been attributed to a move by UBS, early this month, to downgrade GQG to Neutral from Buy.

UBS anticipated a period of cyclical weakness in fund flows ahead for the asset manager, but noted the downgrade was not inspired by the much-publicised Adani exposure with which UBS felt "comfortable". UBS' research had discovered funds flows into GQG's International Opportunities fund had pretty much ground to a halt recently.

The broker suggested positive outperformance over three and five year horizons will be somewhat diluted by one-year underperformance as stronger historical performance numbers roll off. UBS slashed its target price as a result, to $2.30 from $3.30.

There were otherwise three Buy or equivalent ratings from the four other brokers monitored by FNArena covering GQG and one Hold. There was a collective holding of breath ahead of the release of GQG's November performance update.

<u>And Exhale</u>

GQG reported net inflows of US$0.1bn for November, lower than the average of US$2.0bn for the calendar year to date, but a positive given the issues around Adani, Ord Minnett suggests. GQG reported gross inflows of US$4.2bn in the month, a higher level compared to the same month in the previous three years, signifying strong demand for its products.

While November net inflows appear weak, Jarden's analysis of around 65 listed GQG funds suggests net inflows deteriorated immediately after the Adani allegations were made public on November 20, troughed on November 22, and recovered through to December 3. Indeed, the data suggest GQG achieved around 4% net inflows in the first two days of December.

November is also typically a seasonally weak month, and Jarden's analysis of daily flows over a longer period suggests flows rapidly deteriorated due to negative macro news but quickly recovered thereafter.

Morgans' assessment of some of GQG's funds under management (FUM) also shows some outflows likely occurred directly post the Adani news. Based on fund performance, Morgans does not expect this to persist for an extended period.

The Emerging Markets fund, which is more than 10% exposed to Adani, outperformed its benchmark by around 1% in November, Morgans notes. Over the timeframes one to five years, all strategies have outperformed benchmarks meaningfully, ranging from 180 basis points to 920bps.

While GQG flagged gross inflows remained strong through and immediately following the Adani incident, the November performance numbers imply to Goldman Sachs the slowdown in net flows relates to perhaps more elevated outflows around that time period. The broker thinks most of the slowdown appears to be driven by Emerging Market Equity and International Equity funds.

<u>From Here?</u>

Another piece of news from the November update which will not have helped the share price was GQG's decision to cancel its planned share buyback, previously due to begin on December 6, due to uncertainties relating to US withholding tax requirements.

To provide some offset, GQG's much lauded "gun" chief investment officer, Rajiv Jain, indicated he intended to make further share purchases himself.

Jarden's analysis suggests GQG has impressively outperformed relevant benchmarks by an average of around 3.5% over the last seven years, although relative performance has been volatile, with some sizeable peaks and troughs over this period.

While the broker typically finds peer net flows are highly correlated with relative fund performance, this relationship does not look to apply to GQG, with low levels of correlation suggesting flows could rather be a reflection of GQG's strong distribution footprint and the many investment vehicles which GQG is able to offer investors across its strategies.

Longer term, GQG is structurally well placed to benefit from improved markets with long-term investment performance intact, Morgans suggests, while medium term, there is optionality from GQG's execution of growth strategies. GQG is acutely aware of the "key man risk" with reliance on Rajiv Jain, but the broker believes the risk can be diluted over time.

Attractive

In responding to the cancelled buyback, for which GQG could be required to withhold 30% of the proceeds from shareholders selling into the buyback, UBS suggests this is likely to raise further debate as to broader capital management efficiency and therefore appropriate valuation for the stock.

While GQG pays a strong dividend yield, it is unfranked and subject to US withholding tax. With buybacks also subjected to withholding tax, this implies GQG appears structurally disadvantaged in distributing capital back to shareholders tax efficiently, UBS suggests.

UBS thus retains its Neutral rating on GQG. It has raised its previously slashed target price post the November update, but only to $2.32 from $2.30.

Morgans has nevertheless upgraded its rating to Add from Hold, retaining a $2.47 target.

While the November performance was a relief in the face of the Adani-inspired turn of events, brokers have mostly trimmed earnings forecasts following what in isolation was a weak month for GQG. This has led to some target price cuts.

Overall, the impact of the Adani related issues on the GQG business appears to be modest at this point, Ord Minnett suggests. This broker remains constructive on the outlook given a generally strong investment performance and expanding distribution network.

Valuation remains appealing to Ord Minnett, with the stock on an FY24 PE of 10x and an unfranked dividend yield of 9.5%. Hence, a retained Buy rating, with a target cut to $3.00 from $3.35.

Macquarie declares a yield greater than 10% in suggesting an attractive valuation, while cutting its target to $3.00 from $3.15 and retaining Outperform.

Goldman Sachs lowers its target to $2.80 from $3.00 to reflect the relatively muted impact on flows to date despite an outsized share price reaction resulting in a forward PE of less than 9x on this broker's forecasts. Goldman has moderated flow expectations, reflecting some slowdown, albeit manageable in the broker's view.

Hence, Goldman Sachs retains Buy.

Jarden has also retained Buy, while cutting its target to $3.15 from $3.30.

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WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 06-12-24

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 December 2 to Friday December 6, 2024
Total Upgrades: 9
Total Downgrades: 13
Net Ratings Breakdown: Buy 59.17%; Hold 32.94%; Sell 7.89%

For the week ending Friday December 6, 2024, FNArena recorded nine upgrades and thirteen downgrades for ASX-listed companies by brokers monitored daily.

Rises in both average target prices and average earnings forecasts outpaced falls. Seven of the ten positive changes to earnings forecasts in the table below reflect higher price forecasts by UBS and Macquarie for lithium and gold, respectively.

Serko received an around 20% boost to average target price after Ord Minnett raised its target by 39% to $5.91 due to a series of agreements over the past six weeks with US-listed Sabre Corp, including the acquisition of Sabre's GetThere online booking tool (OBT) for a cost of -$US12m plus performance payments.

GetThere is the second largest OBT in the North American market with annualised revenue of circa $20m per annum.

Both parties have also entered a five-year partnership to bring new capabilities to Sabre. In return, Sabre will also be co-selling and co-marketing Serko's solutions in North America.

Overall, Ord Minnett forecasts the transaction will result in Serko's free cash flow turning negative in FY25 and FY26 followed by a material reversal from FY28 onwards.

Macquarie reduced its target for Serko to NZ$4.38 from NZ$5.00, citing deferred profitability due to the dilutive impact of the GetThere purchase and the commencement of a -$40m R&D program.

Despite Serko receiving the largest percentage drop in average earnings forecasts from brokers last week, amplified by the small forecast figures involved, Macquarie highlighted potential for future earnings upgrades.

Such optimism stems from the consensus forecast remaining below management's revised NZ$250m revenue target.

This broker suggested international market share growth will be bolstered by the GetThere acquisition, while Serko's partnerships with Bookings.com and Sabre are expected to mitigate risks associated with its international expansion.

The average target for Pro Medicus also jumped by nearly 17% last week, after a 16% rise in the prior week, as brokers continue to update their forecasts following the company's largest ever contract win (10-year, $330m with Trinity Health) in the US.

Bell Potter doubled its target price to $260, acknowledging it may have underestimated the value accretion from contract upgrades and the impact of price leadership in key markets.

A persistent shortage of radiologists in the US is resulting in longer wait times and heightened demand for workforce productivity, which the analysts noted is boosting the popularity of the company's Visage suite of products.

Potential remains for an even higher average target price next week as Citi, Ord Minnett and Macquarie are yet to update forecasts for Pro Medicus after the Trinity contract win.

On the flipside, the average target price for 29Metals fell by -28% last week after analysts at Citi and Ord Minnett expressed concerns around borrowing levels.

Ord Minnett lowered its target to 35 cents from 75 cents and downgraded to Hold from Speculative Buy following a 1-for-1.43 non-renounceable entitlement issue at 27 cents per share.

The analyst noted the next two years will be a period of negative cash flow as the company invests to get its projects on-line and fully operational.

Of the $180m capital raise, $112m will allocated to funding the Gossan Valley copper-zinc mine in Western Australia's Golden Grove precinct to first ore, a project which Citi described as modest with high cash flow sensitivity to commodity prices.

This broker had expected proceeds from a raise would help recapitalise the balance sheet and assessed repaying a US$80m tranche of borrowings due in 2028 will be difficult. The analysts lowered the target by -20 cents to 25 cents and downgraded to Sell, High Risk from Neutral, High Risk.

On the earnings front last week, here Select Harvests received the largest average percentage increase from analysts, as well as two ratings upgrades from separate brokers due to an improving almond price outlook.

Following solid FY24 results, Ord Minnett noted potential upside in FY25 for Select Harvests driven by a global almond price rally, a good (but not outstanding) crop bloom, and stable cost escalations. Costs are rising, but remain within inflation levels, according to the broker.

UBS raised its almond price forecast to $8.50/kg from $8.10/kg and $8.20/kg for FY25 and FY26, respectively, noting recent industry discussions regarding the Californian almond sector have been the most positive for Select Harvests in years.

Both brokers upgraded to Buy, with UBS lifting its rating to $4.40 from $4.00 and Ord Minnett to $4.95 from $4.60.

Following Select Harvests on the earnings upgrade list are IGO Ltd, Pilbara Minerals and Mineral Resources (in fifth place) after UBS raised its 2025 and 2026 spodumene price forecasts by 7% and 17%, respectively, to US$800/t and US$850/t.

The analysts believe lithium prices have bottomed out but are expected to remain range-bound over the next 18 months.

While benefiting from the broker's higher lithium price forecasts, earnings estimates for Liontown Resources fell materially after an optimised mine plan at the Kathleen Valley mine resulted in lower expected volumes, which more than offset lower estimates for costs and capex.

Average earnings forecasts also rose for Newmont Corp, Regis Resources, Capricorn Metals and Perseus Mining after the Macquarie Commodities Strategy team updated its mid-term outlook for gold, forecasting an average quarterly cycle peak of US$2,800/oz in the second quarter of 2025.

Newmont Corp remains the broker's preferred large-cap gold stock, with 2025 guidance risk now viewed as minimal following recent updates.

Shares in Collins Food fell to $7.93 from $8.65 last week following the release of disappointing first half results due to the challenging backdrop for consumers.

However, KFC same store sales are on the improve and the company is leveraged to a consumer upswing as detailed in https://fnarena.com/index.php/2024/12/05/collins-foods-the-earnings-comeback-kid/

Total Buy ratings in the database comprise 59.17% of the total, versus 32.94% on Neutral/Hold, while Sell ratings account for the remaining 7.89%.

Upgrade

COLLINS FOODS LIMITED ((CKF)) Upgrade to Buy from Neutral by Citi .B/H/S: 5/1/0

On follow-through assessment post this week's FY24 release, Citi analysts have decided to upgrade their rating for Collins Foods to Buy from Neutral.

Price target has lifted to $9.38 from $7.88.

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

Bell Potter upgrades Cosol to Buy from Hold, with a 9% increase in the target price to $1.20.

Cosol has announced the acquisition of data analytics company Toustone for -$12m upfront (-$22.4m in total), with annual revenue of $12m generated through a recurring subscription-based model.

The broker highlights Toustone's "blue-chip" client base, which includes exposure to the transport, agriculture, and heavy industry infrastructure sectors.

Bell Potter raises EPS forecasts by 4% and 6% for FY25 and FY26, respectively. A higher valuation and EPS account for the increase in the target price.

GQG PARTNERS INC ((GQG)) Upgrade to Add from Hold by Morgans .B/H/S: 4/1/0

Morgans observes fund outflows for GQG Partners appeared to occur immediately after the negative news regarding Adani Group, a significant exposure, but have been mild since the initial first-day impact.

The broker highlights November investment strategy performance ranged from -3.3% to 6.8%, leading to relatively flat estimated monthly funds under management (FUM) before net fund flow impacts.

Morgans upgrades its rating for GQG Partners to Add from Hold and retains the $2.47 target price. Management plans to implement a $100m buyback starting December 6.

See also GQG downgrade.

IGO LIMITED ((IGO)) Upgrade to Neutral from Sell by UBS .B/H/S: 1/3/2

UBS raises its 2025 and 2026 spodumene price forecasts by 7% and 17%, respectively, to US$800/t and US$850/t, supporting improved earnings and cash flow projections for lithium stocks under its coverage.

While lithium equities are no longer expensive, the broker observes they have yet to fully reflect potential adjustments to growth plans in the current lower-price environment. Despite these revisions, free cash flow generation after capex remains limited.

For IGO Ltd, UBS highlights a more attractive valuation opportunity and upgrades its rating to Neutral from Sell, with the target price unchanged at $5.50.

This summary is based on research released yesterday by UBS.

METCASH LIMITED ((MTS)) Upgrade to Buy from Neutral by Citi .B/H/S: 3/2/0

Citi upgrades Metcash to Buy from Neutral. Target price lifts to $3.70 from $3.40.

The broker observes 1H25 net profit met expectations and is upbeat about the more challenged food business showing increased earnings resilience. Hardware was weak, but an earnings recovery in FY26 is possible.

Citi explains hardware is exposed to detached housing and notes signs private sector detached housing approvals bottomed in the March quarter. The analyst forecasts around 9% hardware earnings growth in FY26.

Earnings for food are forecast to grow around 4% in FY25 and FY26, with liquor remaining challenged due to competitive pressures. The broker lowers earnings forecasts for liquor in FY25/FY26 by -5%.

Buy rated with a $3.70 target price.

STEADFAST GROUP LIMITED ((SDF)) Upgrade to Overweight from Equal-weight by Morgan Stanley .B/H/S: 4/0/0

Morgan Stanley upgrades Steadfast Group to Overweight from Equal-weight and raises the target price to $6.98 from $6.64. Industry View: In-Line.

The broker continues to rate concerns around the stock as overdone and believes the company offers a quality business with structural and cyclical earnings "drivers."

Steadfast reported a robust 1Q25 trading update, with net profit up 23%. Growth in A&NZ is likely to transfer to the US and global operations, the analyst states. The recent H.W. Wood acquisition is viewed as a positive strategic step, offering more client products in Australia and US markets.

At 16x FY25 earnings, the valuation is appealing relative to many insurers and financials.

Morgan Stanley lifts net profit forecasts by 4% for FY25 and 5% for FY26, driven by premium growth and a margin lift.

SELECT HARVESTS LIMITED ((SHV)) Upgrade to Buy from Accumulate by Ord Minnett and Upgrade to Buy from Neutral by UBS .B/H/S: 3/0/0

Ord Minnett raises its target price for Select Harvests to $4.95 from $4.60 and upgrades its rating to Buy from Accumulate following solid FY24 results.

The broker sees potential upside in FY25 driven by the global almond price rally, a good (but not outstanding) crop bloom, and stable cost escalations. Costs are rising, but remain within inflation levels, according to the broker.

As expected, no dividend was declared.

Even though FY24 results were broadly in line with guidance, UBS raises its target for Select Harvests to $4.40 from $4.00 and upgrades to Buy from Neutral.

The broker has greater confidence in the almond price outlook, a stable cost base, and ramp in sustainable processing volumes in FY26.

The analysts' almond price forecast is increased to $8.50/kg from $8.10/kg and $8.20/kg for FY25 and FY26, respectively.

Recent industry discussions regarding the Californian almond sector have been the most positive for Select Harvests in years, suggests the broker.

The above is a summary of research released yesterday by UBS.

WESTPAC BANKING CORPORATION ((WBC)) Upgrade to Buy from Neutral by UBS .B/H/S: 1/2/3

UBS assesses fair value for Australian banks is approximately -10.2% below current prices but acknowledges their reputation for predictability and stability, particularly regarding capital returns, remains intact.

The broker attributes the strong share price outperformance of banks to factors such as flows, relative positioning, and momentum rather than earnings-driven fundamentals.

UBS expresses a preference for exposure through Westpac, Judo Capital, Macquarie Bank, and ANZ Bank.

The target price for Westpac increases to $37 from $33. The rating is upgraded to Buy from Neutral as it is the most likely to benefit from cost-out initiatives and has the lowest balance sheet leverage among the big four, explains UBS.

This summary is based on research released yesterday by UBS.

See also WBC downgrade.

<u>Downgrade</u>

29METALS LIMITED ((29M)) Downgrade to Hold from Buy by Ord Minnett and Downgrade to Sell from Neutral by Citi.B/H/S: 0/3/1

Ord Minnett downgrades 29Metals to Hold from Buy, with the target price lowered to 35c from 75c.

The company announced a 1-for-1.43 non-renounceable entitlement issue at 27c per share to raise $180m, with Australian Super and BUMA Australia taking up their rights, which would increase their stakes to 18% and 19.9%, respectively, the broker states.

Ord Minnett cuts EPS forecasts by -34% for 2024 and 2025 due to dilution, and the analyst highlights the miner will be cashflow negative for the next two years as it invests in projects.

The raising is intended to fund 29Metals' copper-zinc Gossan Valley mine in WA.

Citi downgrades 29Metals to Sell (High risk) from Neutral (High risk), and the target price is cut to 25c from

45c.

The analyst is disappointed $112m of the $180m capital raising is allocated to Gossan Valley instead of strengthening the balance sheet. Gossan is viewed as a "modest" project with sensitivity to commodity prices.

Debt issues remain a concern for the broker, with questions surrounding the US$80m due in 2028. Citi estimates there is insufficient capital to restart Capricorn Capital, based on forecasts.

Citi cuts 2024 EPS by -11.3%.

CITY CHIC COLLECTIVE LIMITED ((CCX)) Downgrade to Sell from Hold by Bell Potter .B/H/S: 1/0/1

Bell Potter downgrades City Chic Collective to Sell from Hold and halves the target price to 7c from 14c.

The company provided a 20-week trading update for 1H25 at the AGM, with trading revenue falling -4.8% on the previous year. A&NZ full-price store sales grew 7.5% year-on-year, though the rate of growth had slowed since the start of FY25.

US online sales declined further. A&NZ online sales showed some "green shoots" with 3.4% growth.

Management pointed to revenue and earnings at the lower end of the FY25 guidance range, though the broker does not believe this can be achieved based on the delay in the company's recovery.

Following the update, Bell Potter has downgraded earnings forecasts by -47% in FY25 and -34% in FY26. Sell rated. Target price 7c.

DE GREY MINING LIMITED ((DEG)) Downgrade to Speculative Hold from Speculative Buy by Bell Potter .B/H/S: 2/1/0

Bell Potter downgrades De Grey Mining to Speculative Hold from Speculative Buy with a lower target price of $1.97 from $2.15.

Northern Star Resources ((NST)) and De Grey have agreed to an all-scrip transaction whereby De Grey shareholders receive 0.119 new Northern Star shares, implying a share price value of $2.08 for De Grey shares and valuing the company at $5bn.

The analyst believes the deal is positive for both companies, with De Grey shareholders receiving a premium of 37.1% at the last close while reducing development and finance risk.

Northern Star's balance sheet is robust, with $1.8bn in cash/bullion and $1.5bn in undrawn debt facilities, and in a strong position to develop the Hemi project. The broker believes a competing bid from one of the majorsGold Fields, Barrick Gold, and Newmont Corp ((NEM))is possible.

There is no news regarding Gold Road Resources' ((GOR)) 17% shareholding in De Grey.

DOMINO'S PIZZA ENTERPRISES LIMITED ((DMP)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 2/3/1

Macquarie downgrades Domino's Pizza Enterprises to Underperform from Neutral, with the target price reduced by -8% to $29.50.

The analyst highlights ongoing pressures on franchisee profits since FY21, driven by falling revenues. Earnings margins for franchisees have declined to 7.3% from 11.5% post-covid, compared to most managers' targets of 11%-12%.

The average cost per store has remained steady, which Macquarie suggests indicates declining revenue as the primary issue, impacting the ability to support new store openings.

Macquarie forecasts below-consensus new store roll-outs and sees medium-term risks to earnings estimates.

The analyst reduces EPS forecasts by -0.2% for FY25 and -9.6% for FY26.

GQG PARTNERS INC ((GQG)) Downgrade to Neutral from Buy by UBS .B/H/S: 4/1/0

UBS has downgraded GQG Partners to Neutral from Buy with the broker anticipating a period of cyclical weakness in fund flows ahead for the asset manager.

Interestingly, the downgrade is not inspired by the much publicised Adani exposure with which UBS feels "comfortable".

UBS's research has discovered funds flows into the International Opportunities fund have pretty much ground to a halt recently.

The broker also believes positive outperformance over 3-5 year horizons will be somewhat diluted by one-year underperformance as stronger historical performance numbers roll off.

Target drops to $2.30 from $3.30.

See also GQG upgrade.

IMDEX LIMITED ((IMD)) Downgrade to Neutral from Buy by UBS .B/H/S: 1/3/1

UBS raises its target for Imdex to $2.60 from $2.35 and downgrades to Neutral from Buy on valuation. Significant upside remains should the exploration cycle turn, concede the analysts.

Exploration activity has at least stabilised and is potentially modestly improving, notes the broker, after reviewing the company's recent trading update showing revenues have increased by 3% on 4Q FY24, driven by a 5% increase in sensors on hire.

The above is a summary of research released yesterday by UBS.

JUDO CAPITAL HOLDINGS LIMITED ((JDO)) Downgrade to Hold from Add by Morgans .B/H/S: 3/2/1

Morgans reviews the outlook for the banks and expects the November reporting season themes to continue into 1H25.

The analyst observes net interest margins were "relatively stable." Earnings growth was underpinned by hedge portfolios, with higher swap rates being maintained. Competition for assets and deposits slowed, though pressure on deposit mix remains.

Morgans forecasts slightly declining net interest margins in the future. Cost growth is expected to remain "solid," credit loss rates remain low, and the banks retain conservative capital management.

Judo Capital is downgraded to Hold from Add. Target price unchanged at $1.92.

NORTHERN STAR RESOURCES LIMITED ((NST)) Downgrade to Neutral from Buy by Citi .B/H/S: 3/2/1

Citi downgrades Northern Star Resources to Neutral from Buy and lowers the target price to $17 from $18.30 due to EPS dilution.

The broker highlights the De Grey Mining ((DEG)) acquisition contrasts with Northern Star's typical bolt-on or asset-turnaround strategy.

Citi emphasises Hemi is a Tier 1 greenfields ore body with long-term value accretion and an upgrade to Northern Star's portfolio. in the near term, risks are weighted against the company due to higher capex/opex and development challenges.

The analyst believes the deal detracts from the company's appeal as a "clean" gold exposure play.

Neutral rated. Target price $17.00 from $18.30. Citi's EPS forecasts are lowered by -4.5% in FY25 and -19.3% in FY26.

QBE INSURANCE GROUP LIMITED ((QBE)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 5/2/0

Bell Potter downgrades QBE Insurance to Hold from Buy due to the strong share price performance. Target price shifts to $19.20 from $19.05.

The broker highlights the Q3 trading update revealed growth in gross written premium of 2%, including rate increases of 5.9% and portfolio exits of -2%.

Premium rate increases across the group declined to 4.9% from over 8% a year earlier. Management retained 2024 guidance, with catastrophe losses at circa US$950m year-to-date compared to a budget of US$1.28bn for 2024.

Hold rated. Target price $19.20.

SG FLEET GROUP LIMITED ((SGF)) Downgrade to Equal-weight from Overweight by Morgan Stanley .B/H/S: 1/1/0

SG Fleet has accepted a $3.50/share bid from Private Equity. The stock now trades to probabilities of completion as opposed to
fundamentals, Morgan Stanley notes.

Super Group holds 53.6% of SG Fleet shares and deal completion does also require Super Group shareholder approval. The Super Group Board unanimously recommends their shareholders vote in favour.

The broker now moves to Equal-weight from Overweight with a target matching the bid price at $3.50, down from $3.60. Industry view: In Line.

SERVICE STREAM LIMITED ((SSM)) Downgrade to Accumulate from Buy by Ord Minnett .B/H/S: 2/1/0

Service Stream has extended two large programs of work with NBN Co and won a major new water maintenance contract with Urban Utilities in Queensland.

The new utilities contract boosts Ord Minnett's earnings forecasts by 2% in FY26, further extending the duration of work-in-hand. The broker believes this supports an improved margin profile in utilities.

Service Stream now has long term contracts with six of Australia's top ten water authorities, ranked by annual capex. Ord Minnett increases its target to $1.70 from $1.67 but pulls back to Accumulate from Buy ahead of the first half result and further contract news.

WESTPAC BANKING CORPORATION ((WBC)) Downgrade to Reduce from Hold by Morgans .B/H/S: 1/2/3

Morgans reviews the outlook for the banks and expects the November reporting season themes to continue into 1H25.

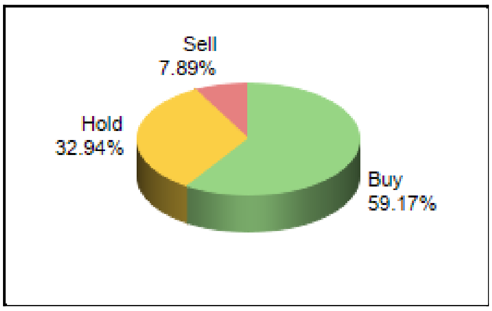
The analyst observes net interest margins were "relatively stable." Earnings growth was underpinned by hedge portfolios, with higher swap rates being maintained. Competition for assets and deposits slowed, though pressure on deposit mix remains.

Morgans forecasts slightly declining net interest margins in the future. Cost growth is expected to remain "solid," credit loss rates remain low, and the banks retain conservative capital management.

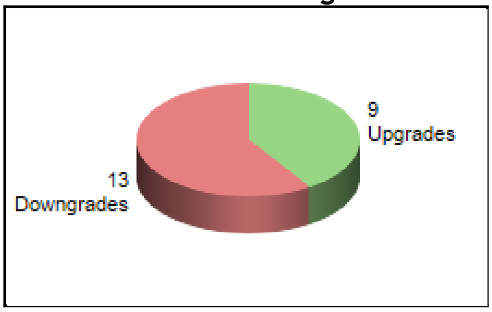
Westpac is downgraded to Reduce from Hold. Target price lifts to $27.77 from $27.66.

See also WBC upgrade.

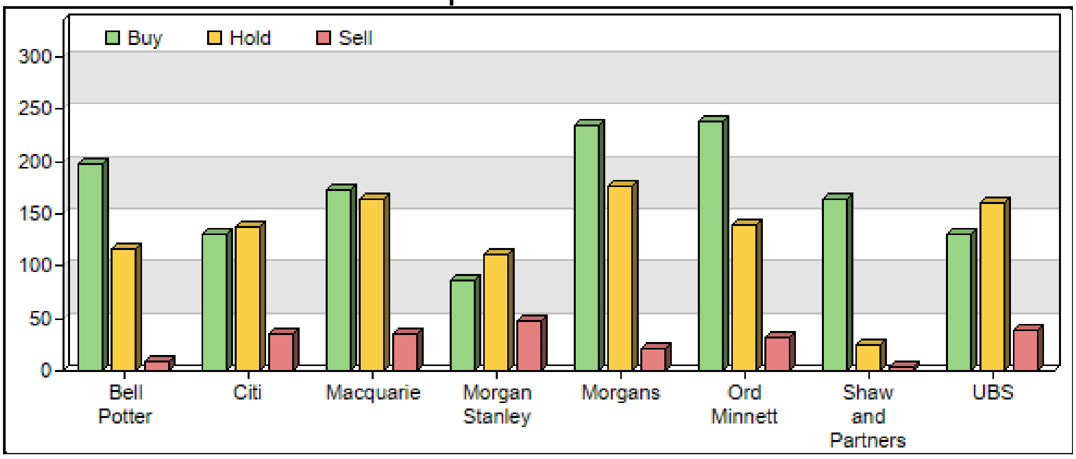
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	COLLINS FOODS LIMITED	Buy	Neutral	Citi
2	COSOL LIMITED	Buy	Neutral	Bell Potter

3	GQG PARTNERS INC	Buy	Neutral	Morgans
4	IGO LIMITED	Neutral	Sell	UBS
5	METCASH LIMITED	Buy	Neutral	Citi
6	SELECT HARVESTS LIMITED	Buy	Buy	Ord Minnett
7	SELECT HARVESTS LIMITED	Buy	Neutral	UBS
8	STEADFAST GROUP LIMITED	Buy	Neutral	Morgan Stanley
9	WESTPAC BANKING CORPORATION	Buy	Neutral	UBS
Downgrade				
10	29METALS LIMITED	Sell	Neutral	Citi
11	29METALS LIMITED	Neutral	Buy	Ord Minnett
12	CITY CHIC COLLECTIVE LIMITED	Sell	Neutral	Bell Potter
13	DE GREY MINING LIMITED	Neutral	Buy	Bell Potter
14	DOMINO'S PIZZA ENTERPRISES LIMITED	Sell	Neutral	Macquarie
15	GQG PARTNERS INC	Neutral	Buy	UBS
16	IMDEX LIMITED	Neutral	Buy	UBS
17	JUDO CAPITAL HOLDINGS LIMITED	Neutral	Buy	Morgans
18	NORTHERN STAR RESOURCES LIMITED	Neutral	Buy	Citi
19	QBE INSURANCE GROUP LIMITED	Neutral	Buy	Bell Potter
20	SERVICE STREAM LIMITED	Buy	Buy	Ord Minnett
21	SG FLEET GROUP LIMITED	Neutral	Buy	Morgan Stanley
22	WESTPAC BANKING CORPORATION	Sell	Neutral	Morgans

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	SKO	SERKO LIMITED	5.080	4.250	19.53%	3
2	PME	PRO MEDICUS LIMITED	181.100	155.300	16.61%	5
3	SHV	SELECT HARVESTS LIMITED	4.783	4.400	8.70%	3
4	IDX	INTEGRAL DIAGNOSTICS LIMITED	3.357	3.100	8.29%	3
5	IAG	INSURANCE AUSTRALIA GROUP LIMITED	8.568	8.035	6.63%	6
6	PNI	PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED	23.975	22.538	6.38%	4
7	HUB	HUB24 LIMITED	63.071	60.386	4.45%	7
8	GOR	GOLD ROAD RESOURCES LIMITED	2.333	2.238	4.24%	3
9	MQG	MACQUARIE GROUP LIMITED	224.442	217.442	3.22%	5
10	BOQ	BANK OF QUEENSLAND LIMITED	5.855	5.685	2.99%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	29M	29METALS LIMITED	0.378	0.528	-28.41%	4
2	GQG	GQG PARTNERS INC	3.004	3.194	-5.95%	5
3	LTR	LIONTOWN RESOURCES LIMITED	0.800	0.833	-3.96%	6
4	BOE	BOSS ENERGY LIMITED	4.067	4.200	-3.17%	6
5	NST	NORTHERN STAR RESOURCES LIMITED	17.963	18.440	-2.59%	6
6	DMP	DOMINO'S PIZZA ENTERPRISES LIMITED	34.283	34.733	-1.30%	6
7	PMT	PATRIOT BATTERY METALS INC	0.860	0.870	-1.15%	5
8	MIN	MINERAL RESOURCES LIMITED	43.429	43.571	-0.33%	7
9	CKF	COLLINS FOODS LIMITED	9.747	9.763	-0.16%	6

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	SHV	SELECT HARVESTS LIMITED	21.067	1.800	1070.39%	3
2	IGO	IGO LIMITED	5.420	2.025	167.65%	6
3	PLS	PILBARA MINERALS LIMITED	0.950	0.540	75.93%	5
4	NEM	NEWMONT CORPORATION REGISTERED	476.040	407.784	16.74%	4

5	MIN	MINERAL RESOURCES LIMITED	-85.250	-92.417	7.76%	7
6	RRL	REGIS RESOURCES LIMITED	21.620	20.300	6.50%	7
7	CMM	CAPRICORN METALS LIMITED	35.600	33.500	6.27%	3
8	BOQ	BANK OF QUEENSLAND LIMITED	48.925	47.180	3.70%	6
9	SDR	SITEMINDER LIMITED	-3.360	-3.480	3.45%	5
10	PRU	PERSEUS MINING LIMITED	38.624	37.355	3.40%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	SKO	SERKO LIMITED	-8.694	-1.332	-552.70%	3
2	LTR	LIONTOWN RESOURCES LIMITED	-2.560	-1.200	-113.33%	6
3	CKF	COLLINS FOODS LIMITED	38.400	42.975	-10.65%	6
4	ALD	AMPOL LIMITED	135.333	143.267	-5.54%	4
5	BEN	BENDIGO & ADELAIDE BANK LIMITED	86.033	88.975	-3.31%	5
6	IDX	INTEGRAL DIAGNOSTICS LIMITED	11.000	11.300	-2.65%	3
7	NST	NORTHERN STAR RESOURCES LIMITED	108.100	110.683	-2.33%	6
8	PMT	PATRIOT BATTERY METALS INC	-14.624	-14.408	-1.50%	5
9	MTS	METCASH LIMITED	24.900	25.275	-1.48%	5
10	WTC	WISETECH GLOBAL LIMITED	111.417	112.583	-1.04%	7

Technical limitations

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WEEKLY REPORTS

Uranium Week: Assad, Iran, Russia & The US

The uranium market was becalmed by a complete lack of buying interest, despite sellers trying to attract interest via lower prices.

-Fall of Syrian dictator puts Iran's nuclear ambitions back in focus
-Quiet U308 markets belie simmering geo-poitical tensions
-Analysts' enthusiasm for U308 miners remains
-Short interests put uranium stocks at the top of table

By Danielle Ecuyer

The sudden collapse of the Bashar Al-Assad regime in Syria, following a ten-day blitzkrieg by Hay'at Tahrir al-Sham (HTS)-led rebel factions, has put nuclear on the world's radar yet again with eyes turning towards Iran.

As reported by analysts at RBC Capital:

With the walls closing in, the key question will be if Iran tries to secure a grand bargain with its adversaries or makes a rapid run for nuclear weapons.

Several senior officials from the region had warned about the latter scenario on the sidelines of the UN General Assembly meetings in New York in September.

Indeed, there are indications Iran is keeping bomb optionality options open.

On Friday, the IAEA warned Iran is "dramatically" increasing its high-level 60% uranium enrichment at both the Natanz and Fordow facilities.

Updates to facilities at Fordow, according to the IAEA, allow it to produce 34kg of 60% enriched uranium per month compared to the previous rate of 4.7kg per month.

The UN nuclear watchdog agency stated that the country already has enough 60% fissile material, which is a short step away from 90% weapons grade, to make four nuclear bombs, and warned that use of the of higher speed centrifuges at sites like Fordow could cause Iran's production capability to rise "seven, eight times more."

The great unknown is what clandestine activities Iran may be conducting to develop an actual weapon and delivery system.

Given Iran's dramatic reversal of regional fortunes since summer, the appeal of the Pakistan-style nuclear deterrent option may be growing.

<u>A quiet week with no transactions</u>

As reported by industry consultants TradeTech, prior to the above the spot uranium market showed signs of buyers moving to the sidelines in the wind-up to 2024.

The U3O8 spot price slipped -US$0.50/lb to US$76.75/lb on Friday from a week earlier and down -US$1/lb from the day prior. TradeTech highlights several sellers are eager to shift stock before the end of the year.

In contrast, the spot buyers are hesitant to partake, particularly if payment is due by year-end. Sellers responded with lower offer prices at US$76.75/lb at the end of the week, but no sales were transacted on market.

TradeTech's Mid-Term U3O8 Price Indicator is US$83/lb, and the Long-Term Price Indicator is US$82/lb.

Despite a lack of transactions in the spot market, TradeTech details the potential flow-on effects from a non-US utility seeking enriched uranium product for delivery in December or January. Offers were due December 6.

While not directly impacting the spot market, the utility seeking enriched product has a flow-on effect, as the enriched product will need to be replaced using spot U3O8 as feedstock.

Geo-politics is not going away

Geopolitical concerns have characterised 2024, with recent Russian sanctions on enriched uranium driving a new level of concern. On November 15, Moscow implemented retaliatory actions against US import restrictions from Russia earlier in the year. Concerns over Ukraine between the West and Russia remain an overhang for market participants.

TradeTech points to the ongoing failure of a ship expected to contain Russian enriched uranium bound for the US to depart St Petersburg's port. Petra Capital highlights energy intelligence suggesting the ship has since left the port without the cargo.

Discussions between interested parties and Russian officials are continuing, the consultants suggest, to secure the necessary permits so the material can be reloaded onto another ship and depart before year-end.

Australian uranium miners in focus

Focusing on geopolitics, Petra Capital expects government interventions in the uranium markets, as seen in Russia and the US, to result in higher price volatility. Nevertheless, the broker remains bullish on the sector, and prices through the fuel cycle point to higher spot U3O8 prices in the future.

Russia produces around 14% of global U3O8 supply, around 22% of the conversion market, and 44% of enriched uranium.

Petra views an upcoming announcement on the restart of the Springfield conversion plant in the UK by Cameco, which owns 49%, as a potential "trigger" for the market. Westinghouse is anticipated to make its final investment decision on the restart in late 2025.

NexGen Energy ((NXG)) has been a beneficiary of investment inflows, Petra highlights. The company also secured its first uranium sales agreement for 5mlbs with several US nuclear utility companies.

"These inaugural awards all incorporate market-related pricing mechanisms at the time of delivery. They reflect NexGen's long-stated focus on maximising leverage to future uranium prices and the company's positioning as a new, reliable Western world source of nuclear fuel . . . from the Tier 1 jurisdiction of Saskatchewan, Canada", as quoted in the NextGen Energy statement.

Petra prefers smaller miners **Bannerman Energy** ((BMN)), **Alligator Energy** ((AGE)), and **Aura Energy** ((AEE)) for the most share price upside potential.

The broker details how Bannerman's Etango project is a large, low-grade, heap leach project, which has received both a mining licence and all permits, with early works and designs in progress. As of the end of September, the company had cash on hand of $96m and no debt. The stock is Buy rated with a target of $4.51, and the share price is seen discounting a uranium price of US$78.50/lb.

Shaw and Partners observes Bannerman Energy continues to progress the Etango uranium project toward a final investment decision, with a cash position of $95.7m.

Etango has an expected 15-year life, with annual production of 3.5mlbs and pre-production capex of -US$353m.

This broker remains highly optimistic about the prospects for uranium, citing Bannerman Energy's recent quarterly update, which noted "current term contract conditions have not yet fully aligned" with the company's long-term market outlook.

Shaw and Partners expects uranium prices to rise, as both US and European utilities remain uncovered for fuel needs from 2026-28. The broker anticipates a "multi-year" price spike to US$150/lb before stabilising around the long-term price assumption of US$74/lb. Buy, High-risk rating and $7.40 target price are retained.

Petra details how NexGen Energy offers exposure to the Rook 1 project, considered a Tier 1 asset. The analyst highlights "exceptional" exploration results in 2024, with anticipated corporate interest once Federal approval is received. Target price is $14.10 with a Buy rating.

NexGen is described as one of few listed uranium companies offering sufficient liquidity to accommodate "generalist capital inflows." The share price is seen discounting a US$108.5/lb uranium price.

Aura Energy's final investment decision for the Tiris project is expected in March 2025 and is currently fully permitted with no limit on production. Petra notes the resource at 91mlbs, recently upgraded from 55mlbs. The company has also submitted exploration permits for its Swedish Haggen project, and the share price is seen discounting a uranium price of US$67/lb. Buy rated with a 33c target price.

Petra views Alligator Energy's Samphire project as following a similar path to **Boss Energy**'s ((BOE)) Honeymoon project, whereby further drilling is expected to result in an expansion in the resource. Boss's resource advanced 323% over four years, the broker notes. Alligator is Buy rated with a 10c target price, and the share price is seen discounting a US$67/lb uranium price.

Citi has initiated coverage of **Boss Energy** with a Buy rating, describing the company as a play on rising uranium demand due to the projected global supply deficit and nuclear energy's role in the global energy transition and artificial intelligence.

Boss's cornerstone asset is the Honeymoon Uranium Project in South Australia, targeting 2.45mlb U3O8 in FY27. This project, the broker highlights, is one of only a few uranium projects globally ready to come on-stream in the early stages of the emerging uranium bull market.

Citi suggests following share price weakness, the stock looks oversold. Boss Energy owns 100% of Honeymoon. Target $3.40.

Lotus Resources ((LOT)) announced a binding offtake agreement for 700klbs and agreed terms for an additional 800klbs based on a long-term contract price with a 3% escalation for delivery.

Petra highlights the offtake agreement with Curzon Uranium and the term sheet with North American utility PSEG Nuclear. The former includes an unsecured loan debt of US$15m.

The analyst estimates current offtake agreements represent around 20% of assumed 2026-2029 production.The target price decreased to 37c from 41c, with the Buy rating unchanged.

Canaccord Genuity observes Lotus Resources has increased Letlhakane's mineral resource by 65%, with the total resource at 142.2mt at 363ppm U3O8 for 113.7mlbs.

The broker notes total uranium resources are at 164mlbs, which includes 23mlbs of reserves at Kayelekera. Speculative Buy rating and 42c target price are retained.

Short interest ticks higher

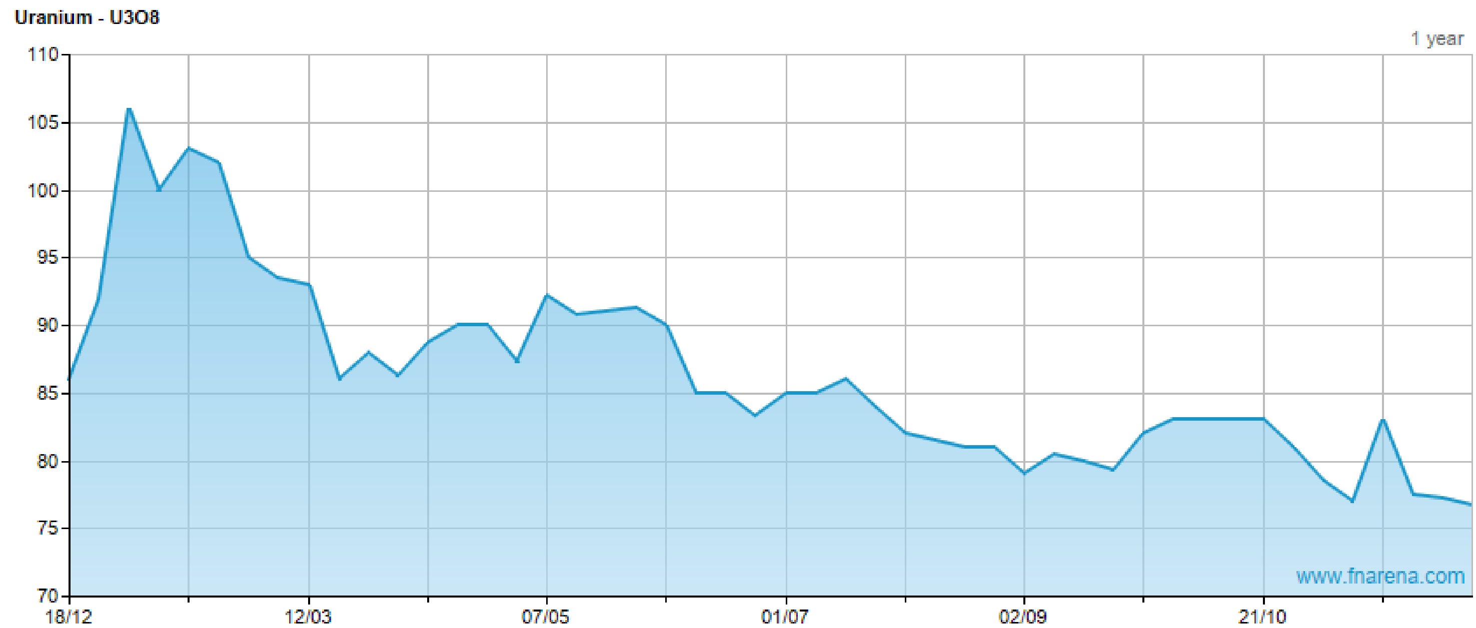
The latest short interest data reveal Paladin Energy ((PDN)) is rated the number one stock on the ASX with the largest short interest at 15.36%, up from 14.64% on November 1. Boss Energy is next at 14.21%, down from 15.42% on November 1.

See also: https://fnarena.com/index.php/analysis-data/the-short-report/

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	09/12/2024	0.0500	▼-16.67%	$0.19	$0.03			
AEE	09/12/2024	0.1500	▼- 6.25%	$0.31	$0.11			
AGE	09/12/2024	0.0380	0.00%	$0.08	$0.03		$0.100	▲163.2%
AKN	09/12/2024	0.0100	0.00%	$0.05	$0.01			
ASN	09/12/2024	0.0610	▼- 3.17%	$0.17	$0.06			
BKY	09/12/2024	0.3400	▼- 9.33%	$0.45	$0.26			
BMN	09/12/2024	2.7500	▲ 0.73%	$4.87	$1.90		$7.400	▲169.1%
BOE	09/12/2024	2.5500	▼- 5.20%	$6.12	$2.38	16.6	$4.067	▲59.5%
BSN	09/12/2024	0.0170	▼- 5.56%	$0.21	$0.02			
C29	09/12/2024	0.0900	0.00%	$0.13	$0.06			
CXO	09/12/2024	0.0880	▼- 5.38%	$0.36	$0.08		$0.090	▲2.3%
CXU	09/12/2024	0.0100	▼-50.00%	$0.06	$0.01			
DEV	09/12/2024	0.0980	▼- 6.67%	$0.45	$0.10			
DYL	09/12/2024	1.2350	▲ 1.65%	$1.83	$0.91	-67.8	$1.900	▲53.8%
EL8	09/12/2024	0.2800	▼- 3.45%	$0.68	$0.26			
ERA	09/12/2024	0.0020	▼-33.33%	$0.08	$0.00			
GLA	09/12/2024	0.0100	0.00%	$0.04	$0.01			
GTR	09/12/2024	0.0030	▼-25.00%	$0.02	$0.00			

GUE	09/12/2024	0.0600	0.00%	$0.18	$0.05			
HAR	09/12/2024	0.0500	0.00%	$0.28	$0.03			
I88	09/12/2024	0.5000	▲ 6.38%	$1.03	$0.14			
KOB	09/12/2024	0.0700	▼-12.50%	$0.18	$0.07			
LAM	09/12/2024	0.7500	▼-11.24%	$1.04	$0.48			
LOT	09/12/2024	0.2300	0.00%	$0.49	$0.20		$0.547	▲137.7%
MEU	09/12/2024	0.0380	▲ 2.70%	$0.06	$0.04			
NXG	09/12/2024	13.0300	▲ 2.20%	$13.66	$7.89		$16.600	▲27.4%
ORP	09/12/2024	0.0400	0.00%	$0.12	$0.03			
PDN	09/12/2024	7.4700	▼- 3.98%	$17.98	$6.83	38.2	$12.325	▲65.0%
PEN	09/12/2024	1.1200	▲1766.67%	$1.23	$0.05		$0.240	▼-78.6%
SLX	09/12/2024	5.6700	▼- 7.20%	$6.74	$3.35		$7.200	▲27.0%
TOE	09/12/2024	0.2250	▼-19.64%	$0.70	$0.01			
WCN	09/12/2024	0.0200	0.00%	$0.03	$0.01			



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

WEEKLY REPORTS

The Short Report - 12 Dec 2024

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

Summary:

Week Ending December 5th, 2024 (most recent data available through ASIC).

10%+

GSBW34 118.09%
PDN 15.64
BOE 14.30
SYR 13.12
IEL 12.85
PLS 12.36
MIN 12.32
DMP 10.88
DYL 10.54

9.0-9.9%

LTR
LYC
ADT

In: ADT, LYC

8.0-8.9%

KAR
LIC

Out: ADT, LYC

7.0-7.9%

GMD
CTT
CTD
JLG

6.0-6.9%

RIO
SEK
CUV
AD8
MP1
29M
CHN
SLX
IMU
BGL

In: 29M, BGL, CHN, MP1 Out: STX

5.0-5.9%

CIA
SGR
EDV
FLT
APE
LOT

In: SGR Out: CHN

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.2	0.2	NAB	0.6	0.7
ANZ	0.4	0.4	QBE	0.4	0.3
BHP	0.3	0.3	RIO	6.8	6.7
CBA	1.2	1.3	STO	1.0	0.9
COL	1.2	1.1	TCL	1.0	1.1
CSL	0.4	0.4	TLS	0.2	0.2
FMG	1.0	1.0	WBC	0.7	0.7
GMG	0.4	0.5	WDS	2.3	2.3
JHX	0.6	0.6	WES	0.7	0.7
MQG	0.8	0.7	WOW	0.5	0.5

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

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

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

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

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

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

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

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WEEKLY REPORTS

In Brief: Pro Medicus, Superloop, Clarity & More

In Brief has filled the Christmas stocking with great stock snacks for investors, Pro Medicus, Superloop, Motorcycle Holdings, Clarity Pharmaceutical and Jarden's cyber retailing update.

-Pro Medicus' ongoing growth prospects
-Superloop's strategic acquisition
-Motorcycle Holdings surprises to the upside
-Clarity Pharmaceuticals retains a bright future
-Cyber week augurs well for December retailers

By Danielle Ecuyer

Quote of the week comes from.....drumroll...Andrew Hauser, Deputy Governor of the Reserve Bank of Australia, from his speech at the Australian Business Economists' Annual Dinner.

"The chances of being propelled into another global Depression are low. Our direct exposure to US tariffs is likely to be small. We have strong comparative advantages in raw materials and services that other countries need, both to power traditional industries and the industries of the future."

Pro Medicus: A Quality Long-Term Growth Story

Goldman Sachs' positive proposition on **Pro Medicus** ((PME)) centers around the ongoing adoption of Visage by many US healthcare institutions as a case of "when, not if."

The latest and largest contract to date with Trinity Health has underpinned an increase in forecast earnings by the broker of 8% and places the analyst's FY27 earnings 5% above consensus.

As per the broker's explanation, large, outsized contracts, such as Trinity, provide less visibility to the investor but represent sizable upside to the value proposition. Trinity is a top-five integrated delivery network provider, jargon for a large healthcare organisation that provides a range of healthcare services, including hospitals, outpatient facilities, and specialised care centers, all under one umbrella.

Pro Medicus' relationship with Trinity is expected to underwrite a network effect across these organizations, which represent over 40% of the total addressable market for the company.

Within the existing products, Goldman Sachs envisages significant opportunities to grow current customer spend, like cardiology, AI, and transfer to the cloud, as well as new white-label products in other "ologies."

Pro Medicus' competitive advantage lays with the partnerships with key industry opinion leaders and the launch of four new solutions at the Radiological Society of North America (RSNA) 2024 conference, which highlights the innovative approach and strong industry connections.

The broker's research also highlights management has a robust track record of achieving profitable growth with "best in class margins," which are believed to be sustainable through the cycle. The broker acknowledges the stock valuation is far from cheap but states the revenue/margin outlook and unique cloud offering provide a long-term opportunity for investors. Med-tech is also highlighted as a potential safe haven from impending policy uncertainty.

Pro Medicus is "Stay Buy" rated with a $278 target price, up 26% in the latest upward revision.

Superloop Soups Up Connectivity

Canaccord Genuity casts an eye over the latest acquisition by **Superloop** ((SLC)) to purchase Uecomm from Optus for -$17.5m.

Uecomm has over 2000km of high-capacity fiber assets across Sydney, Melbourne, and Brisbane/Gold Coast, with a network across 1,900 buildings and around 50 data centers. The broker estimates the assets have a further useful life of 20 years.

Assessing the purchase price based on the previous investment spend and life of the assets, the broker believes -$17.5m looks very attractive, and the asset had become superfluous to the needs of Optus.

Canaccord explains Uecomm adds to Superloop's smart communities' initiative to provide high-speed wireless and wired technologies for superfast internet connectivity to buildings. This is a growth area for the business with longer-dated earnings, higher margins, and improved return on investment.

The company's capital efficiency is anticipated to lift as Uecomm reduces the need for increased capital investment. Superloop is estimated to possess balance sheet capacity for more acquisitions with a forecast net cash position of $23m at the end of FY25.

Uecomm is expected to be earnings neutral for its new owner in the first year. The broker lifts the business segment forecasts in the long term for Superloop and now has a compound earnings growth rate of 26% p.a. between FY23-FY29.

The target price is raised to $2.52 from $2.27 with an unchanged Buy rating.

<u>Operating Leverage Rises for Motorcycle Holdings</u>

Rev your engines as **Motorcycle Holdings** ((MTO)) delivered a stronger-than-expected trading update for October year-to-date for FY25, with revenues up 8% on the previous year.

Against a flat industry backdrop, new bike retail units advanced 3% and used bike retail units 13% over the period. All the key segments for the company experienced growth while margins were maintained, despite a rise in operating expenses of 5%.

Management pointed to an improvement in sentiment and signs of recovery towards the end of FY24, despite the cost of living pressures. Expectations are for an improvement in growth into 2025.

The new CEO, Matthew Wiesner, commenced on December 2 from a motor distribution background across multiple original equipment organizations.

Moelis highlights the motorcycle retailing business is trading at cyclically low levels and when conditions improve, operating leverage will kick in. The broker upgrades the EPS estimates for improved operating leverage off the back of the latest higher revenues; EPS forecasts lift by 20%-30% for FY25-FY27.

Buy rating retained with a $2.60 target price.

<u>Clarity Painted with the Wrong Perception</u>

There is no budging Wilsons from the upbeat assessment of **Clarity Pharmaceuticals** ((CU6)), with the analyst pointing to the perception that changes in the pricing regime will reinforce incumbent players in the PSMA PET market (Prostate-Specific Membrane Antigen Positron Emission Tomography), including **Telix Pharmaceuticals** ((TLX)) and Lantheus Holdings.

In the case of Clarity, which offers significant clinical benefits, the analyst does not believe this is an issue, but success will be dependent on an evidence-based campaign for the company. Wilsons points to the high efficacy rate of detection for Clarity's 64Cu-SAR-bis PSMA, but the diagnostic performance remains to be confirmed by Phase III trials.

The company's recent AMPLIFY study could deliver such confirmation. The broker also explains the Co-PSMA study, launched at St. Vincent's in Sydney, will be important to test 64Cu-SAR-bis PSMA's ability to detect smaller lesions and point patients to salvage radiotherapy post-prostatectomy.

Wilsons delays the timing assumption on revenues to FY27 from FY26 and retains peak sales estimates of US$950m, with Clarity's 64Cu-SAR-bis PSMA assuming up to 30% of the market.

Buy-equivalent rating maintained with an $8.40 target price.

<u>Cyber week is cyber strong for retailers</u>

Jarden's 46th retailing case study looks at Cyber Week, highlighting this period has surpassed Christmas in terms of size and de-risks the December trading period.

Web traffic this year indicates more positive sales than stores, rising 17% year on year against store traffic, up 4%. Household goods, electronics, department stores, and soft goods were the most robust categories.

Across brands, the broker notes **Kathmandu** ((KMD)) up 43%, **Temple and Webster Group** ((TPW)) up 25%, **Coles Group** ((COL)) up 13%, Bunnings ((WES)) up 31%, **Harvey Norman** ((HVN)) up 31%, Hype DC ((AX1)) up 53%, Big W ((WOW)) up 42%, BCF ((SUL)) up 25%.

Brands in decline included **City Chic** ((CCX)) down -14%, Catch down -22%, Home Hardware ((MTS)) down -39%, Footlocker down -9%, and Target flat. Catch and Target are both part of Wesfarmers.

Over the second week of the Black Friday period, gross margins seem to have improved by around 30bps. Jarden believes the Christmas outlook is improving, with aggregate data pointing to over 6% annual growth in discretionary goods revenue for the Cyber period.

The analyst views potential upside risks to earnings for Harvey Norman and **JB HiFi** ((JBH)). Rising competition from Amazon, Temu, Shein, and direct-to-consumer means incumbent operators will need to invest more in supply chains and marketplaces to grow the total addressable market, eyeballs, and profits.

Jarden favors what it refers to as companies with *"global expansion, travel, and category killers,"* which includes **Flight Centre Travel Group** ((FLT)), **Webjet Group** ((WJL)), **Universal Stores** ((UNI)), Temple & Webster, Harvey Norman, **Woolworths Group**, and **Treasury Wine Estates** ((TWE)). The broker is more "cautious" on mature businesses facing increased competition.

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WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 13-12-24

Broker Rating Changes (Post Thursday Last Week)

Downgrade

BEACH ENERGY LIMITED ((BPT)) Downgrade to Sell from Hold by Canaccord Genuity.B/H/S: 0/0/0

Canaccord Genuity downgrades Beach Energy to Sell from Hold and reduces its target price to $1.20 from $1.25, citing delays in first production at Waitsia to the June quarter of 2025 and concerns over project execution.

The broker lowers FY25 production guidance to 18.7mnboe, compared to management's guidance range of 17.5-21.5mnboe, and cuts earnings (EBITDA) forecasts by -10% to $896m.

Concerns remain over abandonment costs for legacy assets such as Kupe and Bass Gas, which could hinder divestment efforts and add risk to FCF aspirations, explains the analyst.

The company is targeting cost and capital reductions, including a -30% headcount reduction by the December quarter of 2024.

Order	Company	New Rating	Old Rating	Broker
Downgrade				
1	BEACH ENERGY LIMITED	Sell	Neutral	Canaccord Genuity

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
BPT	Beach Energy	$1.34	Canaccord Genuity	1.20	1.25	-4.00%
			Jarden	1.33	1.35	-1.48%
BRE	Brazilian Rare Earths	$2.30	Petra Capital	5.21	4.55	14.51%
CKF	Collins Foods	$7.71	Canaccord Genuity	8.00	7.70	3.90%
			Wilsons	10.72	11.79	-9.08%
CNB	Carnaby Resources	$0.33	Petra Capital	1.26	1.45	-13.10%
DVP	Develop Global	$2.38	Canaccord Genuity	4.70	4.65	1.08%
GQG	GQG Partners	$2.35	Goldman Sachs	2.80	3.00	-6.67%
			Jarden	3.15	N/A	-
LOT	Lotus Resources	$0.22	Petra Capital	0.37	0.36	2.78%
MGH	Maas Group	$4.82	Moelis	5.81	4.65	24.95%
MTO	Motorcycle Holdings	$1.95	Moelis	2.60	2.37	9.70%
NXG	NexGen Energy	$12.51	Petra Capital	14.10	12.15	16.05%
RIO	Rio Tinto	$124.15	Goldman Sachs	135.10	136.20	-0.81%
RUL	RPMGlobal	$3.11	Taylor Collison	3.55	N/A	-

SFR	Sandfire Resources	$10.40	Wilsons	10.80	9.90	9.09%
SHL	Sonic Healthcare	$28.10	Jarden	29.04	28.06	3.49%
SLC	Superloop	$2.19	Canaccord Genuity	2.52	2.27	11.01%
SPR	Spartan Resources	$1.45	Canaccord Genuity	2.10	1.70	23.53%
WOW	Woolworths Group	$30.32	Jarden	36.70	37.30	-1.61%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

ACE ACUSENSUS LIMITED

Transportation & Logistics Overnight Price: $1.00

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

Canaccord Genuity highlights a strong start to FY25 for Acusensus, with 17% growth in Q1 revenue to $14m ahead of expectations for 14% growth for the financial year.

The broker notes revenue is being supported by long-term government contracts, with no churn and high cross-sell success rates.

Key domestic wins include a $9.4m three-year contract with the Western Australian government, contributing $3m in annual incremental revenue from the September quarter of 2025, highlight the analysts.

International growth includes new US contracts for distracted driving and speed enforcement, as well as a first long-term UK contract with Devon & Cornwall Police, explains the broker.

Canaccord Genuity retains a Buy rating and a $1.30 target price.

This report was published on October 22, 2024.

Target price is **$1.30** Current Price is **$1.00** Difference: **$0.295**
If **ACE** meets the Canaccord Genuity target it will return approximately **29%** (excluding dividends, fees and charges).
The company's fiscal year ends in July.

Forecast for FY25:

Canaccord Genuity 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 71.79**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **minus 0.90** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 111.67**.

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

MPA MAD PAWS HOLDINGS LIMITED

Overnight Price: $0.07

Taylor Collison rates ((MPA)) as Initiation of coverage with Speculative Buy (1)

Taylor Collison initiates coverage on Mad Paws with a Speculative Buy rating and a 12c target, citing potential further upside through unlocking sum-of-the-parts (SOTP) value.

The company is experiencing strong macro tailwinds in the pet sector, supported by rising pet ownership and spending per pet, explains the analyst.

Challenges remain as the business continues to generate negative free cash flow, though the broker forecasts profitability in the medium term.

Taylor Collison values the marketplace assets at 14c/share and eCommerce assets at 6.0-7.4c/share, noting expressions of interest for both segments and the appointment of a financial advisor.

Marketplace growth has rebounded, with a 19% year-on-year increase in new customers following a media partnership with Seven West Media ((SWM)), highlights the analyst.

This report was published on November 29, 2024.

Target price is **$0.12** Current Price is **$0.07** Difference: **$0.051**
If **MPA** meets the Taylor Collison target it will return approximately **74%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Taylor Collison forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 1.18** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 5.85**.

Forecast for FY26:

> Taylor Collison forecasts a full year **FY26** dividend of **0.00** cents and EPS of **0.25** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **27.60**.

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

MTO MOTORCYCLE HOLDINGS LIMITED

Automobiles & Components Overnight Price: $1.86

Moelis rates ((MTO)) as Buy (1)

Moelis notes a stronger-than-expected year-to-date trading update for Motorcycle Holdings, with revenues rising by 8% year-on-year.

Growth was driven by a 13% increase in used bike retail units and gains in parts, accessories, and service revenues, explains the broker.

The analysts highlight the company's cost management initiatives, including property consolidation and system upgrades, which are expected to offset rising expenses.

The addition of new CFMOTO models continues to expand market share and support margin growth, observes the broker.

Moelis implements substantial EPS upgrades of 20-30% for FY25-27 forecasts, reflecting operating leverage as the business recovers from cyclical lows. The new management team is seen as well-placed to execute strategic growth initiatives.

Buy rating. The target price rises to $2.60 from $2.37.

This report was published on December 10, 2024.

Target price is **$2.60** Current Price is **$1.86** Difference: **$0.74**
If **MTO** meets the Moelis target it will return approximately **40%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Moelis forecasts a full year **FY25** dividend of **13.10** cents and EPS of **23.30** cents.
> At the last closing share price the estimated dividend yield is **7.04%.**
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.98**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **14.70** cents and EPS of **26.70** cents.
At the last closing share price the estimated dividend yield is **7.90%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **6.97**.

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

PNR PANTORO LIMITED

Gold & Silver Overnight Price: $0.09

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

Moelis initiates coverage on Pantoro with a Buy rating and a target price of 14c, highlighting the company's strong position as an emerging Australian gold producer.

The broker notes the completion of the 1mtpa processing facility at the Norseman project, supported by significant mineral resources of 4.7moz and ore reserves of 895koz.

Production is expected to ramp up to 80-90koz annually for ten years, with potential for higher grades and increased output.

Pantoro's net cash position of approximately $105m and minimal hedging provide full exposure to gold prices up to $4,200/oz, highlights Moelis.

This report was published on December 10, 2024.

Target price is **$0.14** Current Price is **$0.09** Difference: **$0.046**
If **PNR** meets the Moelis target it will return approximately **49%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **0.00** cents and EPS of **0.98** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **9.59**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **0.00** cents and EPS of **1.02** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **9.22**.

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

RKN RECKON LIMITED

Accountancy Overnight Price: $0.55

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

Moelis initiates coverage on Reckon with a Buy rating and a target price of 67c, citing strategic value from the transition to its proprietary Reckon One platform. It's noted the Australian market for cloud-based accounting software is large and continues to grow.

The broker notes stable revenues of $53.4m in 2023, with 60% generated from cloud-based subscriptions. Subscriber growth in Reckon One offsets declines in legacy products, supported by recent enhancements like payroll functionality, explains the analyst.

Management incentives align with shareholder value, focusing on returning cash and exploring M&A

opportunities, highlights Moelis.

The company's US-based nQ Zebraworks division also offers growth potential, according to the broker, targeting mid-sized legal practices with bundled SaaS solutions.

This report was published on December 10, 2024.

Target price is **$0.67** Current Price is **$0.55** Difference: **$0.12**
If **RKN** meets the Moelis target it will return approximately **22%** (excluding dividends, fees and charges).
The company's fiscal year ends in December.

Forecast for FY24:

Moelis forecasts a full year **FY24** EPS of **3.60** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.28**.

Forecast for FY25:

Moelis forecasts a full year **FY25** EPS of **3.60** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.28**.

Market Sentiment: **0.0**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

RUL RPMGLOBAL HOLDINGS LIMITED

Mining Sector Contracting Overnight Price: $3.24

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

Taylor Collison initiates coverage on RPMGlobal with an Outperform rating and a $3.55 target, highlighting the company's position as a leader in mine planning and asset management software.

The company's AMT and XECUTE products are considered best in class, with strong adoption among Tier 1 miners.

The transition to a subscription-based model, with total contracted value (TCV) of $161m in FY24, enhances revenue visibility and reduces risk, in the analyst's opinion.

The broker sees upside potential from global framework agreements, which streamline client onboarding and strengthen market positioning.

This report was published on November 29, 2024.

Target price is **$3.55** Current Price is **$3.24** Difference: **$0.31**
If **RUL** meets the Taylor Collison target it will return approximately **10%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Taylor Collison forecasts a full year **FY25** dividend of **0.00** cents and EPS of **4.80** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **67.50**.

Forecast for FY26:

Taylor Collison forecasts a full year **FY26** dividend of **0.00** cents and EPS of **8.20** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **39.51**.

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

STK STRICKLAND METALS LIMITED

Mining Overnight Price: $0.09

Canaccord Genuity rates ((STK)) as Initiation of coverage with Speculative Buy (1)

Strickland Metals is focussed on exploring the Rogozna Gold & Base Metals Project in Serbia. The project sits in an intriguing geological setting, Canaccord Genuity notes, in a region that hosts several significant mineral deposits including Rio Tinto's ((RIO)) Jadar lithium development.

Rogozna is a large-scale magmatic hydrothermal system which hosts a gold-copper (with zinc, silver and lead) mineralised system and comprises four key prospects, the broker notes.

Canaccord initiates coverage of Strickland with a Speculative Buy rating and price target of 16c.

This report was published on December 2, 2024.

Target price is **$0.16** Current Price is **$0.09** Difference: **$0.071**
If **STK** meets the Canaccord Genuity target it will return approximately **80%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **0.00** cents.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **0.00** cents.

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

SLC SUPERLOOP LIMITED

Telecommunication Overnight Price: $2.25

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

Canaccord Genuity highlights Superloop's strategic acquisition of Uecomm for -$17.5m, which includes 2,000km of fibre assets in key metropolitan areas.

The deal is expected to reduce network costs, enhance Smart Communities operations, and lower future capital expenditure, explains the analyst.

The broker notes the earnings contribution from Uecomm will be neutral in the first year, but the acquisition aligns with long-term growth opportunities in Smart Communities. FY25 net cash is projected at $23m, providing capacity for further acquisitions.

The analyst raises medium-to-long-term assumptions, resulting in a six-year earnings compound annual growth rate (CAGR) of 26%. Revenue and EBITDA forecasts for FY25 and FY26 remain unchanged.

Canaccord Genuity increases its target price to $2.52 from $2.27 and retains a Buy rating.

This report was published on December 11, 2024.

Target price is **$2.52** Current Price is **$2.25** Difference: **$0.27**
If **SLC** meets the Canaccord Genuity target it will return approximately **12%** (excluding dividends, fees and charges).
Current consensus price target is **$2.15**, suggesting downside of **-2.7%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **4.90** cents.

At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **45.92**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **5.3**, 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 **41.7**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **7.90** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **28.48**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **7.1**, implying annual growth of **34.0%**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **31.1**.

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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