FNArena
FINANCIAL NEWS, ANALYSIS & DATA

STORIES TO READ FROM FNArena

Friday, 28 March 2025

James Hardie Pursues Growth, At What Cost?

Plenty Of Ambition At Myer & Premier

Rudi's View: Captive & Uncomfortable

CONTENTS

FNArena
Financial News, Data & Analysis

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

Your editor:
Rudi Filapek-Vandyck

Your dedicated team of journos:
Danielle Ecuyer, Greg Peel & Mark Woodruff

AUSTRALIA

The Market In Numbers - 22 Mar 2025

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

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

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

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

Australia & NZ

Index	22 Mar 2025	Week To Date	Month To Date (Mar)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
NZ50	12113.540	-1.24%	-3.87%	-7.61%	-7.61%	3.38%
All Ordinaries	8158.70	1.81%	-2.92%	-3.11%	-3.11%	1.81%
S&P ASX 200	7931.20	1.82%	-2.95%	-2.79%	-2.79%	2.11%
S&P ASX 300	7871.80	1.88%	-2.86%	-2.80%	-2.80%	2.12%
Communication Services	1651.80	1.31%	-2.27%	1.50%	1.50%	10.03%
Consumer Discretionary	3804.90	1.04%	-5.53%	-2.72%	-2.72%	8.36%
Consumer Staples	11794.70	3.90%	-1.89%	0.22%	0.22%	-4.71%
Energy	7999.50	3.25%	-4.37%	-7.23%	-7.23%	-20.26%
Financials	8201.50	2.22%	-5.56%	-4.79%	-4.79%	7.11%
Health Care	41453.60	1.32%	-3.04%	-7.65%	-7.65%	-6.33%
Industrials	7825.20	2.40%	-2.13%	2.34%	2.34%	14.88%
Info Technology	2366.60	0.76%	-5.48%	-13.66%	-13.66%	1.07%
Materials	16522.60	1.04%	1.73%	2.47%	2.47%	-2.11%
Real Estate	3649.10	1.79%	-0.53%	-2.99%	-2.99%	2.41%
Utilities	9128.60	2.23%	0.78%	1.06%	1.06%	-1.68%
A-REITs	1667.90	1.81%	-0.51%	-2.94%	-2.94%	2.68%
All Technology Index	3513.60	1.84%	-5.25%	-7.67%	-7.67%	11.97%
Banks	3422.10	2.25%	-5.30%	-5.11%	-5.11%	7.10%
Gold Index	10725.80	1.54%	9.65%	27.33%	27.33%	45.78%
Metals & Mining	5423.20	1.61%	2.62%	3.19%	3.19%	-2.29%

The World

Index	22 Mar 2025	Week To Date	Month To Date (Mar)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
FTSE100	8646.79	0.17%	-1.85%	5.80%	5.80%	5.91%
DAX30	22891.68	-0.41%	1.51%	14.98%	14.98%	25.53%
Hang Seng	23689.72	-1.13%	3.26%	18.09%	18.09%	33.70%
Nikkei 225	37677.06	1.68%	1.40%	-5.56%	-5.56%	-4.82%
DJIA	41985.35	1.20%	-4.23%	-1.31%	-1.31%	7.33%
S&P500	5667.56	0.51%	-4.82%	-3.64%	-3.64%	3.79%
Nasdaq Comp	17784.05	0.17%	-5.64%	-7.91%	-7.91%	0.29%

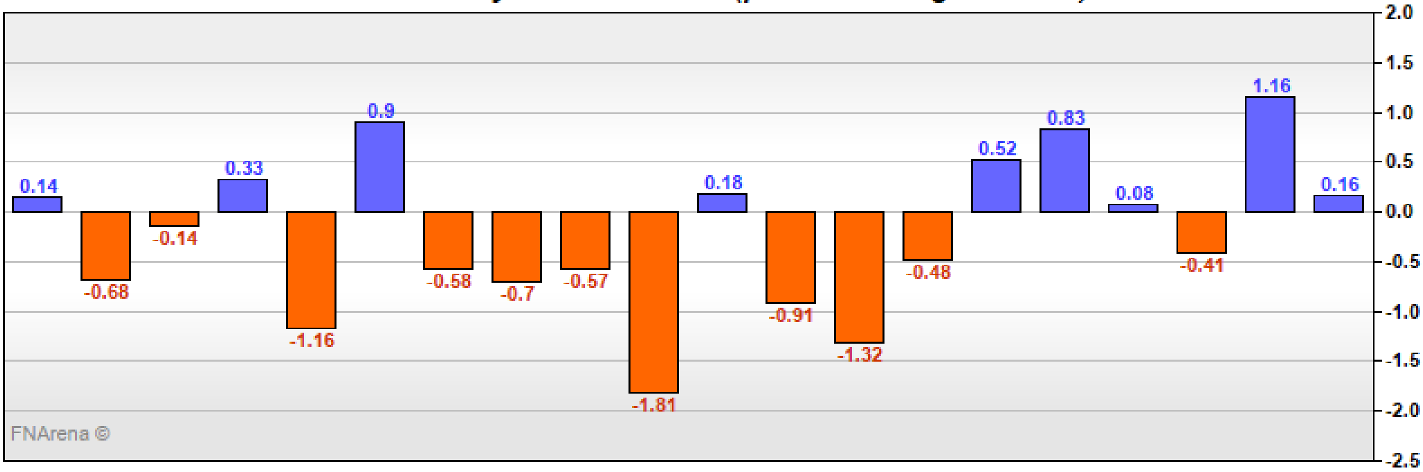
Metals & Minerals

Index	22 Mar 2025	Week To Date	Month To Date (Mar)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
Gold (oz)	3053.20	1.86%	5.82%	16.24%	16.24%	30.59%
Silver (oz)	34.10	-0.98%	8.27%	12.83%	12.83%	16.58%
Copper (lb)	5.1095	3.96%	11.04%	24.73%	24.73%	17.91%
Aluminium (lb)	1.1956	-1.71%	0.78%	4.59%	4.59%	6.32%
Nickel (lb)	7.3560	-0.45%	6.24%	2.95%	2.95%	-5.43%
Zinc (lb)	1.3186	-0.69%	4.10%	-2.42%	-2.42%	-0.57%
Uranium (lb) weekly	63.00	-0.40%	-3.45%	-12.50%	-12.50%	-24.32%
Iron Ore (t)	102.15	-0.01%	-4.60%	-1.63%	-1.63%	-4.09%

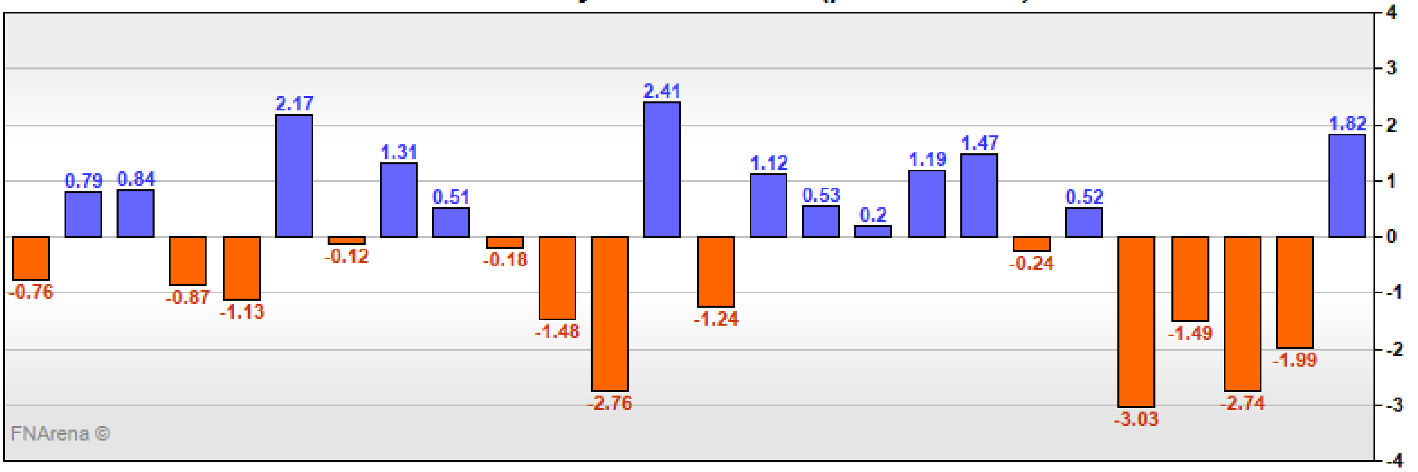
Energy

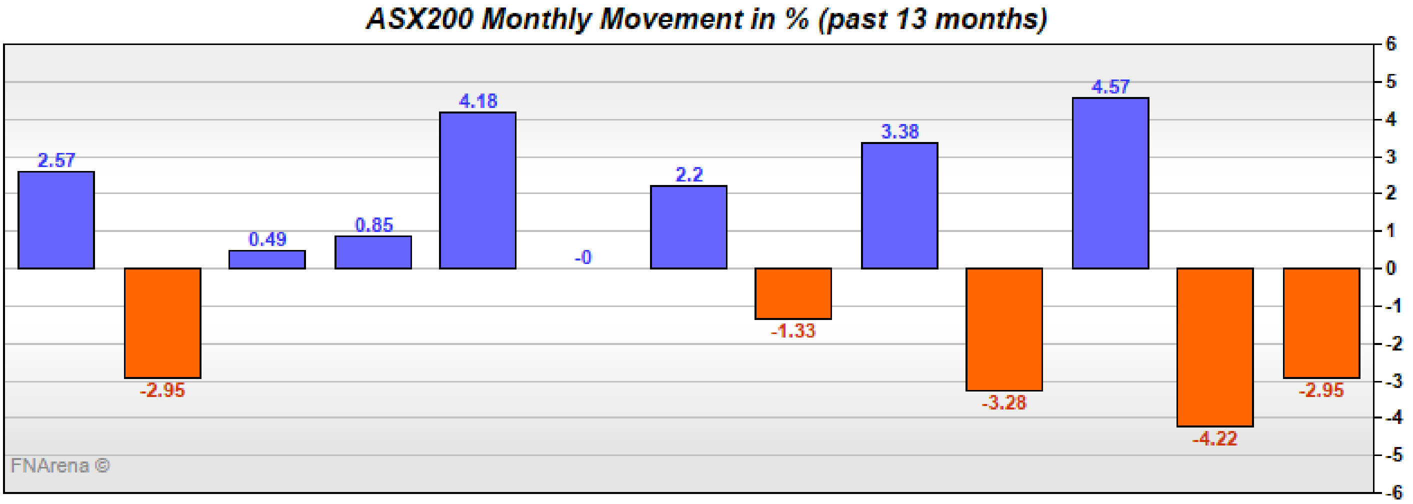
Index	22 Mar 2025	Week To Date	Month To Date (Mar)	Quarter To Date (Jan-Mar)	Year To Date (2025)	Financial Year To Date (FY25)
West Texas Crude	68.28	2.38%	-2.76%	-1.73%	-1.73%	-16.59%
Brent Crude	72.19	3.26%	-1.59%	-0.51%	-0.51%	-15.51%

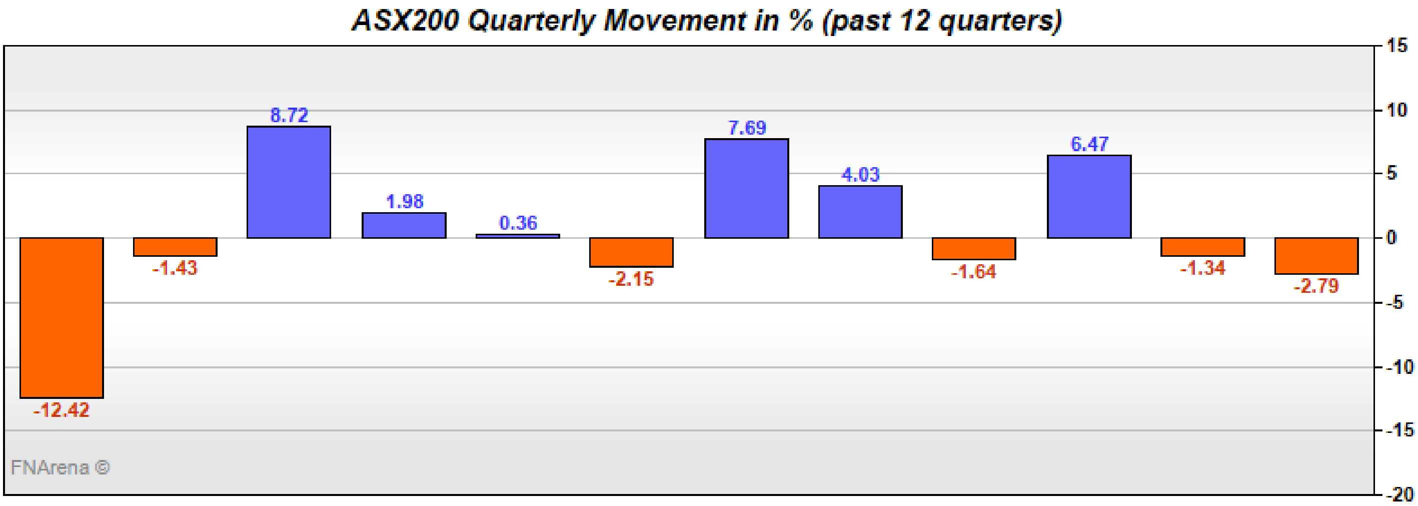
ASX200 Daily Movement in % (past 20 trading sessions)



ASX200 Weekly Movement in % (past 26 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.

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

FNArena welcomes comments and suggestions at info@fnarena.com

AUSTRALIA

Orica's Transformation Proceeding Apace

Following Orica's recent business update and investor day, analysts remain upbeat noting scope for additional capital management.

Orica's positive business update and investor day underpin market optimism
-Management points to higher-than-planned first half earnings
-Switch of emphasis to Digital Solutions and Specialty Mining Chemicals
-Buyback announced, scope for more capital management

By Mark Woodruff

Shares in commercial explosives and blasting systems services provider Orica ((ORI)) had been largely neglected by investors prior to the March 7 business update, with the removal from the MSCI Australia Index (now complete), declining thermal coal prices and global growth concerns all weighing on the share price.

Post the positive market update, Morgan Stanley has named the company as its top pick within ASX Industrials companies.

Before March 7, Macquarie had already noted a strong start to 2025, thanks to favourable pricing for ammonium nitrate, a solid margin mix, and increased uptake of the company's high-tech blasting solutions. Macquarie was convinced; the outlook for Orica seemed positive.

The business update thus provided confirmation of Orica's strong start to the year, with management guiding for first-half earnings (EBIT) to be "higher than planned, with contributions from all three segments expected to be higher than the prior corresponding period."

The main Blasting Solutions division is firing, Macquarie notes, with ongoing benefits from margin/mix, particularly in the Australia Pacific & Asia (APA) reporting segment.

Citi agrees this business remains strong and the planned Kooragang turnaround is on budget and on schedule. Also, sales of carbon credits will be finalised this month with an estimated benefit of up to $15m for the first half.

While offering profit improvements supported by the uptake of high value blasting technologies such as WebGen, 4D and Fortis Protect, notes Goldman, **Blasting Solutions is not the main game going forward.**

Management aims to derive half of group earnings from the emerging higher margin segments of Digital Solutions and Specialty Mining Chemicals, with its "Beyond Blasting" aspirational target suggesting Blasting Solutions will make up the other half.

Founded in 1874 as a supplier of explosives during the Victorian gold rush, Orica has grown to become a leader in the production and supply of sodium cyanide for gold extraction and ground support services in mining and tunnelling.

The company is also a major producer and supplier of ammonium nitrate, a key component in ammonium nitrate fuel oil, which is widely used in the mining and construction industries for blasting operations.

Key earnings drivers are ammonium nitrate volumes and prices, natural gas costs (input cost) and manufacturing reliability.

Additionally, Orica provides digital solutions and geotechnical monitoring technologies to enhance safety and productivity in mining operations.

Investor day

While the recent Investor Day covered the Blasting Solutions and Specialty Mining Chemicals segments, management undertook a deep dive into the Digital Solutions division.

Management also provided more colour on comments made during the business update regarding the first half tracking ahead of plan, noting "First half EBIT expected to be higher than planned, with all three segments expected to be higher than pcp".

Underpinning confidence in the growth trajectory, suggests Citi, the company also announced a buyback, the most appropriate form of capital management in the broker's view, given Orica is not expected to generate franking credits until at least FY27.

Orica management also announced a new capital management framework including moving to a leverage target from gearing previously.

The on-market buyback of up to $400m (circa 5% market cap) is to be completed over a year, and with a pre-tax cost of debt between 5-7%, Ord Minnett believes EPS may be boosted by between 1-2%.

Goldman Sachs sees scope for ongoing capital management given an ongoing focus on cash generation and potential proceeds from future surplus land sales.

Based on management's aspirational mid-term percentage growth targets for Digital Solutions and Specialty Mining Chemicals of low-double-digits and mid-single-digits, respectively, RBC Capital expects around ten years will be required to meet the 50% target, assuming earnings from Blasting are unchanged.

While Orica is aiming to monetise its newly formed portfolio of industrial intellectual property and technological solutions, management has previously acknowledged this is an attempt to create and monetise a market not currently in existence, highlights RBC.

<u>Digital Solutions explained</u>

After reviewing the business update, Morgan Stanley assesses Digital Solutions continues to perform, with new contract wins and solid recurring revenue from geotechnical and structural monitoring hardware and software provider, Terra Insights, which was acquired during FY24.

Subcategories of Digital solutions are Blast Design & Execution, Geo-solutions, and Orebody Intelligence.

Ord Minnett feels Orebody Intelligence shows the strongest growth prospects, with opportunities to expand into the mine production stage.

The analyst explains the Blast Design and Execution category aims to charge software as a service (SAAS) fees for digital products, with low churn rates.

Elsewhere, Geo-solutions, particularly Ground Probe, is performing ahead of plan, offering predictive features and extensive monitoring capabilities, highlights the broker.

<u>Specialty Mining Chemicals</u>

In Specialty Mining Chemicals, Orica is concentrating on meeting the rising demand for its chemical solutions which optimise extraction processes and improve yield, explains Citi.

The business update also revealed strong sales volumes for Specialty Mining Chemicals, with Morgan Stanley highlighting that strong performance was driven by new contract wins from last year's acquisition of Cyanco, a producer of sodium cyanide and manufacturer of other chemicals.

Record gold prices should be supportive for sodium cyanide (a key chemical used in extracting gold and silver from ore), which Orica also supplies to customers.

The Trump effect

While Morgan Stanley highlights Orica's significant trade flows and potential exposure to President Trump's global tariff measures, given its only North American ammonium nitrate capacity is at the Carseland plant in Canada, there are potential offsets.

As counter measures, the analysts see opportunities for product swaps and for management to secure supply within the US through existing contracts with fertiliser producers.

Outlook

Historically, Brambles ((BXB)) and Orica have traded on a similar multiple, and currently both offer 14% forecast three-year EPS growth, a similar yield, plus strong balance sheets, yet Brambles presently trades at an average 19% valuation premium to Orica, highlights Morgan Stanley.

Solid earnings growth with a relatively high level of certainty, will likely be an increasingly rare commodity in the next six-to-twelve months, suggest the analysts.

This broker's Overweight rating is based on its view Orica is positioned to benefit from pricing growth in domestic ammonium nitrate markets and further penetration of value-added products.

Buy-rated Goldman Sachs believes the company has entered a consolidation phase, as signalled by the $400m buyback and revised financial framework after the recent acquisition spree.

UBS (Buy) believes Orica's new capital management framework more evenly balances growth investment with shareholder returns and sees ongoing price earnings multiple re-rate potential supported by strong operating momentum and current undervaluation.

Five of the six brokers updated daily in the FNArena database have Buy (or equivalent) ratings, while Citi is on Hold.

The average target price is $21.08, up from $20.80 prior to the business update and investor day, suggesting in excess of 20.5% upside to the latest share price.

Outside of daily coverage, RBC Capital and Goldman Sachs have Buy ratings and Jarden is a Hold, with an average target of $20.42.

AUSTRALIA

Sighs Of Relief Post Supermarkets Inquiry

In the wake of the ACCC supermarkets inquiry, analysts keep earnings forecasts unchanged noting major players may ultimately benefit.

-Heat subsides for Coles and Woolworths post ACCC review
-Analysts see only limited near-term implications for the sector
-Some negatives for the fresh food segment

By Mark Woodruff

Scrutiny by the regulator and the upcoming Federal election have been key share price overhangs for Coles Group ((COL)) and Woolworths Group ((WOW)), restricting their ability to grow margins in a tough competitive environment, highlights RBC Capital.

Now, the election is the only hurdle left to clear, after the final report from the Australian Competition and Consumer Commission's (ACCC) supermarket inquiry contained few near-term implications of a material nature for the sector.

Apart from some implications for the fresh food segment, the enquiry may ultimately benefit the major players inside the local industry.

Jarden certainly believes near-term implications are limited, with no forced divestiture, land-banking, or pricing rules recommended, albeit everyday low pricing (EDLP)/Hi-Lo conclusions were deferred owing to an ongoing court case.

Importantly, Citi highlights the report does not recommend regulating grocery pricing or imposing restrictions on promotional strategies.

While media publicity around the announcement is likely to negatively impact the supermarkets in the short-term, Citi does not expect a material impact to earnings from the 20 recommendations contained in the report.

Recommendations included clearer pricing practices, communication of shrinkflation, greater transparency for suppliers (particularly in fresh) and reforms to planning and zoning laws to enable more competition.

Supply chain and trading arrangements accounted for 11 of the recommendations, followed by consumer experiences and outcomes and retail competition with six and three, respectively.

Acknowledging consumers currently benefit from a relatively efficient food supply system, the ACCC concedes substantial pro-competitive changes are unlikely in the near-term.

Aldi has no current plans to materially expand its network beyond its current store footprint, which means any competitive impact will largely come from like-for-like sales growth, highlights RBC, while IGA's store network has largely contracted since 2008.

Jarden believes the ACCC report should function as a line in the sand for Coles and Woolworths to begin rebuilding brand equity and customer trust eroded by prior inquiries. Woolworths has suffered the most reputational damage, the broker notes, but now stands to benefit the most, followed closely by Coles.

The analysts highlight the report's recommendations could accelerate a shift toward everyday low pricing (EDLP), which, if executed effectively, may ultimately support margins and improve customer perception for the major supermarket chains.

Potential new pricing transparency rules are likely to see EDLP for Coles and Woolworths moving above the respective 16% and 19% of sales currently, suggests Jarden, which could create risk for Aldi, Chemist Warehouse/Sigma Healthcare ((SIG)), as well as Bunnings ((WES)) and IGA/Metcash ((MTS))..

Potentially negative implications for fresh food

The inquiry found a significant bargaining power imbalance between Coles/Woolworths and some suppliers, notes Goldman Sachs, especially around fresh produce,

Key recommendations include a push for greater transparency about the weekly tendering process, supply forecasts, and market reporting obligations.

Potentially impacting fresh margins, Citi highlights recommendation 15 of the ACCC report states Aldi, Coles and Woolworths should not be able to unilaterally reduce wholesale fresh produce prices or volumes agreed with suppliers in their weekly tendering processes.

Jarden agrees this requirement to lift transparency, particularly around wholesale pricing, may increase cost-to serve and the ability to manage margin.

Outlook

Last week, prior to the release of the ACCC report, Macquarie contemplated potential share price upside for both major players in the sector.

As per previous enquiries into the banks, Qantas Airways ((QAN)) and childcare, the broker observed the market tends to "sell the rumour" and "buy the fact", with share prices materially improving after the release of the regulator's conclusion.

Macquarie felt the re-rating opportunity was greatest for Woolworths (upgraded to Outperform from Neutral) given its five-year low relative valuation compared to Coles Group.

Both Macquarie and Morgan Stanley also expressed a preference for supermarkets in the current risk-off environment as explained at https://fnarena.com/index.php/2025/03/19/risk-off-puts-supermarkets-in-focus/

For research updates following the ACCC report release, brokers have kept earnings forecasts and target prices unchanged.

Citi stays with its Neutral rating and $33 target for Woolworths Group and Buy, $21 target for Coles Group.

Goldman Sachs and Jarden both have Neutral ratings for Coles with an average target of $19.25. Goldman is Buy-rated on Woolworths (target $36.10), and Jarden has a $37 target with an Overweight rating, one notch below Buy in its rating system.

AUSTRALIA

James Hardie Pursues Growth, At What Cost?

The market has given the Azek acquisition the thumbs down for now, but James Hardie management sees growth opportunities abound.

-James Hardie's US$8.75bn Azek Acquisition Explained
-New CEO Aaron Erter's Bold Growth Strategy
-Strategic Fit: Siding and Decking Market Overlap
-What Analysts Say: Mixed Ratings, Lower Targets

By Danielle Ecuyer

James Hardie: "Once combined, we will offer a comprehensive solution of leading exterior brands which positions us to benefit from material conversion opportunities, and pursue a total addressable market more than twice the size of ours today."

Market reacts quickly to AZEK deal

Shoot now and ask questions later was the go-to response from the Australian market following James Hardie Industries' ((JHX)) announcement of its takeover of US building materials company Azek for US$8.75bn.

The size of the acquisition dressed up as a "merger" is large at around 50% of Hardie's market capitalisation, but that is not at first inspection the key issue ruffling analysts' and investors' feathers.

At a time when uncertainty over US tariffs looms large and the US housing, repair and remodel (R&R) market is struggling to recover from high interest rates, Mr Market is querying why the new CEO Aaron Erter is so keen to embrace what is in effect a large US takeover at a high cost, which will structurally reshape one of Australia's darlings inside the building materials sector.

A tale of two companies

Unlike Hardie, which is an Aussie icon and stalwart often characterised as a "quality" company that has successfully diversified overseas, Azek is a relative newcomer.

The US company listed on the NYSE in 2020 at an IPO price of US$23 per share with an initial market capitalisation of around US$3.5bn. So, a takeover at almost three times the original IPO price looks pretty good for some investors, although they will receive a mix of cash and James Hardie shares.

Aaron Erter is also a relatively new CEO for James Hardie, appointed in September 2022. He has faced challenging pandemic and post-covid market issues, as well as a period of high interest rates which have impacted housing markets.

The Hardie CEO is not Australian, having grown up in Ohio and attended prestigious universities and business schools.

A quick scan of his career shows Erter is no slouch, with a blue-blood corporate CV including a three-year stint at Sherwin-Williams (the US equivalent of Dulux) and his early career at Stanley Black & Decker.

Erter's experience is well established across industrial and consumer-facing businesses.

So will investors and the market give him the benefit of the doubt with this acquisition?

Deal structure and premium

James Hardie is using a combination of US$4.4bn in scrip and US$3.9bn in cash, which will result in Hardie shareholders owning around 74% of the combined business.

Azek shareholders will receive US$26.45 in cash and 1.034 in James Hardie shares at the last close of $46.80.

The deal is pitched at a premium of 26% to Azek's 30-day volume-weighted average price, or six times price/book, Macquarie explains, with 52% of assets classified as intangibles.

Goldman Sachs notes the proposed transaction, including debt of US$386m as at December 2024, is at 22.4x enterprise value/earnings before interest, tax, and depreciation.

Strategic fit across customer base

There is not much argument across brokers when it comes to the strategic fit of aligning the two businesses, with overlap between siding and decking customers.

RBC Capital highlights 55% of siding contractors also do decking, and around 55% of homeowners do deck and siding projects together. RBC also believes there are strategic benefits of premium product marketing positioning, including *"strong aesthetic appeal and durability."*

Azek generates around 74% of its business from composite decking, accessories, and railings, and 26% comes from home exteriors, including decorative mouldings, trim, and columns.

James Hardie has around 66% exposure to repair and remodel (R&R), with 35% from new construction.

With the combined group, all things being equal, final market exposure will be 70% R&R and 30% new construction.

Citi points to comments from Hardie that around 55% of contractors do both siding and decking, which will increase the value proposition to both customers and contractors.

An US$23bn addressable market on offer

At the analyst presentation, James Hardie explained it remains well-positioned to service the sizeable material conversion opportunity in North America, converting wood and vinyl siding to Hardie's fibre cement board.

The company notes ten million vinyl homes have been constructed over the last thirty years, and over 35m homes are aged between 20 to 40 years; a prime age for replacing or improving exterior sidings.

Azek management argued the residential business has grown by 77% since 2020, with decks, railings, and accessories being a market leader. US-based manufacturing and recycling Azek has sustainability at its core. Wood represents around 35% to 75% of the replacement opportunities for the company's TimberTech decking product.

Combined outlook for financials

Hardie's management is aiming for US$125m (EBITDA) cost synergies by 2028 and US$225m (EBITDA) in commercial synergies by FY30. Goldman Sachs proposes that, including cost synergies, the implied takeover multiple is 17x, or 11.8x including both cost and revenue synergies from 22x initially.

RBC views the opportunity for overhead reduction can be more easily facilitated than R&D and manufacturing savings. Macquarie stresses management will likely adopt a cautious approach to sales and R&D, given the potential impacts on the company's performance.

James Hardie has around 350 salespeople and Azek has circa 250. Morgan Stanley believes there is an opportunity for the James Hardie Contractor Alliance Program to add value to the Azek platform.

Morgans emphasises the acquisition will be dilutive to James Hardie's earnings in the initial years by around -8% in FY27. The potential upside merits to the takeover lay squarely at the feet of management's ability to extract the proposed US$350m in total synergies, as well as an improvement in the repair and remodel markets.

The broker also points to increased gearing to an estimated 2.8x net debt/EBITDA, reducing to 2.0x over two fiscal years post-merger, inclusive of share purchases of up to $500m in the 12 months following the closing of the transaction.

Citi sees the takeover as mid-single digit dilutive to consensus earnings forecasts, largely due to the additional interest costs from Azek, some US$192m at around a 5% rate, which is higher than the year-one synergy target of US$139m (US$83m cost and US$56m commercial).

Changing primary listing to the US

Post-merger, James Hardie will have a NYSE listing and a CDI-based listing on the ASX, with possible index inclusion on the NYSE and a valuation re-rating down the track, Macquarie explains.

Erter will remain as CEO, and the Azek CEO, Chairman, and another director will join the board of the merged companies.

Summing up the outlook

Australian analysts and investors have been burned over the years when quality domestic companies have made large overseas acquisitions, which have often resulted in large losses for shareholders and a retreat to core business operations. Boral comes to mind, but there have been numerous other examples.

That point aside, brokers appreciate the strategic rationale for the proposed acquisition, which makes the issue of cost the key point of concern and contention around extracting fiscal synergies at a time when so many question marks overhang the US economy and geo-politics.

Four of the seven FNArena daily monitored brokers have updated their views on the stock, with a consensus target price of $55.587, down -$3.86 from prior to the announcement.

Morgan Stanley believes the sell-down in the shares, over -30% from January, is overdone and has upgraded James Hardie shares to Buy-equivalent from Hold-equivalent.

Macquarie is more circumspect and has downgraded the stock to Hold from Buy-equivalent and cut the target price to $44 from $65 on a lower valuation multiple for FY26 earnings estimates.

Morgans retains a Buy and Citi a Hold. Goldman Sachs does not rate James Hardie, and RBC Capital has a $52 target price and Hold-equivalent rating.

AUSTRALIA

Plenty Of Ambition At Myer & Premier

Following the transfer of brands to Myer from Premier Investments, analysts review interim results for both companies and weigh their respective outlooks.

-Transfer of brands to Myer from Premier Investments completed
-Premier's Smiggle concerns, distribution centre issues at Myer
-Progress update on the Peter Alexander UK expansion
-Plenty of growth ambitions for both retailers

By Mark Woodruff

Retailer Premier Investments ((PMV)) now operates sleepwear stores Peter Alexander and children's stationery chain Smiggle within its Retail division following divestment of non-core Apparel Brands in exchange for shares in Myer ((MYR)) valued at $864m. The transaction completed in January this year.

Premier also owns a 25% stake in kitchen appliances growth company Breville Group ((BRG)) and operates an Investment division which includes properties, securities for both long and short-term gains, rental income, dividend income, and interest.

Modeling by Morgan Stanley defines the firm's valuation as approximately 58% from Peter Alexander, while 14% relates to Smiggle, and around 20% stems from the investment in Breville.

The transaction with Myer includes popular fashion chains Just Jeans, Jay Jays, Portmans, Dotti, and Jacqui E which are set to expand Myer's retail footprint to over 780 stores across Australia and New Zealand, adding approximately $1bn in annual sales and increasing employees by 50% to 17,300.

Myer has now scope for revenue synergies through cross-shopping opportunities with Apparel Brands customers and eCommerce upselling, with the acquired brands now available via myer.com.au.

As Premier and Myer have July year-ends for financial reporting, both have released interim results over the week past. Both were broadly in line with expectations.

<u>Premier's first half performance and Smiggle concerns</u>

Premier's first half was messy because of the de-merger of Apparel, but on an underlying basis, earnings were broadly in line with guidance and analysts' expectations with Peter Alexander and Smiggle turning in respective beats and misses.

Sales momentum overall improved into the second half, notes Morgan Stanley.

Ord Minnett labels Smiggle's performance as rather mixed, with strong sales in Australia and New Zealand but declines internationally.

Petra Capital highlights incremental positives in the A&NZ region including ongoing strong sales for Peter Alexander. Smiggle momentum improved in the key January-February back-to-school season, notes Bell Potter, resulting in an upturn in the first five weeks of the second half.

Petra Capital suggests the Smiggle product outlook appears promising due to a strong movie pipeline arising from collaborations signed. Jarden agrees trends are improving and management has begun to drive more unique product.

On the flipside, Smiggle's offshore sales remain challenged and the outlook for Peter Alexander in the UK includes a difficult macro-economic backdrop.

Smiggle has been under pressure due to ongoing cost-of-living challenges affecting consumers, and, according to Jarden, it also faces one of the highest levels of cross-shopping (among the companies under the broker's coverage) with value-focused platforms such as Amazon, Shein, and Temu.

The drivers behind Smiggle's sales weakness remain a key point of investor debate, notes Morgan Stanley, with factors under scrutiny including cyclical headwinds, structural challenges such as increased competition, and potential mis-execution (if that is a word).

Premier's interim: the numbers

Revenue was flat year-on-year at $455m versus guidance of between $450-453m. By segment, Peter Alexander sales rose by 7% while Smiggle's sales fell by -15%.

Retail earnings (EBIT) fell by -16% year-on-year to $129.4m versus guidance for $129-130m, impacted by a -60bps fall in gross margin to 67.8% and opex de-leverage with like-for-like sales easing by -4%, explains Morgan Stanley.

The weaker gross margin performance derived from the higher margin Smiggle business and ongoing cost pressures, particularly rent and labour, explains Jarden.

Ord Minnett blames promotions and foreign exchange headwinds, though cost reductions in Chinese factories may ultimately offset these pressures.

Peter Alexander UK expansion

A loss of -$6.3m was incurred in the half because of the UK expansion, prompting Chairman Solomon Lew to say there would be no more openings until UK retail conditions improve.

Peter Alexander opened three stores in the UK in the first half with a further seven stores identified for the initial launch.

The brand is well positioned to succeed in the UK, suggests Morgan Stanley, as that market remains highly fragmented with no clear category leader, creating an opportunity for a differentiated, fashion-focused offering to disrupt the space.

Locally, the broker views Peter Alexander as one of the strongest retail brands in the A&NZ region, with sales having doubled over the past five years.

The next phase of growth is expected to be driven by new store openings and the rollout of larger-format store upgrades.

Myer commentary and results

Last week's interim results for Myer revealed solid outcomes given the current macro-economic conditions, suggests Canaccord. First-half revenue and earnings (EBIT) beat Morgan Stanley's forecasts by 1% and 5%, respectively.

While the first five weeks of the second half showed sales down -2.6%, management explained sales would have been flat after adjusting for major events, promotion timing, and the leap year.

Putting aside National Distribution Centre (NDC) complications and ramp-up delays, comparable sales were flat in the first half, notes Canaccord, and underlying earnings (EBIT) slipped by -4%.

Negatively impacting earnings, Myer experienced temporary headwinds from its new Victorian NDC, which are expected to provide a tailwind in fiscal year 2026, according to Ord Minnett.

Morgan Stanley agrees fixing the NDC issues provides near-term earnings upside, along with benefits from further refinancing of debt facilities and restoring profitability for Myer Specialty Brands.

While second half like-for-like sales were flat year-on-year and came in slightly below Ord Minnett's expectations, the company has made meaningful progress in narrowing losses within its Specialty Brands and Direct Marketing division (SBMDL) and delivered greater-than-expected cost savings through debt refinancing.

Management stressed there is a 'reset' underway to position the company for future growth.

Outlook for Myer

Ultimately, the investment case for Myer depends on the success of integrating the Apparel Brands' assets and executing a successful turnaround.

Management is focusing on completing its team build-out and executing revenue synergies, with further details expected at the company's May strategy day.

Positively, Canaccord considers metrics around brand health are pointing in the right direction with active members rising by 6%, and the Myer one tag rate (the percentage of total sales associated with Myer one loyalty program members) at record levels. New member sign-ups also increased by 21%.

Both Canaccord and Morgan Stanley have Buy or equivalent ratings, with respective targets of $1.15 and $1.05, while the more cautious Ord Minnett has an Accumulate rating (one notch below Buy) and a target of 86 cents.

Views on Premier

Supported by a strong cash position of $268m, management indicated a willingness to expand the remaining portfolio.

Jarden retains its Neutral rating, noting significant uncertainty about the Smiggle and Peter Alexander overseas expansion, but assumes trends continue to improve.

Acknowledging material longer-term opportunity exists via the company's unique, high margin brands, supported by a strong balance sheet, nearer-term the broker sees more attractive opportunities in Harvey Norman ((HVN)), Universal Store ((UNI)), and Temple & Webster ((TPW)) among ASX-listed retailers.

While Ord Minnett sees potential for improvement in Smiggle and M&A opportunities, this broker has lowered its target to $23.60 from $26.15 and downgraded to Accumulate from Buy.

Following Premier Investments' interim results, two of the six brokers daily monitored by FNArena are yet to fully update their research.

The average target of the four who did respond is $27, suggesting around 33% upside to the $20.65 share price at the time of writing.

Outside of daily coverage, Neutral-rated Jarden and Goldman Sachs have targets of $21.70 and $22.55, respectively.

AUSTRALIA

Clouds Are Gathering For Aussie Banks

From high valuations to unavoidable margin pressures; Australian banks will be encountering plenty of headwinds in 2025.

-How Australia's Banks handled the RBA rate cut
-Sector research Insights: margin trends, loan pricing and deposit rates
-Capital management, buybacks, dividends, and CET1 pressures
-Caution Ahead: risks, valuations, and credit quality

By Danielle Ecuyer

The many moving parts of Australia's financial institutions, the banks, as well as the role they have traditionally played in investors' portfolios makes for interesting analysis.

Changing interest rate cycles, the state of the economy and the trade-off between capital investment versus capital distribution all have an influence on how banking stocks are valued, via earnings, and the relative share price performances.

The latest sector updates from stockbroking analysts focus on the shifting sands of capital management, and what it means for investors, the treatment of RBA rate cuts, the intersection with margins and deposit growth, as well as credit impairment.

RBA rate cuts, what did the big banks do?

Jarden shines a light on how Australia's banks passed on the RBA interest rate cut to their clientele, noting CommBank ((CBA)) and Bank of Queensland ((BOQ)) were the two to abstain from passing on the full -25bps cut.

The broker's latest channel checks point to CommBank retaining around 5bps for what is termed the "front" end of the lending book to new borrowers. This is viewed as assisting with the bank's net interest margin without attracting scrutiny.

Bank of Queensland, via its Virgin Money operation, was the only listed bank not to fully pass on the RBA rate cut to existing borrowers, which is estimated by the analyst to provide upside to the net interest margin of around 0.7bps.

Interestingly, the latter's loan book has been falling for two years, down by -20% in FY24 on the prior year, which infers management has decided to de-emphasise growth from this segment. This is viewed as a "brave" call by Jarden given the upcoming election and widespread concerns over cost of living pressures.

Westpac ((WBC)), National Australia Bank ((NAB)) and Suncorp Group ((SUN)) all cut the discounted loan pricing, down the bottom end of peers, to around 5.8%.

Westpac sustained its position as the "most competitive" in the broker segment and lowered its online rates by -35bps to more closely align with peers, including an online refinance special at 5.84%, down -35bps.

This product has several restrictive caveats, including no offset account, and applicants require less than a 70% loan-to-value ratio, which Jarden notes is similar to other online products.

Online, CommBank and Bendigo and Adelaide Bank ((BEN)) have the most competitive rates at around 5.74%, while Westpac's pricing is most competitive in the brokered discounted space.

On balance, Jarden concludes mortgage pricing competition has increased slightly, but there is scant evidence of a notable pick-up of a "mortgage pricing war".

On the deposit side of the ledger, the broker's channel checks show Macquarie Group ((MQG)) remains number one for net promoter scores (NPS) and broker experience while no longer pursuing such aggressive pricing.

Macquarie also retains the fastest turnaround times at two days versus CommBank and NAB at similar times, followed by Westpac and ANZ Bank ((ANZ)). NAB leapfrogged CBA in both broker experience and NPS, while ANZ improved on both metrics.

Jarden retains an Underweight rating on the sector, implying investors own less than a sector index weighting, with preference for ANZ above Westpac, then NAB and CBA.

Is the red warning flag flying for Australian banks?

Morgan Stanley stresses the banking sector experienced a "purple patch" in 2024; in other words, a positive backdrop and trading conditions last year which underwrote better-than-expected earnings and valuation expansion.

Thus far in 2025, the analyst believes investors remain too optimistic around earnings, and although valuations have fallen from the previous peak, they remain elevated and could be de-rated further.

There is "little margin for error" at current valuations, suggesting the banks will need to thread a positive earnings needle, which is dependent on a benign regulatory and competitive environment, a strong economic recovery, sustained low risk profile of a "safe haven status," all the while advancing capital management initiatives or, put simply, improved shareholder returns.

Last year, the banks benefitted from better-than-expected margins, and capital management also came in above projections. The latest earnings updates showed relatively slight margin improvements for the December quarter, which resulted in earnings downgrades. Capital ratios also missed the broker's forecasts by an average of -25bps, limiting the potential for further share buybacks.

Harking back to our editor's February Result Season 2025: The Wrap, Ord Minnett was quoted as part of the final assessment: *"Banks are seeing pressure from contracting net interest margins as competition ramps up, with falling rates an additional headwind."*

Morgan Stanley details a long list of possible risks to bank earnings, including higher valuations, a challenge to the safe haven and flow of funds status, a weaker RBA easing cycle and election uncertainty, challenges to deposit pricing and margin outlook, costs coming back into focus, lower-for-longer loan losses, management changes and bank-specific execution risks, less conviction around capital management, and increased competition against a softer macro outlook.

In other words what else needs to go right, or what else could go wrong?

Focusing specifically on capital management, Morgan Stanley highlights the major banks have announced $9.5bn in off-market share buybacks since August 2021 and $19bn of on-market share buybacks, with the big four all announcing a buyback in 2024.

Concurrently, average dividends per share advanced around 9% in the three years to FY24 (they had been cut during the covid lockdowns interruption).

With the lower-than-anticipated CET1 ratios at the December quarter, below expectations by an average of -25bps, and APRA proposing an extra 0.25% of CET1 and 1.25% of Tier 2 capital (expected to be confirmed in 2025), it's not rocket science to infer the banks are likely to be more disposed to retaining rather than discharging capital, the broker proposes.

Although the capital changes are not likely to be implemented until January 2027, banks are viewed as more likely to adopt the proposed changes sooner rather than later as they seek to maintain target "buffers" above the minimum capital requirements.

More capital for the banks is less capital for shareholders, leading Morgan Stanley to lower forecast future buybacks by around -$4bn post February reporting season, and by a further -$3.5bn to account for the higher CET1 target ranges.
The broker no longer forecasts any new buybacks once the outstanding circa $2.6bn of buybacks by the majors is completed.

ANZ and NAB are Hold-equivalent rated by Morgan Stanley, with Westpac and CBA rated Underweight.

<u>Monetary system is tighter than appreciated</u>

Citi joins the Sell rating chorus for Aussie banks, highlighting the underestimated underlying levels of monetary tightening in the economy, despite the narrative surrounding the RBA and possible rate cuts.

Although zero interest rate policy received the bulk of media attention, the RBA, like the US Federal Reserve, indulged in what is referred to as "unconventional monetary policy" or quantitative easing, including the now-defunct Term Funding Facility, which at around $200bn lifted the banks' balance sheet as a percentage of the credit system to around 20% from circa 6% pre-covid.

The RBA's covid-era QE and bond buying continue to "roll off," the broker explains, and some $50bn in bonds are maturing in 2025.

That means the government will repay the RBA, and those bonds will roll off the RBA's balance sheet.

As explained by ChatGPT, *"When this happens, the RBA essentially withdraws money from the banking system, because the funds used to buy those bonds (which added liquidity to the system) now go back to the RBA. This reduces the level of exchange settlement (ES) balances in the banking system in other words, there's less cash/deposits available.*

As a result, this creates a funding gap that the broader financial system (i.e. banks) will need to fill. Banks may need to raise funds through deposits or wholesale markets to maintain liquidity and lending."

In turn, this has implications for the banks' net interest margins. There is also the potential for higher funding costs to impact credit growth.

Citi retains a Sell rating on the banks, with a preference for Westpac and CBA due to better deposit franchises.

<u>When credit quality ain't as bad as it seems</u>

Macquarie has taken up the question of credit losses and impairment charges, with NAB recently in the spotlight and suffering share price weakness due to concerns around its SME business exposure and deterioration in credit quality.

The analyst explains despite higher loan arrears in the results, NAB's actual loss was not dissimilar from its peers. Although some of the divergence to the big four can be attributed to geography (i.e. Victoria), much may be due to the approach adopted to managing arrears and dealing with more troubled customers rather than actual credit quality.

Observing loan loss rates, Macquarie suggests the banks' treatment is more similar than different by looking at a twelve-month moving average, thereby providing a better understanding of the underlying trend.

Macquarie highlights both mortgage and business net write-offs are showing similar trends at low levels below

1 basis point. The analyst argues NAB's experience is marginally better than its peers.

The stock has underperformed the other banking stocks by -6% to -9% over three months and by -3% to -18% over six months. While acknowledging factors such as credit quality trends, relative underperformance of margins and recent management changes, Macquarie believes the market has overemphasised the concerns and the new management team can "win over investors".

NAB's relative share price underperformance is anticipated to unwind over the medium term. The broker rates NAB as Neutral or Hold-equivalent relative to its index weighting with a $35 target price.

ANZ Bank is also Neutral rated with a $28 target, along with Judo Capital ((JDO)) with a $1.85 target.

Macquarie rates CBA, Westpac, Bendelaide and Bank of Queensland all Underweight with respective target prices of $105, $28, $10 and $5.75.

FNArena daily monitored brokers have six Sell-equivalent ratings on CBA with a consensus target price of $107.458.

ANZ has one Sell rating, and five Hold-equivalent ratings with a consensus target price of $28.452.

NAB is ascribed four Sell ratings and two Hold ratings. Consensus target price is $32.645.

Westpac's ratings include one Buy, four Sell-equivalent ratings and one Hold with a consensus target price of $29.40.

FNArena Major Bank Data					**FY1 Forecasts**				**FY2 Forecasts**			
Bank	B/H/S Ratio	Previous Close $	Average Target $	**% Upside to Target**	% EPS Growth	% DPS Growth	% Payout Ratio	**% Div Yield**	% EPS Growth	% DPS Growth	% Payout Ratio	**% Div Yield**
ANZ	0/5/1	28.59	28.45	**- 3.36**	7.1	3.8	73.8	**5.9**	0.2	1.0	74.4	**5.9**
BEN	0/2/3	10.54	10.49	**- 1.22**	- 16.0	- 1.8	76.4	**5.8**	- 2.3	0.6	78.7	**5.9**
JDO	4/1/1	1.80	2.15	**17.95**	23.3	N/A	0.0	**0.0**	53.7	N/A	0.0	**0.0**
BOQ	0/1/5	6.63	6.08	**- 9.09**	17.4	2.9	68.7	**5.2**	13.6	8.6	65.7	**5.7**
CBA	0/0/6	148.63	107.46	**- 28.47**	7.4	3.2	78.7	**3.2**	4.6	4.3	78.5	**3.3**
MQG	2/2/1	204.70	219.91	**6.95**	7.1	- 2.6	63.5	**3.0**	15.8	13.5	62.3	**3.4**
NAB	0/2/4	33.75	32.65	**- 3.93**	- 0.2	0.7	75.9	**5.0**	0.6	- 0.4	75.2	**5.0**
WBC	1/1/4	31.08	29.40	**- 6.49**	- 0.9	- 4.6	79.6	**5.0**	- 0.1	- 1.1	78.7	**5.0**

Technical limitations

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

COMMODITIES

Upping the East Coast Amplitude

Following a reworked joint venture agreement for Amplitude Energy's Otway project, analysts highlight greater development and funding certainty.

-Amplitude Energy's new joint venture agreement
-Lower risk for East Coast Supply Project development
-Strong interest from potential gas buyers

By Mark Woodruff

Gas production and exploration company Amplitude Energy ((AEL)), formerly known as Cooper Energy, will undertake a two-phased gas drilling and development campaign in the Otway Basin, off the Victorian coast. The company has established a new joint venture with O.G. Energy, which acquired a 50% stake previously held by Mitsui E&P Australia.

According to Jarden, this change in ownership should bring clarity to the joint venture structure and resolve the prolonged uncertainty surrounding the scale and execution of the proposed drilling program.

O.G. Energy, a subsidiary of private company Ofer Global, is already Beach Energy's ((BPT)) 40% joint venture partner in its Otway Basin assets.

While the new agreement lowers risk for Amplitude's East Coast Supply Project (ECSP), first production is now delayed to 2028 from 2026.

Amplitude Energy is primarily a pure-play domestic gas producer focused on Australia's East Coast market, with an asset portfolio spanning the Cooper, Otway, and Gippsland basins.

Key infrastructure includes the Orbost gas plant, which processes gas from the Sole field, and the Athena gas plant, which handles production from various Otway fields.

Rationale for the joint venture

While recent efforts by management at Amplitude have focused on increasing production and process efficiency at Orbost, Macquarie notes the emphasis is now shifting to drilling in the Otway Basin to restore volumes through the Athena gas plant.

The joint venture plans to target three exploration and appraisal wells from late-2025, supporting a 90 terajoules per day (TJ/d) development aimed at supplying over 560,000 homes across Victoria.

The project remains subject to regulatory approvals, a final investment decision, and drilling outcomes.

According to Bell Potter, if successful, the development could double group revenue and deliver a threefold increase in group earnings compared to FY24.

Demand is not in question, with management receiving **strong interest from potential gas buyers**.

The East coast gas market has experienced a lengthy period of underinvestment, explains Wilsons, and future domestic gas supply will likely be limited. These circumstances are creating tailwinds for pure play domestic gas producers, such as Amplitude.

Discovered volumes will attract impressive gas sale prices likely in the range of $14-21/GJ, suggest the analysts at Wilsons.

This broker likes the new tie-up with O.G. Energy as the three-well program will allow significant savings (circa -$40m per well) due to synergies, as opposed to doing a reduced program.

Positively, the opportunities are near infrastructure and the resources are medium to low-risk opportunities, in Wilsons' view.

Drilling at Eleanora will commence in the second half of this year (which includes the Isabella sidetrack), followed by Juliet and Annie in 2026, with management estimating a 98% probability of a gas discovery in at least one of these locations.

Development flexibility will be maintained to reduce scope if exploration wells are unsuccessful. A fallback position would be to develop Annie standalone, a project which has a 100% risk weighting (risk free) from Goldman Sachs.

The joint venture will see O.G. Energy reimburse Amplitude $25m for historical costs and fund its share of future costs, while Amplitude's 50% share will be funded via cash, organic cash flow, and debt.

Amplitude remains Macquarie's key pick for East Coast Gas exposure with supply shortfalls predicted to occur as early as this winter.

Funding and costs

At the beginning of 2025, Amplitude had net debt of $254m, and available cash liquidity of $241m.

Just days before the joint venture announcement, Morgans acknowledged the market's understandable concerns regarding Amplitude's net debt position but expressed confidence in management's ability to manage balance sheet constraints and support the next phase of growth in the Otway Basin.

Morgans' confidence is reinforced by management's successful demonstration Orbost could sustain production above 60 terajoules per day.

For the new joint venture, management assesses Phase 1 costs for Amplitude will be between -$240-270m, and, assuming success in all three wells, indicative costs for the development (Phase 2) should be in the range of -$140-185m.

Phase 2 of the development involves the hook-up of flow lines and integration with the existing pipeline network to transport gas back to the Athena gas plant for processing. The cost estimate also includes required modifications to the Athena facility to accommodate the additional volumes.

Committed capex will take net debt to a maximum of around $350m in the second half of 2026, on management's numbers, based on the high-range Phase 1 capex estimate (-$270m) and on conservative Orbost Gas Processing rate assumptions of 59.3TJ per day.

Macquarie explains costs can be funded from cash and debt given circa a $150m annual underlying free cash flow (FCF) run rate and a likely expanding borrowing base as new reserves are booked post drilling.

Although capex seems relatively high for the quantum of gas volumes, Wilsons explains the project will attract premium sales prices. This analyst has faith in the financing path laid out and expects greater momentum in the stock price over the short-term.

Outlook

Amplitude's balance sheet is increasingly supportive, assesses Bell Potter, and joint venture alignment is now clear.

In Goldman Sach's view, joint venturing with O.G. Energy will maximise potential value from the company's interests in the Otway Basin.

While Morgan's research for the new joint venture has not been updated, this broker recently noted weak oil sentiment, global trade uncertainty, and declining institutional investor interest make positive turnaround stories such as Amplitude Energy easy to overlook.

Of the four daily covered brokers in the FNArena database currently researching Amplitude Energy, three have Buy (or equivalent) ratings and Ord Minnett is on Hold.

Outside of daily coverage, Wilsons has downgraded to Hold (equivalent) from Buy on valuation with and unchanged 24c target.

Goldman Sachs is Neutral rated with a 27c target, while Jarden remains at Overweight (one notch below Buy) and raises its target to 27c from 25c.

Canaccord Genuity (Buy, 35c target) has not yet updated its research for the new joint venture.

While the joint venture news is positive for Amplitude Energy, it was largely pre-announced and therefore anticipated by the market, explains Jarden. Hence, the above-mentioned brokers largely left their targets unchanged.

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

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

RUDI'S VIEWS

Rudi's View: Captive & Uncomfortable

Captive & Uncomfortable

By Rudi Filapek-Vandyck, Editor

Between now and April 2, financial markets are likely to remain captive to whatever comes out of the Trump White House.

Reciprocal tariffs? Universal, but with flexibility? No exceptions, except for some?

There are still many variations possible and the general mood can swing on a daily basis in accordance with the latest political signals thrown into the public arena.

After the initial draw down, which pulled US indices -10% or more off their all-time record highs, with Australian indices not far behind, the general mood has becalmed, allowing technically oversold equities to bounce back somewhat.

This happens partially because many investors still believe those tariffs will not be put in place. They are a negotiating tactic, or so goes the narrative. Others will tell us even if tariffs will be put in place, they won't be permanent.

Transitory's Back

All of a sudden the term 'transitory' has found its place back in financial market's lexicon, also including the Federal Reserve.

Chair Jerome Powell indicated last week the Fed is prepared to look through higher inflation numbers as long as they are solely related to US import tariffs, and thus temporary, or transitory, i.e. such an occurrence can be ignored as far as central bank policy decisions are concerned.

Powell's communications with markets have contributed to the aforementioned 'bounce' as nervous and spooked investors welcomed the message from the world's most powerful central bank it stands ready to provide support in case things do get hairy after April 2.

Financial markets like being supported, be it by the Fed or otherwise, but the key question remains: how much is the US economy slowing down already on the back of tariff uncertainty?

<u>If It Quacks Like A Duck</u>

Last week, I mentioned how various 'soft' economic indicators, including consumer sentiment and business' capex intentions, are weakening at quite the rapid pace.

Since then, it is increasingly clear the Canadian populace has turned against their aggressively bullying neighbour from the South, cancelling holidays and trips to the US and now also actively boycotting US goods and services.

None of this will push the US economy into a recession, of course, but if you know that Canadians visit New York to the magnitude of one million visitors each year, this can leave quite the negative impact short-term and nothing the Fed can do to quickly provide compensation.

Economists are expecting this rapid deterioration in 'soft' data surveys to start showing up in 'hard' economic data such as sales, business inventories and consumer spending as more and more forecasts are now leaning towards weaker economic momentum.

Last week added more credibility to such expectations as Nike and FedEx guided investors to rapid deceleration in their respective businesses, following on from Delta Airlines the week prior.

I probably don't have to spell this out, but the combination of import tariffs, threats or otherwise, ongoing central bank support (that's an implicit promise) and the damage already done to US economic momentum is turning share markets into a much riskier environment than what we've all witnessed over the past 18 months or so.

Probably no coincidence then, some of the smarter minds have been making comparisons to the 2020 covid lockdowns, suggesting universal reciprocal tariffs, if implemented in full, potentially have the same disruptive consequences for global supply chains as what happened back then.

Why then are markets not selling off more?

My best guesses are:

-there is still a lot of disbelief among investors, even though this US administration has put a lot of effort into convincing the world it truly is on a mission to reform, to reshape, to destroy and to disrupt, but above all to create a more beneficial environment for Main Street, longer-term, and Wall Street will simply have to take it on the chin, for now.

-there are still so many possibilities and alternative scenarios possible, hence many investors prefer to sit on their hands and wait for more clarity to reveal itself.

-in terms of the damage done, that's really a matter of where we look and what to make of it. Between mid-February and mid-March, the S&P500 fell by -10%, which doesn't seem like such a big deal given that occurred off historically high multiples and is measured off the record all-time high.

Growth stocks on the Nasdaq fell by more, no surprise there, while the Small Cap S&P600 lost -16% and the midcap S&P400 -13%. The Russell2000 is off some -19% since November.

At face value, those are already sizeable retreats for what remains in essence a threat that is not yet certain and undecided in nature.

Add the fact many investors are keeping a brave face (it will be less bad than it seems, they say) plus markets looked technically oversold, and there's some knee-jerk optimistic news to look forward to, including a more dovish Federal Reserve.

<u>Companies Before Data</u>

There are no such safety valves when it comes to individual punishments. Shares in Delta Airlines lost some -20% post profit warning. Shares in Nike, whose warning about deteriorating consumer demand included non-US markets, are now trading at a five-year low. FedEx shares, which dropped by -11%, are now at a two-year low.

These early warnings from US businesses are not yet leading to downward revisions for forecasts generally, which, some commentators have suggested, is still supporting US equities. With valuations still above historical averages, this remains a potential point of concern for US markets generally.

In Australia, key indices only fared slightly better with the ASX still some -8% below where it was in the middle of last month.

The Risk-Off environment has been absolutely devastating for companies that added further negative news. Mineral Resources ((MIN)) shares are now some -67% weaker than in March last year. Johns Lyng ((JLG)) shares lost more than -35% year-to-date in 2025. The damage is far greater for Coronado Global Resources ((CRN)).

Risk-Off has equally acted like Kryptonite for local Growth favourites on high multiples, including for WiseTech Global ((WTC)), Pro Medicus ((PME)), and Goodman Group ((GMG)), not to mention some of their smaller brethren.

The key question for local investors is whether and by how much the slowing and the interruptions in the US will have an impact on ASX-listed companies. This is not an unimportant matter as most of the local success stories listed on the Australian bourse have build up a sizeable footprint in North America.

This applies to all of Amcor ((AMC)), Aristocrat Leisure ((ALL)), BlueScope Steel ((BSL)), Car Group ((CAR)), Cochlear ((COH)), CSL ((CSL)), Macquarie Group ((MQG)), Pro Medicus ((PME)), QBE Insurance ((QBE)), ResMed ((RMD)), WiseTech Global ((WTC)) and many more smaller peers.

A reminder to investors: US operations were often quoted as the main key disappointment during the recent February reporting season, together with New Zealand and Victoria in Australia.

Interestingly, James Hardie ((JHX)) has just announced the acquisition of NYSE-listed Azek Co for US$8.75bn and its shares dived -14% on the announcement despite management declaring both entities are unaffected by threats from tariffs. The deal is still seen as dilutive for return in the short term.

One company that equally springs to mind is Brambles ((BXB)), whose defensive characteristics are lauded by many in face of a generally more risk averse environment. But how much of disruption awaits its US pallets operation in case Canada and the Trump administration play hardball for longer?

Nobody knows, but without any concrete indications there's no incentive to start selling the shares either. This is also why the relative calm on markets this week could easily turn into a misleading indicator for what April (and beyond) might look like.

On a purely simplistic knee-jerk assessment of nil US exposure, those defensive characteristics of local REITs, Telstra ((TLS)) and supermarket operators Coles Group ((COL)), Woolworths Group ((WOW)) and Metcash ((MTS)) look a lot more attractive than before.

The same can be said of locally-oriented fast-growing companies such as Aussie Broadband ((ABB)) and

Superloop ((SLC)), though I would argue even the likes of NextDC ((NXT)), TechOne ((TNE)) and Xero ((XRO)), to name but a few, should largely escape any damage or interruptions from tariffs or US slowing.

The obvious caveat here is that a prolonged Risk Off environment in case of devastating tariff impacts or a US recession can put valuations under pressure regardless.

The **FNArena-Vested Equities All-Weather Model Portfolio** is not being swayed by the relative calm that has has descended upon markets. It's largely driven by indecision, in my humble opinion, offering false comfort to those who seek evidence and confirmation of a durable turn-around.

While the likes of Franklin Templeton keep sending out press releases to convince investors, and the media perhaps, fears of a US recession are overdone and share prices weakening offer plenty of buying opportunities, the risk for this view to be proven wrong in the short- to medium-term is simply too high at this point.

Greed & Fear

As per always, investors should keep an open mind to what can possibly change to risks for the outlook ahead.

Jefferies strategist Christopher Wood, widely known as the author of the **Greed & Fear** newsletter, recently summed up what can possibly change the direction of markets (in a positive sense):

-a Fed pivot, consisting of both the end of Quantitative Tightening (QT) and renewed Fed rate cuts (multiple)

-the sudden departure of Elon Musk from DOGE and the Trump administration

Yes, that is a rather short list. The abandonment of tariffs would be an unlikely but obvious third option to add.

One concern that is increasingly on investors' radar, and equally identified by Greed & fear, relates to private equity and private credit following a tremendous boom period post 2008. Those concerns have equally reached Australian shores (see also Count Financial ((CUP)) and Metrics recently).

Lastly, US pain has become the compensating gain for financial markets in Europe and across Emerging Asia. Alas, for Australia, international investors have clearly decided the ASX in 2025 operates closer to New York than it does to London, Berlin or Shanghai.

American Exceptionalism is suffering at the hands of a MAGA-administration.

Sometimes life does beat imagination.

Model Portfolios, Best Buys & Conviction Calls

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

FNArena Subscription

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

(This story was written on Monday, 24th March, 2025. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

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

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

RUDI'S VIEWS

Rudi's View: Coal, Copper, Car Group & More

By Rudi Filapek-Vandyck, Editor

US import tariffs don't have to be implemented (yet) to have an impact, as investors in Australia are witnessing on a daily basis now.

Some of the heaviest hits include share prices in ASX-listed coal producers, with Coronado Global Resources ((CRN)) in particular feeling the selling pressure, though it's not as if shareholders in New Hope Corp ((NHC)), Stanmore Resources ((SMR), Whitehaven Coal ((WHC)) or Yancoal Australia ((YAL)) have had lots to smile about either of late.

This is quite surprising from several angles, starting with share prices that had already reset lower over the past two years. Valuations put forward by commodity sector analysts are well, well, well above share prices, as they were a month ago during and after the February results season.

Let's just say that what looked "cheap" and "attractive" only a few weeks ago, has become a lot cheap-er and more attractive since then, at least if you're one of those died-in-the-wool value investors, and there are plenty of those around.

Needless to say, this weakness that has gripped the industry has taken most by surprise, including those analysts whose job it is to keep an eye on things and generate forecasts and valuation estimates for those companies exposed.

So what's happening? What has all of a sudden changed?

Two words: **Trump** (tariffs) and **China** (re-calibrating its steel industry). The combination of these two dominant forces is redirecting steel exports and reducing demand for coal at the same time and, at least in the short term, coal prices have fallen out of bed.

Every commodity investor knows when this happens, share prices won't ignore the pull downwards, and they haven't.

This is where things get interesting. Analysts covering the sector remain convinced current pricing weakness will not last, as there are plenty of supportive factors in play, such as India ramping up its steel production and restricting coal exports, plus weaker prices are approaching cost curve support, but this tells us nothing about the timing of the next price recovery.

So while most are inclined to suggest today's beaten-down share prices look excellent "value", as long as investors have the stomach and the patience to weather out the current downturn, they also acknowledge there remains potential for more negative news, in particular if weaker coal prices take longer to recover.

Within this context, we note **Bell Potter** updated on Coronado Global Resources on Thursday morning with the explicit warning that if the price for metallurgical coal was to remain lower-for-longer, this could soon translate into a really nasty event for the miner which might find it impossible to service debt and pay the owners of US$400m in 9.25% senior secured notes that expire in 2029.

In simple layman terms this means persistent weak pricing for coal can force the miner into raising capital or finding alternative ways to remain sufficiently liquid.

As per always, such concerns might be premature at this stage and I most definitely remember Whitehaven Coal years ago was facing the similar threat and nothing nasty ever happened, instead that share price went through a very strong recovery phase next.

But the share market is not one to take a wait-and-see approach, which easily explains why Coronado shares are trading well, well, well below valuations and price targets put forward by analysts. Then again, Bell Potter's update, also incorporating cheaper coal pricing, has lowered this broker's price target for the stock to 50c from 95c prior.

That adjustment suggests the current share price, wallowing around 34c looks, indeed, ready for bottom feeders to move in, but probably not until coal prices have stabilised, and the risk of a capital raising has been negated.

Coronado is scheduled to publish its March 2025 quarterly production update on April 24. That'll be one event attracting extra attention, all else remaining equal.

The impact from Trump tariffs on the commodities sector is by no means limited to coal. A recent update by **Morgan Stanley** suggests a 25% tariff on US imports of copper is likely to create a relative premium for prices paid inside the USA versus the rest of the world.

Doesn't sound smart or beneficial, does it?

The twist in the copper story is that Morgan Stanley does not predict copper pricing on Comex (New York) will rise by 25%, but more so that contracts traded in London might fall by that much as the demand from the US affecting supply from the rest of the world will evaporate.

And that, I am willing to personally bet, won't be the only twist in this tale for commodities and markets in the weeks and months ahead.

For what it's worth, commodity analysts at **Citi** have re-iterated their Buy ratings for Whitehaven Coal and Stanmore Resources. They don't think current weak prices can last.

****

Now that we've mentioned risk...

Biotech **Opthea's** ((OPT)) phase III trial failure has caught its largest shareholder, **Regal Partners** ((RPL)), completely by surprise. Regal owned nearly 32% in what seemed a local biotech full of promise.

FNArena's monitoring includes three stockbrokers who cover the company: Bell Potter, Canaccord Genuity, and Wilsons.

It'll be interesting what their next research updates on the company will look like.

The stock has virtually halved from February, now trading around 60c.

****

How do investors best deal with the uncertainty that stems from US import tariffs and a slowing US economy?

I posted the question to followers on X (previously Twitter) earlier today, and the responses have been like a genuine smorgasbord, indicating all variations possible in confidence, risk appetite and different strategies.

Judging from responses, most investors have re-allocated some of their portfolios into cash, with percentages varying between 95% and 5% only. Many responses have much smaller percentages, with some indicating they went 50/50.

As I responded on the platform itself, these are the times when investing and portfolio management become very personal. There is no right or wrong answer per se.

****

Analysts at **Barrenjoey** have nominated Car Group ((CAR)) and NexctDC ((NXT)) as their two **Top Picks for the ASX100**.

The first, highlight the analysts, is trading at its lowest forward-looking PE multiple for the year past while trading volumes at Trader Interactive have already stabilised.

NextDC, according to Barrenjoey, is poised to announce fresh new contracts, which --all else remaining equal-- should provide a boost to the share price.

****

The **Model Portfolio at Canaccord Genuity** has added exposure to BlueScope Steel ((BSL)), Amcor ((AMC)), Harvey Norman ((HVN)) and Dexus ((DXS)) in place of South32 ((S32)), Endeavour Group ((EDV)), Suncorp Group ((SUN)) and Scentre Group ((SCG)).

Other holdings in the portfolio include BHP Group ((BHP)), CSL ((CSL)), Goodman Group ((GMG)), James Hardie

((JHX)), Ramsay Health Care ((RHC)), Rio Tinto ((RIO)), Stockland ((SGP)), Sonic Healthcare ((SHL)), Santos ((STO)), Treasury Wine Estates ((TWE)), Woolworths Group ((WOW)), and Xero ((XRO)).

Canaccord Genuity strategists are concerned the rotation out of last year's winners might have further to run in 2025 and the Model Portfolio composition certainly looks like a reflection of such view.

****

Ord Minnett has updated its selection of **Top Small Cap Ideas**, now comprising of:

-ARB Corp ((ARB))
-Aussie Broadband ((ABB))
-Brazilian Rare Earths ((BRE))
-Cuscal ((CCL))
-Electro Optic Systems Holdings ((EOS))
-Pinnacle Investment Management ((PNI))
-Qoria ((QOR))
-Regis Healthcare ((REG))
-SiteMinder ((SDR))
-Vault Minerals ((VAU))
-Waypoint REIT ((WPR))
-Zip Co ((ZIP))

In comparison with the last update, Cuscal and Pinnacle Investment Management are the two newcomers.

****
See also:

-https://fnarena.com/index.php/2025/03/20/rudis-view-best-buys-in-copper-small-caps-tech-healthcare-and-more/

-https://fnarena.com/index.php/2025/03/13/rudis-view-post-february-conviction-calls/

-https://fnarena.com/index.php/2025/03/06/rudis-view-to-sell-or-not-to-sell-2/

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

P.S. I - All paying members at FNArena are being reminded they can set an email alert for my Rudi's View stories. Go to My Alerts (top bar of the website) and tick the box in front of 'Rudi's View'. You will receive an email alert every time a new Rudi's View story has been published on the website.

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

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

SMALL CAPS

Affordable Opportunity In Aspen Group

Affordable housing developer Aspen Group is growing earnings above the sector average. Analysts see the current share price as offering an affordable entry point.

-Aspen Group delivers above-consensus first half earnings
-Development business now ramping up
-Residential rental firing, tourism flat
-Conservative valuation

By Greg Peel

Aspen Group ((APZ)) is a leading provider of quality accommodation on competitive terms in retirement lifestyle, holiday and residential living, and is well-positioned to capitalise on Australia's growing, under-supplied affordable housing market, Morrison Securities suggests.

Aspen targets the 40% of Australian households earning under $90,000 annually -- many facing housing stress. Morrison notes that by providing affordable rentals and managing a diverse property portfolio, the company meets a critical need while delivering value to shareholders. Its integrated platform --spanning ownership, operations, development, and capital management-- offers a competitive edge, maximising efficiency and returns.

Aspen's integrated platform strengthens its market presence through four core functions: (1) Owner: proprietary approach to maximise shareholder returns; (2) Operator: operational management driving enhanced profitability; (3) Developer: cost-effective accommodation development; and (4) Capital Manager: disciplined acquisition strategy and active capital recycling.

Last month, Aspen reported first half FY25 operating earnings of 8.07cps, up 18% year on year, in line with Moelis' expectations but 8% ahead of consensus. FY25 guidance was upgraded for the second time, from 16.0cps to 16.7cps, versus 15.2cps guided in August 2024 and 13.8cps reported in FY23. The upgrade follows a relatively strong operating run rate across the business.

A dividend of 10cps was re-iterated.

Ramping Up

Aspen is now ramping up its development business, which represented 24% of first half earnings. Management has set a new medium-term development target for settlements of 110, 140 and 170 lots over FY25 to FY27. This follows the recent announcement of a relaxation of management's previous 80/20 target for property net operating income versus development income.

Based on this revised guidance, Moelis now expects development profit to make up 33% of underlying earnings by FY27, more than doubling development earnings from FY24-27.

Development profit has improved year on year, Bell Potter notes, driven by both higher settlements (48 lots versus 42 lots a year ago) and margins ($114k per dwelling versus $77k). With 48 settlements secured and a further 53 contracts on hand, Bell Potter sees limited risk to FY25 settlement earnings.

Aspen settled on 30 new land lease homes and 18 land lots in the first half against its target of 110 settlements for FY25, with an earnings margin improving year on year from 27% to 33%, and earnings up 68%. Aspen announced it had acquired a block of land at Ravenswood on the southern outskirts of Perth for -$12m, on which it expects to build a 360-house land lease community.

This implies $33k per site, Moelis notes, and should take Aspen's land bank to 1,220 sites, or seven years at the FY27 target run rate.

The transaction settles on short terms (this month) which will help to restock the forward book. Bell Potter sees restocking more broadly as the key test for Aspen going forward, with the Ravenswood acquisition encouraging based on yield (size) and synergies to existing projects (Mandurah Gardens).

Other Segments

Aspen's residential rental income (30% of first half earnings; 47% of property assets) was up 36% year on year, primarily driven by the letting up of 132 Guildford Rd, the last major vacant Perth apartment asset. Income was also positively impacted by the 2024 acquisition of two apartment buildings in Sydney and Melbourne, and the substantial uplift in residential rents across Australia in the past two years.

Nearly all of this portfolio is now operational and productive, and growth from here should be organic, Moelis notes, bolstered by above-trend uplift mechanisms at a number of assets (mostly under-rented positions being realised).

Tourism is not yet firing, Bell Potter points out. While rental and development contributions to earnings have driven upgrades, Tourism (Parks) has been less of a contributor but has scope for improvement given Aspen's estimate of a -$1m negative hit to rental income in the first half from one-offs in South Australia and the Northern Territory.

Park assets (36% of first half earnings; 33% of property assets) reported flat earnings year on year, with tourism largely flat. One-off disruptions at some assets were offset by improved performances at others.

Capital Management

Aspen's net asset value per share increased to $2.39 at the end of December from $2.23 at at the end of June, following a 5% uplift for asset values in the half --much of which was realised through divestment-- and earnings retention.

Gearing fell to 21% at end-December from 26% at end-June following the divestment of half of Aspen's stake in Eureka Group ((EGH)) and the ongoing sale of mature housing product in Perth and the Gold Coast.

The acquisition of Ravenswood should be offset by ongoing house sales, Moelis notes, while management has also flagged the $34m in Eureka shares as a potential funding source.

Positive Views

Moelis has increased its earnings profile, now factoring in Aspen's medium-term development targets, which the broker views as feasible. Factoring in first half valuation gains, a further improved residential outlook in Aspen's markets, and an expanding development business, Moelis has lifted its target price to $3.15 from $2.73, and maintains a Buy rating.

Aspen trades at a 13% premium to its revised net asset value. Moelis views this valuation as relatively conservative in the context of the company's return on equity track record.

Notwithstanding a strong result, Aspen's balance sheet is lowly levered, Bell Potter notes, ($100m of capacity with 21% gearing versus a 30-40% target). Net tangible asset valuation grew 5% half on half and earnings are growing well above the sector average, yet on Bell Potter's calculation Aspen trades at just an 18% premium to net tangible assets.

Bell Potter sees a strong runway ahead, with the stock sitting just outside the ASX300, and conservative book values. The broker retains Buy, increasing its target to $3.05 from $2.80.

Aspen is well-positioned to capitalise on key trends in the Australian housing market, Morrison Securities suggests. Private rentals represent the fastest-growing segment, a high proportion of low-income household's face housing stress, and demand for affordable rental solutions continues to rise across various household types.

With a solid financial foundation and a strategic focus on affordability, Aspen Group remains a strong contender in the Australian real estate sector, Morrison believes, offering potential growth and investment opportunities.

Morrison has initiated coverage of Aspen with a $3.25 target, but does not provide a recommendation.

SMALL CAPS

Refreshing Outlook For Dicker Data

After a tough three years, the outlook is brightening for IT solutions provider Dicker Data as signs appear the long-awaited PC refresh cycle has begun.

-Dicker Data's 2024 numbers fell in line with expectations
-Sales trajectory better in the fourth quarter and into 2025
-Long-awaited PC refresh cycle to provide tailwinds
-Dicker Data among analysts' Best Ideas for the year ahead

By Greg Peel

Dicker Data ((DDR)) is Australia's leading locally-owned and operated distributor of ICT (information and communications technology) hardware, software, cloud and IoT (internet of things) solutions for reseller partners.

Over the past 45 years, notes the company's website, Dicker Data has been helping Australian partners of all shapes and sizes to design, configure and implement solutions for their customers and to successfully transition their businesses through technological change. The company also now operates in New Zealand.

Dicker Data has had to navigate three years of earnings headwinds, due to macroeconomic headwinds, interest rate hikes impacting the company's bottom line and subdued spending among high-margin small and medium business (SMB) customers, and due to simple post-covid demand normalisation.

As a result, the stock has fallen to a four-year low historical valuation below a near-term PE multiple of 17x.

Improving Trajectory

Last month Dicker Data posted a second half profit result that was broadly in-line with consensus expectation after the company's fourth quarter dividend was pre-reported. Compositionally, gross margins were softer, impacted by a lower SMB mix, but cost control was better, UBS noted.

The key focus for the market was nevertheless the improved top-line trajectory through the second half, consistent with analysts' expectations. Sales accelerated from 2% year on year growth in the September quarter to 10% in the December quarter, with similar growth seen through January and February.

Crucially, the much awaited PC refresh cycle is finally coming through, UBS notes, with PC demand (28% of sales) picking up through the fourth quarter and first quarter 2025, including AI PCs, which are higher priced. Dicker Data is outperforming here.

The industry structure also appears to be improving, UBS points out, following the exit of competitor Arrow's ECS business and Dicker Data recently converting a few existing vendors to exclusive distribution agreements.

Jarden considers now to be the right time to own the shares, given an improving business macroeconomic backdrop which is likely to drive increased SMB activity. The refresh cycle has begun, driven by a larger aged install PC base, Windows 10 support ending in October this year, laptops now being a bigger mix of PCs, AI PCs supporting application service providers, and PC component price inflation.

Jarden further cites ongoing software tailwinds, AI working its way through the rest of the tech ecosystem, ongoing New Zealand margin improvement, Access & Surveillance share gains, and upside offered by potential RBA rate cuts.

The industry outlook into 2025 remains positive, Goldman Sachs believes, with an acceleration in growth into the December quarter and continued momentum into January and February providing a leading indicator of the long-awaited PC refresh cycle.

Management also commented some Global IT distributors had exited the market as vendors were supporting less total distributors, improving the market dynamics and industry position for Dicker Data.

At a category level, management expects all categories to be in growth in 2025, with Software and Retail again to be dominant growth contributors.

Goldman notes softer gross margins in 2024 were impacted by the customer mix-shift to lower-margin Enterprise (20% sales) with an expected return to growth of SMB (80%) in 2025 to support gross margin expansion to 9.8-10%.

The company's interest expense is based on variable rates with further reductions to interest rates to be a tailwind for earnings, after being a headwind in recent years.

Margins

Dicker Data's second half gross margin of 9.5% was below the 9.9% achieved in the first half, impacted by subdued IT spending by the SMB sector (high margin customers) and competitiveness on larger enterprise deals (lower margin). However, into 2025 UBS forecasts gross margins improving to 9.7%.

SMB sector spending picked up in the December quarter, but is not yet back to normal, UBS notes, and the PC refresh cycle should continue to see spend improve given only some 10% of SMBs have upgraded their PCs (versus 20-25% of enterprises), New Zealand profit margins are expected to rise to 2-2.5% in 2025 from 1.4% in 2024, driven by increased gross margins (albeit remaining below Australia) and cost leverage.

Management noted at the 2024 result release new consumer retail vendors are being signed at "high double digit" margins. The key source of upside risk, suggests UBS, would be a stronger SMB sector recovery.

While soft sales in 2024 were driven by lower spend per SMB customer, importantly, noted Goldman Sachs, Dicker Data did not lose any SMB customers and increased market share across key vendors, positioning the business well for any industry recovery. Strong growth in Software (7.5%) continues to support recurring revenue as an increasing share of Group sales (now 27%).

The company's operating expense was higher than expected in the second half, largely driven by an increase in bad debts to $4.3m from $0.7m, reflecting a tougher debtor collection environment. Management expects this to improve into 2025 which implies a cost tailwind, Goldman suggests.

Dividends

Noting that Dicker Data pays dividends quarterly, Morgan Stanley suggests the first quarter 2025 dividend is the key near-term catalyst but also key risk.

The broker sees 2025 consensus forecasts as achievable, but there is scope to be second half-weighted as IT spend improves over 2025 and hardware sees refresh catalysts.

The federal election is a risk, but Morgan Stanley emphasises January and February were strong.

As such, there is scope for the first quarter dividend (annualised) to disappoint, Morgan Stanley warns.

Key Pick

Morgan Stanley was cautious leading into the 2024 result prior to Dicker Data's fourth quarter dividend, given broad IT spend headwinds had persisted into year-end, the company's exposure to hardware sales, and SMB exposure would likely be incrementally more affected by cycle headwinds. But as 2024 delivered against that backdrop, the broker feels an earnings base has been found, supporting a recent upgrade to an Overweight rating.

In the wake of the February reporting season, Morgan Stanley has included Dicker Data amongst its key small/mid-cap ideas for which the broker has conviction on the earnings outlook. Morgan Stanley has set a $10.30 target.

Dicker Data is one of Jarden's two high conviction technology Buy-rated stocks, the other being SiteMinder ((SDR)). Jarden's base case 12-month total shareholder return forecast is 30%, based on a PE multiple re-rating to the mid-20s, low-teens earnings per share growth, and a 6% dividend yield.

Refresh cycles aside, Jarden believes offshore expansion could re-rate the stock to close to 30x PE. Dicker Data has done a good job taking New Zealand share, the broker notes, although this (deliberately) came at the expense of profit margin optimisation, which is now starting to improve.

Based on its track record in New Zealand, Jarden expects Dicker Data could create significant value by expanding into Asia (post the recent legal entity establishment), which could provide the base for more organic global expansion.

Jarden has a target of $10.88.

Wilsons is Overweight on Dicker Data with a $11.29 target. While it might still be a bit early in the cyclical upswing, Wilsons sees the laptop refresh cycle, the upgrading of hardware relating to cloud and AI-workloads and the Microsoft Windows 10 "end of life" as opportunities for sales growth.

UBS is also among the positive cohort, maintaining a Buy rating post-result with a $10.20 target.

Letting the side down is Goldman Sachs who, while cognisant of the improved outlook and supportive industry tailwinds, considers this largely factored into consensus expectations.

In aggregate, Goldman considers Dicker Data a well-run operation with a strong market position, which limits earnings upside outside of market growth, while noting movements in interest rates as potential near-term earnings catalysts.

Goldman Sachs maintains Neutral with a $9.80 target.

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 21-03-25

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday March 17 to Friday March 21, 2025
Total Upgrades: 7
Total Downgrades: 3
Net Ratings Breakdown: Buy 60.83%; Hold 32.22%; Sell 6.95%

For the week ended Friday, March 21, 2025, FNArena tracked seven upgrades and three downgrades for ASX-listed companies from brokers monitored daily.

Declines in average target prices outweighed increases, while upward revisions to average earnings forecasts were more substantial than any downgrades, as shown in the tables below.

Nanosonics' average target rose by around 7% after the long-awaited receipt of US FDA approval for the company's Coris flexible endoscope device.

Commercial launch preparations remain on target for a phased rollout in the current March quarter to raise awareness and educate key opinion leaders before a broader commercial launch at the start of 2026.

The device is designed to automate the cleaning and reprocessing of flexible endoscopes, which are challenging to sterilise due to their complex and intricate structure, explained Ord Minnett.

Morgans viewed the FDA approval as a de-risking event allowing Nanosonics to diversify and expand, as well as further embed itself as a disinfection solutions leader within the hospital space.

Agreeing the approval is pivotal, Ord Minnett is expecting the subsequent boost to investor sentiment will drive a strong stock performance.

Emphasising Nanosonics is a strong business with a dominant market position, high-margin recurring revenue, and potential for further market penetration, Morgans retained an Add rating and raised its target by $1.00 to $5.50.

New Hope, largely a thermal coal producer primarily exporting to Asia, and Lotus Resources (uranium projects in Africa) appeared in the top two placings in both the negative change to target price and earnings tables.

Despite negative revisions to broker forecasts, New Hope's interim results last week were sufficient to inspire a share price rally, aided by a share buyback surprise and a healthy interim dividend as explained at https://fnarena.com/index.php/2025/03/20/new-hope-buyback-counters-2025-uncertainty/

For Lotus Resources, updated research from Bell Potter was solely responsible for dragging down the average earnings estimate in the FNArena database.

The broker made adjustments to operating and cost assumptions for Kayelekera and its notional development scenario for Letlhakane.

By way of background, Lotus acquired the Kayelekera uranium project in Malawi from Paladin Energy in 2020. In late-2023, the company also merged with A-CAP Energy, gaining ownership of the Letlhakane uranium deposit in Botswana and the Wilconi nickel project in WA.

Regarding Kayelekera, Bell Potter was updating its research for the recently signed binding offtake agreement with one of the largest energy companies in North America for production of 600klbs U3O8 from 2026-2029, bringing total binding offtake to between 1.3-1.6mlbs from 2026 onwards.

Management reiterated the production commencement timeline of third quarter 2025 which should see first sales and cashflow by around the first quarter of FY26, notes Bell Potter.

On the flipside, uranium development company Deep Yellow appears atop the earnings upgrade list below after Macquarie adjudged it was on track for first production in early-2027 as the final investment decision (FID) for its Tumas operation in Namibia is due in coming weeks.

As management has needed to focus on Tumas, an additional period of around six months is required to complete the Mulga Rock (Western Australia) definitive feasibility study (FIS).

Next on the earnings upgrade list is Liontown Resources following in-line interim results, retained second-half guidance, and release of a new Board-approved capital allocation framework.

The company's Kathleen Valley's performance is generally tracking ahead of expectations and management is squarely focused on the transition to underground from open pit mining over 2025 as explained at https://fnarena.com/index.php/2025/03/20/liontown-resources-going-underground/

Next is Sigma Healthcare following its FY25 result (January year-end), the last before the Chemist Warehouse (reverse) acquisition last month. The next result in August will transition to a June-year-end basis.

Earnings of $68m were in line with February's guidance by management for between $64-70m. The performance was driven by the new supply contract with Chemist Warehouse which commenced July 1 last year, and 8.5% like-for-like wholesales sales growth across Amcal and Discount Drug Stores.

Macquarie has an Underperform rating for Sigma, suggesting the market is currently being overly optimistic on the growth outlook. It's felt expectations will re-set lower as greater detail is provided over the coming months to help market participants understand Chemist Warehouse Group financials and outlook when the groups operate and report as a combined entity.

First-half results at Whitehaven Coal highlighted to Morgan Stanley an improved operational performance and strong cash flow generation, supporting confidence that FY25 guidance will be met.

Despite weaker coal prices, the broker sees potential for a recovery driven by supply-side adjustments in China and rising demand from India. Citi agrees, pointing to India's growing steel production and restrictions on metallurgical coke imports as key demand catalysts for metallurgical coal.

Citi also notes China's 15% tariff on US coking coal may shift trade flows in favour of Australian supply. With Australian prime hard coking coal priced at US$183/t, near levels that challenge US East Coast producer, Citi believes supply constraints could support a price rebound.

Whitehaven's operational flexibility to pivot between metallurgical and thermal coal provides a strategic advantage, notes Morgan Stanley.

Total Buy ratings in the database comprise 60.83% of the total, versus 32.22% on Neutral/Hold, while Sell ratings account for the remaining 6.95%.

Upgrade

ALCIDION GROUP LIMITED ((ALC)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 1/0/0

Bell Potter notes Alcidion Group's biggest contract to date with North Cumbria Integrated Care NHS Foundation Trust signed in February has now been finalised.

With the company delivering a modest $0.3m EBITDA in 1H25, the broker estimates a full-year EBITDA profit is likely due to $8m revenue from the contract in 2H. The broker also sees potential for a modest net profit after tax.

Target price unchanged at 11c. Rating upgraded to Buy from Hold.

CODAN LIMITED ((CDA)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 2/1/0

Macquarie's positive view on Codan remains after "solid" 1H25 results showed communications remains the key driver for the business.

The broker believes market concern about the negative impact around Ukraine is overdone, and the company is well placed to benefit once the conflict ends.

The analyst also believes the balance sheet is supportive of M&A which management continues to pursue.

Target price cut to $17.00 from $17.13 on small working capital revisions. Rating upgraded to Outperform from Neutral.

CHALLENGER LIMITED ((CGF)) Upgrade to Buy from Hold by Ord Minnett .B/H/S: 6/1/0

Ord Minnett notes the Australian Prudential Regulation Authority's review of illiquidity premiums will likely lower capital requirements for annuity providers.

For Challenger an estimated $500m buyback due to capital release would be 7% accretive, the broker estimates. The broker also sees potential for Challenger to alter its asset mix which could release an additional $1bn.

The broker believes reduced capital volatility justifies a higher PE and has lifted the price target to $7.00 from $6.65. Rating is upgraded to Buy from Hold.

JUDO CAPITAL HOLDINGS LIMITED ((JDO)) Upgrade to Add from Hold by Morgans .B/H/S: 4/1/1

Morgans upgrades Judo Capital to Add from Hold with an unchanged target of $2.08.

The recent share price weakness from the sell-down in banking shares and the block trade sale of two pre-IPO investors has created a buying opportunity, according to the analyst.

The block trade represented 9.9% of shares on issue at $1.74, below yesterday's closing price by around -6%.

Judo does not pay dividends, with excess capital used to fund loan growth. As such, the broker highlights investors are reliant on capital returns and the company carries higher risk than the major banks.

Morgans states if management can achieve its strategic targets, it will be Australia's fastest-growing, most efficient bank and could be worth over $3 per share by the end of the decade.

MINERAL RESOURCES LIMITED ((MIN)) Upgrade to Buy from Sell by UBS .B/H/S: 4/3/0

UBS incorporates the latest assumptions on haul road repairs, Mineral Resources' FY25 guidance downgrades for Onslow shipments and mining services tonnes, as well as grade discounts and a lower average cost of capital, lowering its target price to $28.60 from $33.

Concerns remain, but the analyst lifts EPS estimates by 6% for FY26 and 45% for FY27.

The stock has declined -67%, and at current levels, with the revised earnings estimates, the rating is upgraded to Buy from Sell.

UBS estimates the stock is pricing in an iron ore price of US$80/t and spodumene pricing of US$1,300/t indefinitely which is considered too pessimistic.

SMARTPAY HOLDINGS LIMITED ((SMP)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 2/0/0

Bell Potter upgrades SmartPay to Buy from Hold with a higher target price of $1.33 from 68c, following the preliminary non-binding NZ$1.00 scrip plus cash offer from Tyro Payments ((TYR)).

The 90c offer price represents a 70% premium to the previous closing price. In addition, an undisclosed international strategic bidder has made another takeover proposal for an unannounced amount, the analyst highlights.

The broker is more positive on the stock post the strategic interest, which may increase with SmartPay trialling the new terminal and acquiring solution.

No change to Bell Potter's earnings forecasts.

WOOLWORTHS GROUP LIMITED ((WOW)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/4/0

The final report on Supermarkets by the ACCC may create a buying opportunity, in Macquarie's view. The broker also holds concerns around slowing global growth brought on by tariffs and raises its conviction on defensive exposures like supermarkets.

As per previous enquiries in other sectors, the broker notes the market tends to "sell the rumour" and "buy the fact", and upon release of the relevant sector/stock report, share price performance(s) improves.

The re-rating opportunity is greatest for Woolworths Group, in the analyst's opinion, given the five-year low on relative valution compared to Coles Group.

Macquarie retains its $30.80 target for Woolworths Group and upgrades to Outperform from Neutral.

Downgrade

A2 MILK COMPANY LIMITED ((A2M)) Downgrade to Hold from Accumulate by Ord Minnett .B/H/S: 3/4/0

Ord Minnett retains its $7.70 target for a2 Milk Co and downgrades to Hold from Accumulate on valuation after an 11% share price surge in the last week.

The stock has outperformed the broader market by approximately 60% since February, with the recent 11% rally driven by speculation around Chinese birth stimulus measures, explains the broker.

The broker remains cautious on the long-term impact of government policies to reverse declining birth rates, citing historical challenges in similar markets.

The analyst highlights A2 Milk's strong market position, supported by share gains in the consolidating Chinese infant milk formula market and the launch of its Genesis product.

Ord Minnett sees the shift to English labelling and upcoming supply chain efficiencies as potential catalysts for capital returns to shareholders.

NATIONAL AUSTRALIA BANK LIMITED ((NAB)) Downgrade to Equal-weight from Overweight by Morgan Stanley .B/H/S: 0/2/3

Morgan Stanley reassesses its preference for bank stocks, adjusting its rankings.

ANZ Bank ((ANZ)) is ranked first on Equal-weight, followed by National Australia Bank, which is downgraded to Equal-weight from Overweight.

Both Westpac ((WBC)) and CommBank ((CBA)) remain Underweight.

The broker sees higher execution risks due to management changes, margin pressure from competition in business banking, and a shift in the deposit mix, along with sub-industry growth in mortgages.

Target price for National Australia Bank is lowered to $34.80 from $37.40. Industry View: In-Line.

WEBJET GROUP LIMITED ((WJL)) Downgrade to Hold from Add by Morgans .B/H/S: 1/1/0

Webjet Group reiterated FY25 guidance, but FY26 is now a year of investment rather than growth acceleration, Morgans highlights.

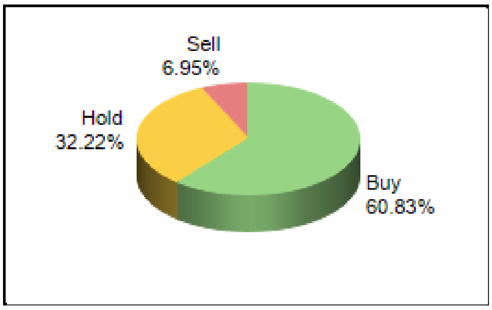
Management outlined a 5-year growth plan aiming to double total transaction value by FY30, above consensus.

The strategy focuses on increasing wallet share through higher-margin ancillary product sales, which the analyst views as high risk.

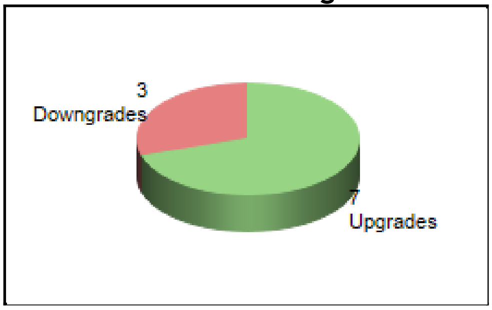
Morgans lowers EBITDA forecasts by -1.8% for FY25 and -14.5% for FY26. Net profit after tax downgrades are more pronounced due to higher depreciation and amortisation charges.

The stock is downgraded to Hold from Add. Target price cut to 65c from $1.05.

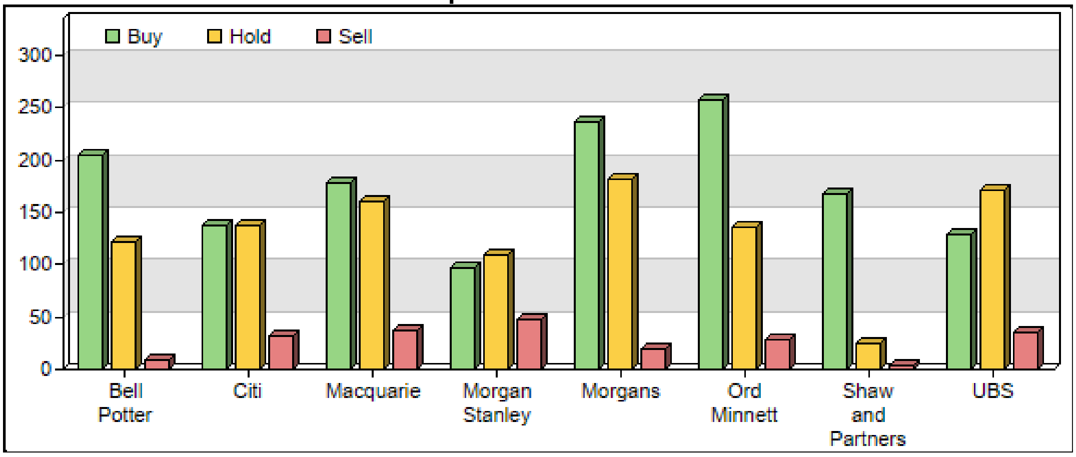
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ALCIDION GROUP LIMITED	Buy	Neutral	Bell Potter
2	CHALLENGER LIMITED	Buy	Neutral	Ord Minnett
3	CODAN LIMITED	Buy	Neutral	Macquarie
4	JUDO CAPITAL HOLDINGS LIMITED	Buy	Neutral	Morgans
5	MINERAL RESOURCES LIMITED	Buy	Sell	UBS
6	SMARTPAY HOLDINGS LIMITED	Buy	Neutral	Bell Potter
7	WOOLWORTHS GROUP LIMITED	Buy	Neutral	Macquarie
Downgrade				
8	A2 MILK COMPANY LIMITED	Neutral	Buy	Ord Minnett
9	NATIONAL AUSTRALIA BANK LIMITED	Neutral	Buy	Morgan Stanley
10	WEBJET GROUP LIMITED	Neutral	Buy	Morgans

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	NAN	NANOSONICS LIMITED	4.665	4.370	6.75%	4
2	GDG	GENERATION DEVELOPMENT GROUP LIMITED	5.897	5.617	4.98%	3
3	NUF	NUFARM LIMITED	4.328	4.190	3.29%	5
4	SUN	SUNCORP GROUP LIMITED	20.897	20.547	1.70%	6
5	ABB	AUSSIE BROADBAND LIMITED	4.697	4.630	1.45%	3
6	VCX	VICINITY CENTRES	2.286	2.262	1.06%	5
7	ORI	ORICA LIMITED	21.085	20.902	0.88%	6
8	ANZ	ANZ GROUP HOLDINGS LIMITED	28.452	28.235	0.77%	6
9	CGF	CHALLENGER LIMITED	6.947	6.897	0.72%	7
10	CMM	CAPRICORN METALS LIMITED	8.447	8.413	0.40%	3

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	NHC	NEW HOPE CORPORATION LIMITED	4.688	5.113	-8.31%	4
2	LOT	LOTUS RESOURCES LIMITED	0.450	0.488	-7.79%	4
3	GQG	GQG PARTNERS INC	2.825	3.010	-6.15%	4
4	LTR	LIONTOWN RESOURCES LIMITED	0.755	0.785	-3.82%	6
5	COF	CENTURIA OFFICE REIT	1.190	1.230	-3.25%	3
6	RGN	REGION GROUP	2.306	2.372	-2.78%	5
7	PMV	PREMIER INVESTMENTS LIMITED	27.625	28.292	-2.36%	6
8	HDN	HOMECO DAILY NEEDS REIT	1.296	1.327	-2.34%	5
9	WHC	WHITEHAVEN COAL LIMITED	8.642	8.817	-1.98%	6
10	DYL	DEEP YELLOW LIMITED	1.777	1.810	-1.82%	3

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	DYL	DEEP YELLOW LIMITED	-0.033	-0.267	87.64%	3
2	LTR	LIONTOWN RESOURCES LIMITED	-2.720	-3.820	28.80%	6
3	SIG	SIGMA HEALTHCARE LIMITED	3.550	3.100	14.52%	4
4	WHC	WHITEHAVEN COAL LIMITED	50.900	44.567	14.21%	6
5	MIN	MINERAL RESOURCES LIMITED	-81.886	-87.886	6.83%	7
6	SUN	SUNCORP GROUP LIMITED	117.275	113.160	3.64%	6
7	RGN	REGION GROUP	14.800	14.567	1.60%	5
8	LLC	LENDLEASE GROUP	59.250	58.675	0.98%	5
9	CWY	CLEANAWAY WASTE MANAGEMENT LIMITED	8.940	8.860	0.90%	6
10	GDG	GENERATION DEVELOPMENT GROUP LIMITED	8.267	8.200	0.82%	3

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	LOT	LOTUS RESOURCES LIMITED	-0.500	-0.375	-33.33%	4
2	NHC	NEW HOPE CORPORATION LIMITED	57.250	65.225	-12.23%	4
3	RHC	RAMSAY HEALTH CARE LIMITED	120.980	124.980	-3.20%	5
4	LAU	LINDSAY AUSTRALIA LIMITED	7.267	7.500	-3.11%	3
5	BKW	BRICKWORKS LIMITED	121.083	124.533	-2.77%	6
6	ALD	AMPOL LIMITED	187.333	191.333	-2.09%	4
7	RIO	RIO TINTO LIMITED	1120.674	1135.772	-1.33%	6
8	ACF	ACROW LIMITED	10.733	10.867	-1.23%	3
9	CSL	CSL LIMITED	988.310	998.071	-0.98%	7
10	FPH	FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED	54.858	55.369	-0.92%	4

Technical limitations

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

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

WEEKLY REPORTS

Uranium Week: Small Positives

A lift in the spot uranium price last week can't detract from the lack of certainty around tariffs

-U308 markets continue to wallow on thin volumes
-Outlook for uranium clouded by the Trump Administration
-Kazatomprom, Deep Yellow & Paladin Energy in focus

By Danielle Ecuyer

Geo-politics and tariffs remain an overhang

With the world's eyes focused on the reciprocal tariffs' announcement on April 2, President Trump signed an executive order on March 20 to increase the domestic production of critical minerals.

The order is designed to prioritise mineral production for national security and the independence of energy, including gold, copper, potash, and uranium. The aim is reducing dependence on foreign imports and speeding up the permitting processes and mineral projects on federal lands.

Bloomberg reported the Defense Production Act as invoked by Trump is a 1950s law used by then-President Truman to increase steel production for the Korean War.

President Biden also invoked the law for the acceleration and support of critical minerals production including battery materials lithium, nickel, graphite, cobalt, and manganese.

Despite the announcement, uranium markets remain becalmed. Industry consultants TradeTech point to three transactions in the U308 spot price market last week: one for 50klbs at US$63.75/lb; one for 100klbs at US$64.50/lb; and the last deal of the week at US$64.10/lb.

The Sprott Physical Uranium Trust price advanced 7.6% over the course of the week, retreating from a 10% rally mid-week, while TradeTech U308 spot price indicator rose US$1.10/lb to US$64.10/lb.

The TradeTech Mid-Term Price indicator came in at US$71/lb and the Long-Term price indicator for U308 at US$80/lb.

Volumes remained subdued, some would say moribund, with no transaction and no new demand in the term U308 uranium market, conversion, or enrichment markets.

Outlook for the uranium market

On the question of the outlook for the uranium market, Morgan Stanley detailed some thoughts from a webinar with William Freebarn from the S&P Global Commodity Insights.

Key takeaways:

-Uranium is part of energy resources and minerals for possible tariffs of 10% on Canada, and the full price tariff impact is not priced into the US/Canadian price differential at this stage. There is a possibility Canadian uranium might be transported to Europe for enrichment before US delivery.

-US domestic production is not anticipated to be incentivised by tariffs, and Freebarn highlighted there are limited new uranium projects in North America apart from Canada's Rook 1 project, **NexGen Energy** ((NXG)), and Wheeler River (Denison Mines).

-Regarding additional restarts or new additional nuclear reactors, there is viewed to be limited potential to come online by 2030. Into the next decade, a further increase in nuclear capacity is dependent on Small Modular Reactors (SMRs) becoming commercially feasible.

-The Trump Administration has moved away from decarbonisation and carbon abatement measures in the energy sector, which may result in less focus on nuclear energy investment. This was also highlighted as key for whether Big Tech continues the push for nuclear and clean energy regarding data centres.

-Freebarn noted the term price is trading at a premium to the U308 spot price, which he attributes to the likes of physical participants like the Sprott Investment Trust unwinding the buying in the spot price which saw the price move over US$100/lb in 1Q24. The difference also reflects the "inelastic" nature of utility demand, where a greater value is placed on the security and stability of supply rather than the cost, as fuel represents a relatively small overall cost.

Paladin has a water problem

It never rains and then it pours, or so goes the saying.

One can only feel for management at **Paladin Energy** ((PDN)) when it comes to the impact of water or the lack thereof on Langer Heinrich.

The company was impacted by water supply issues in the September quarter 2024, and last week a one-in-fifty-year wet weather event in Namibia resulted in operations at Langer Heinrich being suspended due to site access issues.

Canaccord Genuity notes Namibia typically receives 50-300mm of rainfall per annum, but the topography of the land can result in flooding events.

Kazatomprom's 2024 earnings

The world's number one producer of uranium, Kazatomprom announced attributable production of 32mlbs of U308 and group sales of 43mlbs. Canaccord Genuity highlighted last week the numbers are better than market expectations, albeit at the lower end of consensus.

Management retained production guidance for 65-69mlbs, while flagging Inkai is expected to lower production plans and could come in at the bottom end of guidance.

Canaccord explains capex and costs are above expectations and likely to impact on cash generation in 2025. The broker retains a Buy rating and target price of US$37.55.

Deep Yellow rallies over 12% last week

Macquarie observes Deep Yellow ((DYL)) appears to be meeting expectations for a Tumas final investment decision in the next few weeks, which the analyst views as a major "milestone."

This would put the company on track to achieve initial production in early 2027.

At current share price levels, Macquarie highlights the market is imputing a US$57/lb uranium price for Tumas and Mulga Rock's valuation, and US$49/lb if some value is included for additional assets such as Alligator River (NT), Omahola, and Tubas (Namibia).

The broker estimates greenfield incentive pricing in the US$80-US$85/lb range. Currently, the in-house price forecast is US$85/lb. Outperform rating unchanged. Target price slips to $1.90, down -5%.

Short interest remains elevated

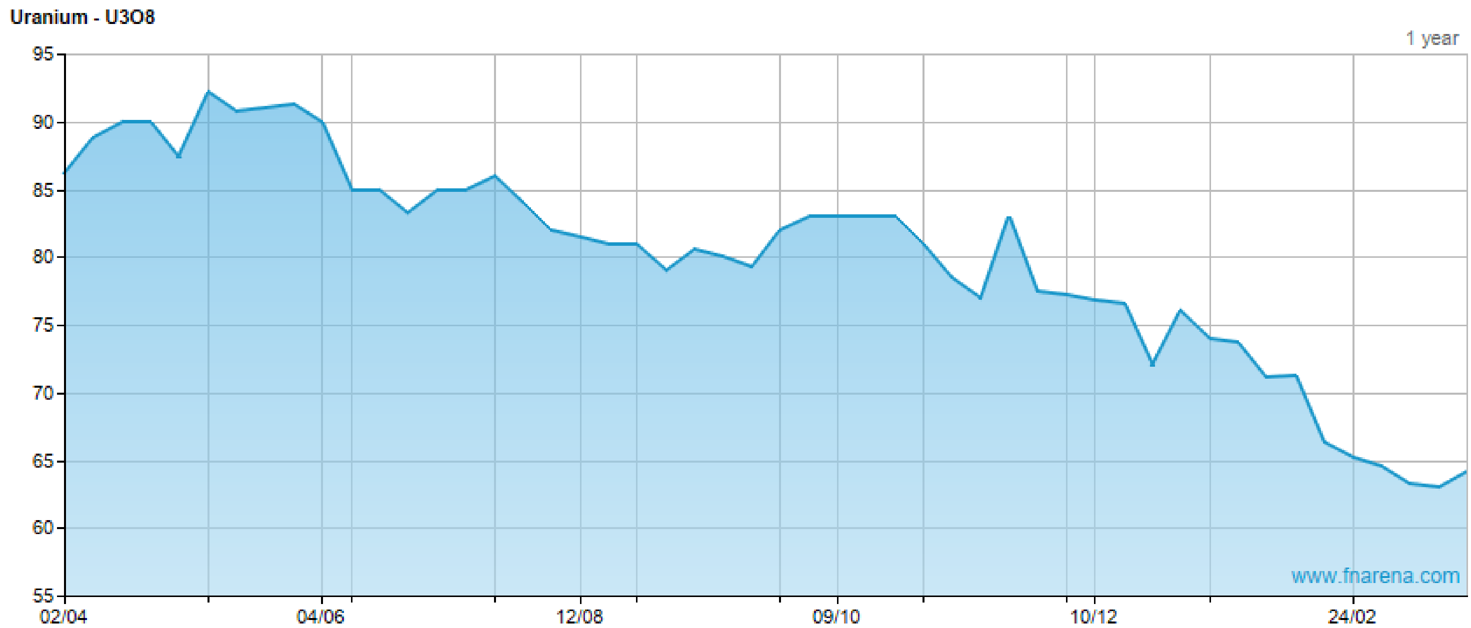
As at March 18, the latest data available, Boss Energy ((BOE)) retained the highest short position on the Australian market at 23.66%, followed by Paladin in second position at 17.42%, and Deep Yellow coming in fifth at 11.83%.

Post the rally in the Deep Yellow share price last week, if will be interesting to see if shorters lowered their exposure.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	21/03/2025	0.0500	▲25.00%	$0.12	$0.03			
AEE	21/03/2025	0.1400	▲26.09%	$0.20	$0.10			
AGE	21/03/2025	0.0300	▲29.63%	$0.07	$0.03		$0.100	▲233.3%
AKN	21/03/2025	0.0100	0.00%	$0.04	$0.01			
ASN	21/03/2025	0.0500	▼- 3.70%	$0.17	$0.05			
BKY	21/03/2025	0.4700	▲ 9.41%	$0.47	$0.27			
BMN	21/03/2025	2.4100	▲19.43%	$4.87	$1.90		$7.400	▲207.1%
BOE	21/03/2025	2.7800	▲20.50%	$5.99	$1.99	49.7	$3.979	▲43.1%

BSN	21/03/2025	0.0160	▲14.29%	$0.14	$0.01			
C29	21/03/2025	0.0600	▲20.00%	$0.13	$0.03			
CXO	21/03/2025	0.0800	0.00%	$0.17	$0.07		$0.090	▲12.5%
CXU	21/03/2025	0.0100	0.00%	$0.05	$0.01			
DEV	21/03/2025	0.1000	▲ 7.95%	$0.45	$0.07			
DYL	21/03/2025	1.1000	▲14.65%	$1.83	$0.91	-3390.0	$1.777	▲61.5%
EL8	21/03/2025	0.2300	▲20.00%	$0.62	$0.19			
ERA	21/03/2025	0.0020	▲50.00%	$0.06	$0.00			
GLA	21/03/2025	0.0100	0.00%	$0.03	$0.01			
GTR	21/03/2025	0.0030	0.00%	$0.01	$0.00			
GUE	21/03/2025	0.0700	0.00%	$0.13	$0.05			
HAR	21/03/2025	0.0560	▲30.23%	$0.14	$0.03			
I88	21/03/2025	0.2800	▲ 3.70%	$1.03	$0.14			
KOB	21/03/2025	0.0600	0.00%	$0.18	$0.05			
LAM	21/03/2025	0.7200	▲ 2.86%	$1.04	$0.48			
LOT	21/03/2025	0.2000	▲14.29%	$0.49	$0.16		$0.450	▲125.0%
MEU	21/03/2025	0.0500	▲11.11%	$0.06	$0.04			
NXG	21/03/2025	7.8700	▲ 9.64%	$13.66	$7.16		$15.700	▲99.5%
ORP	21/03/2025	0.0300	0.00%	$0.12	$0.03			
PDN	21/03/2025	6.5600	▼- 1.50%	$17.98	$5.91	156.0	$11.171	▲70.3%
PEN	21/03/2025	0.7300	▲13.85%	$2.70	$0.63		$4.810	▲558.9%
SLX	21/03/2025	4.0900	▲ 6.89%	$6.74	$3.35		$6.900	▲68.7%
TOE	21/03/2025	0.1900	▲ 8.57%	$0.52	$0.17			
WCN	21/03/2025	0.0200	▲17.65%	$0.03	$0.01			



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

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

WEEKLY REPORTS

The Short Report - 27 Mar 2025

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

Summary:

Week Ending March 20th, 2025 (most recent data available through ASIC).

10%+

BOE	23.80%
PDN	16.57%
IEL	13.19%
PLS	12.32%
DYL	11.79%
DMP	11.70%
MIN	11.54%
LIC	10.19%
CTT	10.04%

Out: LTR, KAR

9.0-9.9%

LTR	9.95%
KAR	9.61%
LYC	9.48%
SGR	9.21%

In: LTR, KAR
Out: SYR

8.0-8.9%

SYR	8.63%
MP1	8.46%
JLG	8.04%

In: SYR, JLG

7.0-7.9%

SLX	7.89%
PNV	7.71%
RIO	7.57%
ADT	7.42%
IGO	7.36%
TWE	7.22%

GMD	7.21%
STX	7.01%

In: PNV, IGO, TWE
Out: LOT

6.0-6.9%

LOT	6.76%
CTD	6.58%
CIA	6.58%
NHC	6.51%
NCK	6.32%

In: LOT, NCK
Out: PNV, JLG, TWE, IGO, DRO, IMU, GYG

5.0-5.9%

WEB	5.96%
GYG	5.92%
IMU	5.86%
INR	5.74%
BMN	5.64%
CUV	5.54%
PWH	5.43%
FLT	5.31%
SFR	5.30%
CHN	5.14%
DRO	5.05%

In: GYG, IMU, DRO
Out: NCK, BGL, ARB

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.6	0.5	NAB	0.7	0.8
ANZ	0.6	0.5	QBE	0.3	0.3
BHP	0.5	0.5	RIO	7.6	7.8
CBA	1.2	1.1	STO	0.5	0.5
COL	0.6	0.5	TCL	0.8	0.8
CSL	0.5	0.5	TLS	0.4	0.3
FMG	1.1	1.2	WBC	0.7	0.8
GMG	0.6	0.6	WDS	2.4	2.5
JHX	0.8	0.9	WES	0.5	0.5
MQG	0.6	0.6	WOW	0.9	0.7

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

Guide:

The Short Report draws upon data provided by the Australian Securities & Investment Commission (ASIC) to highlight significant weekly moves in short positions registered on stocks listed on the Australian Securities Exchange (ASX). Short positions in exchange-traded funds (ETF) and non-ordinary shares are not included.

Short positions below 5% are not included in the table below but may be noted in the accompanying text if deemed significant.

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

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

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

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

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

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

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

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

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

WEEKLY REPORTS

In Brief: Retail Slips, Rigs Retire, Wesfarmers Expands

Wesfarmers eyes auto retail, Cleanaway and Qube chase offshore gains, while Aussie consumer confidence dips ahead of the 2025 election.

-Oil rig cleanup opens $16bn door for logistics & waste giants
-Spending slows, Aussies pull back ahead of an election
-Bunnings drives into auto, rivals brace for impact

By Danielle Ecuyer

The quote of the week comes from the Wall Street Journal:

"The president is a true mercantilist and just isn't going to believe forecasts about how bad this can get," said Michael Strain, head of economic-policy studies at the right-leaning American Enterprise Institute. "He needs to put his hand to the hot stove and leave it there until he can't bear it. The question is how long will that take?"

Take out the rigs and the trash

Decommissioning of offshore oil and gas infrastructure in Australia is following in the clean-up of the UK's North Sea, analysts at E&P determined this week as the assets have come to the end of their useful life.

Australia's offshore decommissioning, primarily in Bass Strait and off the coast of WA, is estimated to represent around 5,695t of material according to CODA, the Centre of Decommissioning Australia, which will need to be disposed of. Compared to the domestic construction industry's construction waste of around 25,100t per annum, the total tonnage is small but the challenge stands around the location and impact on nature.

CODA estimates the combined liability at US$40.5bn including wells and facilities, with the work expected to take place over 35 to 50 years using current platform infrastructure. Most will be completed by 2060 and some ending by 2075.

Western Australia represents around 89% of the projects and Victoria circa 11%.

Turning to which companies may benefit, E&P suggests around 25% of the value is likely to be onshore work such as onshore dismantling and waste disposal/recycling.

Enter **Qube Holdings** ((QUB)) as one of Australia's largest logistics companies with over 1,000 rig supply vehicles, barges and offshore construction vessels, and **Cleanaway Waste Management** ((CWY)), one of the largest waste management companies.

The recent acquisition of Contract Resources, which operates in decommissioning, decontamination and remediation, offers a pathway for Cleanaway into the sector beyond the traditional end of the disposal value chain.

A potential total available market of around $16bn over a 35-year period or circa 25% of the total decommissioning market is up for grabs. Management has already announced it is targeting around $650m per annum over the next ten years from this type of work.

The potential opportunities for Qube at this stage are less clear. Although the point is made management at Qube has more optionality from the company either developing or acquiring additional capabilities to partake in the potential work on offer beyond the likes of its essential port infrastructure such as Barry Beach, which will most likely receive the decommissioned waste.

E&P has a positive rating on both companies with a valuation of $3.20 for Cleanaway and $4.35 for Qube. A positive rating signals the stock is expected to outperform the S&P/ASX200 over the coming 24 months.

FNArena daily monitored brokers of those who have commented were recently upbeat on Cleanaway's takeover of Contract Resources, with Morgans upgrading the stock to Buy-equivalent from Hold with a $2.95 target. Consensus target price sits at $3.13 with five Buy-equivalent ratings and one Hold rating.

FNArena's consensus target price for Qube sits at $4.295 with two Buy-equivalent ratings and two Hold-equivalents.

Consumers pulling on a string

US consumer confidence has tipped into a four-year low, having fallen for a fourth consecutive month. Experts continue to ascribe a low level of probability to a US recession, but there are no doubts the DOGE cuts and disruption, alongside the tariff uncertainty, is weighing on Americans mood.

Australians are not immune from the glaring headlines and media barrage from the US President.

Anecdotally, a jeweller informed me demand for quality gemstones is noticeably on the rise. Might not have any meaning, or could it be people are using perceived safe havens to store their wealth as global question marks rise around the new world order the Trump Administration is seeking to establish?

As highlighted by Jarden in the latest update on the outlook for Australian retailers, the Roy-Morgan Australian Consumer Confidence survey rose slightly by 0.4 points last week to 84.2 points, but on a four-week moving average basis, the series declined to the lowest level since October 2024. Households are feeling less confident in their financial and economic conditions.

While the February rate cut provided a fillip to sentiment, spending trends have since been slowing, notably across hospitality, recreation, travel and food.

Jarden sees a "wobbly'" outlook for the domestic consumer in the run-up to the May Federal election and thus growing risks around earnings for discretionary retailers in the 2H25 results.

A combination of political uncertainty, a lower Australian dollar with inflationary implications, geopolitical tensions and the impact of Easter and Anzac falling in the same week, makes for a messy backdrop.

Historically, non-food consumer spending moderates into elections as well as Easter and Anzac Day. Inflationary pressures could emerge from a lower AUD, leading to imported goods price rises. Electronic retailers have announced 5-15% price increases this year.

On balance, Jarden views the consumer is in "good shape," but more confidence is needed to draw upon an expanding savings pool, which is unlikely to transpire until further RBA rate cuts or geo-political turbulence subsides.

In terms of stocks, **Woolworths Group** ((WOW)) is preferred with a Buy-equivalent rating and a $37 target price. In household goods, **Harvey Norman** ((HVN)) and **Temple & Webster** ((TPW)) are the top picks, with **Universal Stores** ((UNI)) favoured for exposure to the youth market.

Coming out of an election, clothing, eating out and quick service restaurants (QSR) typically perform post-election.

Based on history, post-election may see higher spending for hospitality such as **Endeavour Group** ((EDV)), Hold-equivalent rated, target price $4.30 and QSR with a Buy-equivalent rating on **Domino's Pizza Enterprises** ((DMP)), target $39, and **Collins Foods** ((CKF)).

Recreation and travel should also do better. **Flight Centre Travel Group** ((FLT)) and **Webjet Group** ((WJL)) are both Buy-equivalent rated with target prices of $22.50 and $1.20, respectively.

Consumer staples, **Coles Group** ((COL)) and Woolworths, as mentioned, should benefit, and there are risks for department stores and hardware. **Wesfarmers** ((WES)) is Sell-equivalent rated with a $67.50 target price.

The last time Easter and Anzac Day were separated by three days was in 2019, and historically, travel stocks could benefit the most, followed by liquor and pubs and department stores. In contrast, household spending for goods, groceries and pharma/beauty may be more subdued.

Citi overlays the 2025-2026 Federal budget, which should offer around a $3.7bn boost to household disposable income in FY26 from energy bill relief and lowering the Medicare levy threshold, with changes to bulk billing and PBS listings.

The new income tax announcements will not be implemented until FY27, with the full benefit in FY28. Overall, the broker states the fiscal policy will be basically "neutral" for household budgets over FY26-FY28.

Wesfarmers flexes some automotive muscle

Regarding discretionary retailers, Citi peeked into Wesfarmers' move into the auto retail category and the possible impacts on **Bapcor** ((BAP)) and **Super Retail Group** ((SUL)).

The broker concluded post a visit to Bunnings Preston (VIC) the company had successfully secured some major brands with competitive pricing. The products on offer were more non-discretionary in nature, which could affect customer traffic for Super Retail and Bapcor's Autobarn.

While any impacts are hard to gauge at this stage (Bunnings positioned the auto products at the back of the store), Citi proposes Bapcor should be able to somewhat offset any impact by internal measures such as better store networks and improved promotions funded by suppliers.

The stock is Hold-equivalent rated with a $5.64 target price.

For Super Retail, the impact is anticipated to be less severe than what has transpired in Pets and Cleaning products, in part due to the absence of overlap between the products offered in-house and those at Bunnings. Super Retail is Buy rated with an $18 target.

Citi is seeking more details from the Bunnings Investor Day on the auto retail strategy. Wesfarmers has a $61 target price and is Sell rated.

Goldman Sachs analysts were quick off the mark to update their thoughts on the Bunnings investor day, emphasising they came away positive that the group will be able to continue to generate growth, which aligns with the Buy rating on the stock.

Market share gains via category delivery and range management should result in sales growth and higher gross profit productivity. Bunnings management pointed to opportunities to achieve double-digit growth in sales/sqm, with US peers at higher rates. Opportunities across eight new categories Pets, Auto, Smart Home, and Cleaning were noted.

Bunnings is also expanding into new categories via range and value differentiation as well as pushing into commercial.

Goldman Sachs has a target price on Wesfarmers of $80.40.

FNArena consensus target price sits at $70.292, with three Hold ratings and three Sell-equivalent ratings for the daily monitored brokers.

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 28-03-25

Broker Rating Changes (Post Thursday Last Week)

Upgrade

CLEANAWAY WASTE MANAGEMENT LIMITED ((CWY)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

Cleanaway Waste Management is debt-funding its proposed acquisition of Contract Resources Group for -$377m and expects the deal to be accretive on a pre and post-synergies basis.

Jarden is surprised the company is investing in the lowest margin segment but believes investors will like the deal.

The broker expects the proposed purchase (subject to ACCC approval) to improve the earnings outlook beyond FY26. For now, though, it is not incorporating this deal and the Citywide acquisition in forecasts.

The analyst made modest changes to the FY25-27 core EPS forecasts and raised the target price to $3.10 from $3.05. Rating upgraded to Buy from Overweight following recent share price weakness.

FORTESCUE LIMITED ((FMG)) Upgrade to Neutral from Underweight by Jarden.B/H/S: 0/0/0

Jarden conducted a deeper analysis of iron ore outlook and P58 discount to the benchmark P62, noting a widening discount of -30% would lead to a significant reduction in Fortescue EPS estimates.

A narrower discount of -5% is a less likely scenario but would push up EPS significantly. The broker has assumed a -14% discount in its forecasts and a US$76/t long-term price for P62.

The analyst adjusted Mindy South and Nyidinghu mine sequencing assumptions, leading to a cut in target price to $16.91 from $17.08.

Rating upgraded to Neutral from Underweight on valuation grounds.

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

Jarden's initial view about James Hardie Industries' Azek acquisition announcement is the deal is strategically and operationally sensible. Also, the broker notes the announcement removes the M&A overhang since August last year.

The broker also finds reassurance from the company reaffirming it will complete the US$500m buyback once the deal is completed.

The analyst acknowledges the deal multiple is a concern and awaits further details, but for now suggests value has emerged from share price fall.

Target price cut to $45 from $53.50. Rating upgraded to Overweight from Neutral.

NANOSONICS LIMITED ((NAN)) Upgrade to Buy from Hold by Canaccord Genuity.B/H/S: 0/0/0

Canaccord Genuity notes Nanosonics received de novo approval from the US FDA for the Coris system earlier than expected. This puts it in a good position to meet the initial launch timeline of 1Q26 and 70% of the total scope by volumes target within 12 months of approval.

The de novo approval will also help the company secure the 510K approval. No changes to forecasts.

Target price lifted to $5.74 from $4.47. The broker estimates the stock has an upside potential to $7.50 in a more bullish longer-term market share assumption scenario.

Rating upgraded to Buy from Hold.

NATIONAL STORAGE REIT ((NSR)) Upgrade to Buy from Hold by Moelis.B/H/S: 0/0/0

Moelis upgrades National Storage REIT to Buy from Hold and now prefers this storage REIT compared with Abacus Storage King ((ASK)).

The broker believes capital will continue to chase the storage sector because of a growing population, densification, lifestyle purchases etc. The sector too has performed well with the REIT's cap rate moving just 3bps since June 2022.

The broker reckons there is little downside risk in the REIT, given it is trading at a wide -16.7% discount to net tangible asset

Target price unchanged at $2.37.

Downgrade

AMPLITUDE ENERGY LIMITED ((AEL)) Downgrade to Market Weight from Overweight by Wilsons.B/H/S: 0/0/0

Wilsons is pleased with Amplitude Energy's 50:50 JV deal with O.G. Energy to progress the East Coast Supply Project after it purchases Mitsui's 50% interest in the project.

The broker believes the deal offers a clear visibility of the work program. The broker has factored in -$260m phase 1 capex and -$180m phase 2 capex, and increased debt borrowing by $200m in FY27 in its forecasts.

Rating downgraded to Market Weight from Overweight. Target price is 24c.

CAPRICORN METALS LIMITED ((CMM)) Downgrade to Hold from Buy by Canaccord Genuity.B/H/S: 0/0/0

Capricorn Metals closed its gold hedge book and purchased put options, funding it with $7m cash and a share issue at a -6% discount to the hedge and debt financier Macquarie Bank ((MQG)).

Canaccord Genuity believes it was a prudent decision and leaves the company with cash/bullion balance of $356m to develop its projects.

The broker updated its model to reflect the hedge closure, put options, and share issuance. Target price dropped to $8.70 from $8.85.

Rating downgraded to Hold from Buy on valuation grounds.

SYNLAIT MILK LIMITED ((SM1)) Downgrade to Underweight from Neutral by Jarden.B/H/S: 0/0/0

Synlait Milk's 1H25 EBITDA came at the top end of the guidance, and net profit was NZ$4.8m vs -NZ$96m loss for the year before.

Jarden notes the improved result was due to higher demand for advanced nutrition, improved ingredients stream returns and forex benefits.

The broker raised its FY25 EBITDA forecast by 59% to NZ$98m and FY26 by 26% to NZ$103m. The broker also cut the risk premium to the cost of equity to 3.5% from 5.0% on lower debt.

Target price rises to NZ68c from NZ45c. Rating downgraded to Underweight from Neutral on strong share price gains.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	CLEANAWAY WASTE MANAGEMENT LIMITED	Buy	Buy	Jarden
2	FORTESCUE LIMITED	Neutral	Sell	Jarden
3	JAMES HARDIE INDUSTRIES PLC	Buy	Neutral	Jarden
4	NANOSONICS LIMITED	Buy	Neutral	Canaccord Genuity
5	NATIONAL STORAGE REIT	Buy	Neutral	Moelis
Downgrade				
6	AMPLITUDE ENERGY LIMITED	Neutral	Buy	Wilsons

7	CAPRICORN METALS LIMITED	Neutral	Buy	Canaccord Genuity
8	SYNLAIT MILK LIMITED	Sell	Neutral	Jarden

Price Target Changes (Post Thursday Last Week)

Company		Last Price	Broker	New Target	Old Target	Change
ACF	Acrow	$1.14	Petra Capital	1.62	1.32	22.73%
AEL	Amplitude Energy	$0.22	Goldman Sachs	0.27	0.26	3.85%
			Jarden	0.27	0.25	8.00%
			Wilsons	0.24	0.21	14.29%
ALD	Ampol	$24.02	Goldman Sachs	31.30	31.70	-1.26%
ANG	Austin Engineering	$0.44	Petra Capital	0.58	0.60	-3.33%
ARU	Arafura Rare Earths	$0.19	Canaccord Genuity	0.30	0.25	20.00%
BC8	Black Cat Syndicate	$0.84	Petra Capital	1.53	1.62	-5.56%
BET	Betmakers Technology	$0.10	Canaccord Genuity	0.20	1.50	-86.67%
BKW	Brickworks	$24.48	Jarden	25.00	25.60	-2.34%
CMM	Capricorn Metals	$8.01	Canaccord Genuity	8.70	8.85	-1.69%
			Jarden	8.04	8.14	-1.23%
CWY	Cleanaway Waste Management	$2.62	Jarden	3.10	3.05	1.64%
CXO	Core Lithium	$0.08	Canaccord Genuity	0.08	0.11	-27.27%
CYL	Catalyst Metals	$5.37	Canaccord Genuity	N/A	5.00	-100.00%
DLI	Delta Lithium	$0.18	Canaccord Genuity	0.35	0.50	-30.00%
EMR	Emerald Resources	$3.82	Canaccord Genuity	5.25	5.30	-0.94%
FMG	Fortescue	$16.09	Jarden	16.91	17.08	-1.00%
GLN	Galan Lithium	$0.11	Canaccord Genuity	0.18	0.75	-76.00%
GMD	Genesis Minerals	$3.81	Canaccord Genuity	4.15	3.80	9.21%
GOR	Gold Road Resources	$2.98	Canaccord Genuity	2.75	2.80	-1.79%
HGO	Hillgrove Resources	$0.04	Wilsons	0.09	0.08	12.50%
HLI	Helia Group	$3.94	Goldman Sachs	3.70	4.99	-25.85%
IGO	IGO Ltd	$4.17	Canaccord Genuity	3.50	4.40	-20.45%
INR	ioneer	$0.16	Canaccord Genuity	0.25	0.27	-7.41%
JHX	James Hardie Industries	$38.98	Goldman Sachs	N/A	59.45	-100.00%
			Jarden	45.00	53.50	-15.89%
LOT	Lotus Resources	$0.17	Petra Capital	0.28	0.37	-24.32%
LTR	Liontown Resources	$0.66	Canaccord Genuity	0.65	0.70	-7.14%
MAQ	Macquarie Technology	$64.46	Petra Capital	101.89	94.93	7.33%
NAN	Nanosonics	$4.57	Canaccord Genuity	5.74	4.47	28.41%
NWC	New World Resources	$0.03	Wilsons	0.07	0.06	16.67%
PLS	Pilbara Minerals	$1.84	Canaccord Genuity	2.70	3.60	-25.00%
PMT	Patriot Battery Metals	$0.30	Canaccord Genuity	0.55	0.90	-38.89%
PMV	Premier Investments	$20.46	Goldman Sachs	22.55	22.00	2.50%
			Jarden	21.70	23.50	-7.66%
			Petra Capital	22.90	29.00	-21.03%
RRL	Regis Resources	$3.81	Canaccord Genuity	3.15	3.10	1.61%
RSG	Resolute Mining	$0.48	Canaccord Genuity	0.70	1.75	-60.00%
VAU	Vault Minerals	$0.46	Canaccord Genuity	0.55	0.51	7.84%
VUL	Vulcan Energy Resources	$4.97	Canaccord Genuity	10.00	11.75	-14.89%
WAF	West African Resources	$2.38	Canaccord Genuity	4.00	3.95	1.27%
WC8	Wildcat Resources	$0.17	Canaccord Genuity	0.50	0.60	-16.67%
WJL	Webjet Group	$0.56	Jarden	1.20	1.10	9.09%
			Wilsons	0.90	0.97	-7.22%
WR1	Winsome Resources	$0.27	Canaccord Genuity	1.20	1.75	-31.43%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

AAR ASTRAL RESOURCES NL

Gold & Silver Overnight Price: $0.15

Petra Capital rates ((AAR)) as Initiation of coverage with Buy (1)

Petra Capital has initiated coverage of Astral Resources with a Buy rating and target price of 29c.

The broker notes the September 2023 scoping study for the Mandilla Gold Project showed mine inventory of 883koz, delivering a net present value (discount rate 8%) of $442m at $2,750/oz gold price.

This will nearly double to $876m as the broker forecasts a 50% lift in mine inventory ahead of the pre-feasibility study in the June quarter to 1.3Moz and $3,300/oz gold price.

The broker believes the acquisition of Maximus Resources ((MXR)) will expand the company's regional footprint as its flagship Spargoville project borders the Mandilla project.

This report was published on March 19, 2025.

Target price is **$0.29** Current Price is **$0.15** Difference: **$0.135**
If **AAR** meets the Petra Capital target it will return approximately **87%** (excluding dividends, fees and charges).

ARU ARAFURA RARE EARTHS LIMITED

Rare Earth Minerals Overnight Price: $0.19

Canaccord Genuity rates ((ARU)) as Speculative Buy (1)

Arafura Rare Earths signed a binding offtake deal for Ndpr oxide with Traxys Europe which takes the total offtake deals signed so far to 2,320tpa.

Based on ongoing negotiations, Canaccord Genuity notes the company will reach the 80% coverage target required for the final investment decision.

On the funding side, the broker notes the remaining equity gap is around -$1.2bn for which the company might target strategic investors.

Target price is 30c and rating retained at Speculative Buy.

This report was published on March 19, 2025.

Target price is **$0.30** Current Price is **$0.19** Difference: **$0.11**
If **ARU** meets the Canaccord Genuity target it will return approximately **58%** (excluding dividends, fees and charges).

FMG FORTESCUE LIMITED

Iron Ore Overnight Price: $15.79

Jarden rates ((FMG)) as Upgrade to Neutral from Underweight (3)

Jarden conducted a deeper analysis of iron ore outlook and P58 discount to the benchmark P62, noting a widening discount of -30% would lead to a significant reduction in Fortescue EPS estimates.

A narrower discount of -5% is a less likely scenario but would push up EPS significantly. The broker has assumed a -14% discount in its forecasts and a US$76/t long-term price for P62.

The analyst adjusted Mindy South and Nyidinghu mine sequencing assumptions, leading to a cut in target price to $16.91 from $17.08.

Rating upgraded to Neutral from Underweight on valuation grounds.

This report was published on March 19, 2025.

Target price is **$16.91** Current Price is **$15.79** Difference: **$1.12**
If **FMG** meets the Jarden target it will return approximately **7%** (excluding dividends, fees and charges).
Current consensus price target is **$18.16**, suggesting upside of **15.0%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **122.00** cents and EPS of **178.00** cents.
At the last closing share price the estimated dividend yield is **7.73%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.87**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **171.1**, implying annual growth of **N/A**.
Current consensus DPS estimate is **95.0**, implying a prospective dividend yield of **6.0%**.
Current consensus EPS estimate suggests the PER is **9.2**.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **80.00** cents and EPS of **135.00** cents.
At the last closing share price the estimated dividend yield is **5.07%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.70**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **156.4**, implying annual growth of **-8.6%**.
Current consensus DPS estimate is **81.0**, implying a prospective dividend yield of **5.1%**.
Current consensus EPS estimate suggests the PER is **10.1**.

Copper Overnight Price: $0.04

LOTUS RESOURCES LIMITED

Uranium Overnight Price: $0.18

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

Lotus Resources announced an additional offtake deal of 600klbs over 2026-29 from its Kayelekera uranium mine which Petra Capital considers an achievement, given the project is not in the production stage.

The company also published an updated scoping study for the Letlhakane project which showed marginal changes to economic parameters, leading the broker to keep its modelling intact.

The broker remains of the view the uranium price is unlikely to follow the spot price lower, using the latest offtake deal as supportive of its thesis the market is tight.

Target price 28c and Buy rating.

This report was published on March 24, 2025.

Target price is **$0.28** Current Price is **$0.18** Difference: **$0.095**
If **LOT** meets the Petra Capital target it will return approximately **51%** (excluding dividends, fees and charges).
Current consensus price target is **$0.45**, suggesting upside of **143.2%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** EPS of **minus 1.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 18.50**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **-0.7**, implying annual growth of **N/A**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **N/A**.

Forecast for FY26:

Petra Capital forecasts a full year **FY26** EPS of **2.20** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.41**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **-0.7**, implying annual growth of **N/A**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **N/A**.

CDA CODAN LIMITED

Hardware & Equipment Overnight Price: $16.11

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

Goldman Sachs notes its discussions with Motorola recently on the communication segment have positive implications for Codan.

The broker notes Motorola and Codan's share prices have tracked closer in recent years as Codan shifted its exposure to the communications business.

The broker highlights the spending environment is positive for the command center as public safety remains a high priority.

Buy rating and $18 target price.

This report was published on March 21, 2025.

Target price is **$18.00** Current Price is **$16.11** Difference: **$1.89**
If **CDA** meets the Goldman Sachs target it will return approximately **12%** (excluding dividends, fees and charges).
Current consensus price target is **$17.58**, suggesting upside of **9.1%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Goldman Sachs forecasts a full year **FY25** dividend of **28.00** cents and EPS of **55.12** cents.
At the last closing share price the estimated dividend yield is **1.74%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **29.23**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **53.5**, implying annual growth of **19.0%**.
Current consensus DPS estimate is **26.2**, implying a prospective dividend yield of **1.6%**.
Current consensus EPS estimate suggests the PER is **30.1**.

Forecast for FY26:

Goldman Sachs forecasts a full year **FY26** dividend of **33.00** cents and EPS of **66.87** cents.
At the last closing share price the estimated dividend yield is **2.05%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **24.09**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **65.8**, implying annual growth of **23.0%**.
Current consensus DPS estimate is **31.7**, implying a prospective dividend yield of **2.0%**.
Current consensus EPS estimate suggests the PER is **24.5**.

AHX APIAM ANIMAL HEALTH LIMITED

Healthcare services Overnight Price: $0.38

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

Canaccord Genuity initiated coverage of Apiam Animal Health with a Buy rating and target price of 63c.

The broker notes more than 60% of the company's revenue comes from companion and mixed animal veterinary clinics where demand is expected to rise once again after the post-Covid slowing.

A key source of demand is expected to come from pets bought during the Covid era that will enter mid-life in 2025-26.

The company recently acquired four clinics which is expected to settle in 4Q25, and the broker is forecasting an FY25 leverage ratio of 2.8x after this settlement.

The broker forecasts 5.4% revenue growth in FY26 and EBITDA growth of 8.7% based on an industry growth of 4.2%. For FY27, the broker forecasts 7.8% EBITDA growth on a 3.8% industry growth estimate.

This report was published on March 21, 2025.

Target price is **$0.63** Current Price is **$0.38** Difference: **$0.255**
If **AHX** meets the Canaccord Genuity target it will return approximately **68%** (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 **2.00** cents and EPS of **3.00** cents.
> At the last closing share price the estimated dividend yield is **5.33%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **12.50**.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** dividend of **2.00** cents and EPS of **4.00** cents.
> At the last closing share price the estimated dividend yield is **5.33%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **9.38**

TERMS AND CONDITIONS OF USE, AND DISCLAIMERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

take responsibility for their quality, content or suitability.

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

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

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

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

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

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

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

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