WEEK 48

FNArena
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Friday, 29 November 2024

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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 - 23 Nov 2024

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

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

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

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

Australia & NZ

Index	23 Nov 2024	Week To Date	Month To Date (Nov)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
NZ50	13041.900	2.81%	3.19%	4.97%	10.80%	11.30%
All Ordinaries	8633.10	1.10%	2.51%	1.11%	10.26%	7.73%
S&P ASX 200	8393.80	1.31%	2.87%	1.50%	10.58%	8.06%
S&P ASX 300	8320.00	1.26%	2.70%	1.35%	10.40%	7.94%
Communication Services	1672.10	0.16%	4.19%	4.97%	5.28%	11.38%
Consumer Discretionary	3868.90	-0.15%	4.75%	0.78%	19.40%	10.18%
Consumer Staples	11532.10	1.95%	-0.53%	-7.48%	-6.32%	-6.83%
Energy	8880.10	4.32%	2.55%	-2.72%	-16.41%	-11.48%
Financials	9059.30	1.80%	6.72%	10.19%	34.84%	18.31%
Health Care	44352.70	1.03%	-0.25%	0.64%	4.75%	0.22%
Industrials	7660.20	1.34%	5.62%	2.86%	11.57%	12.46%
Info Technology	2779.20	-2.94%	7.01%	2.27%	51.63%	18.69%
Materials	16787.60	1.69%	-3.31%	-8.35%	-13.87%	-0.54%
Real Estate	3958.40	-0.16%	0.31%	-2.30%	18.24%	11.09%
Utilities	9087.40	4.29%	9.05%	1.16%	11.10%	-2.13%
A-REITs	1809.70	-0.03%	0.45%	-2.08%	20.45%	11.41%
All Technology Index	3840.60	0.50%	9.05%	10.56%	42.56%	22.39%
Banks	3828.40	1.94%	7.21%	11.26%	37.74%	19.82%
Gold Index	9016.30	8.63%	-6.29%	3.38%	22.38%	22.55%
Metals & Mining	5445.00	2.02%	-4.56%	-9.12%	-15.80%	-1.90%

The World

Index	23 Nov 2024	Week To Date	Month To Date (Nov)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
FTSE100	8262.08	2.46%	1.87%	0.31%	6.84%	1.20%
DAX30	19322.59	0.58%	1.28%	-0.01%	15.35%	5.96%
Hang Seng	19229.97	-1.01%	-5.35%	-9.01%	12.80%	8.53%
Nikkei 225	38283.85	-0.93%	-2.04%	0.96%	14.40%	-3.28%
DJIA	44296.51	1.96%	6.07%	4.65%	17.53%	13.24%
S&P500	5969.34	1.68%	4.63%	3.59%	25.15%	9.32%
Nasdaq Comp	19003.65	1.73%	5.02%	4.48%	26.60%	7.17%

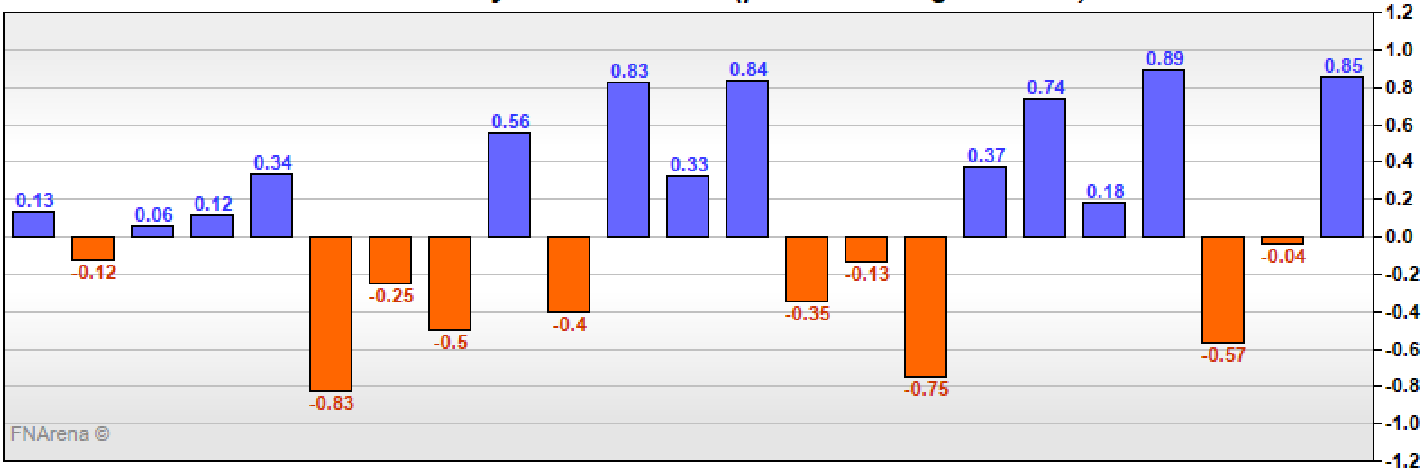
Metals & Minerals

Index	23 Nov 2024	Week To Date	Month To Date (Nov)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
Gold (oz)	2673.90	3.94%	-4.45%	-0.28%	30.79%	14.37%
Silver (oz)	30.87	0.84%	-9.05%	-3.27%	26.61%	5.53%
Copper (lb)	4.1115	0.86%	-5.70%	-10.59%	7.97%	-5.12%
Aluminium (lb)	1.1854	4.44%	0.65%	-0.10%	21.92%	5.42%
Nickel (lb)	7.0689	-0.17%	-0.70%	-7.82%	-4.95%	-9.12%
Zinc (lb)	1.3524	2.38%	-2.81%	-2.42%	20.26%	1.98%
Uranium (lb) weekly	83.00	7.79%	2.47%	1.22%	-3.49%	-0.30%
Iron Ore (t)	102.02	-0.20%	-1.98%	9.72%	-26.20%	-4.22%

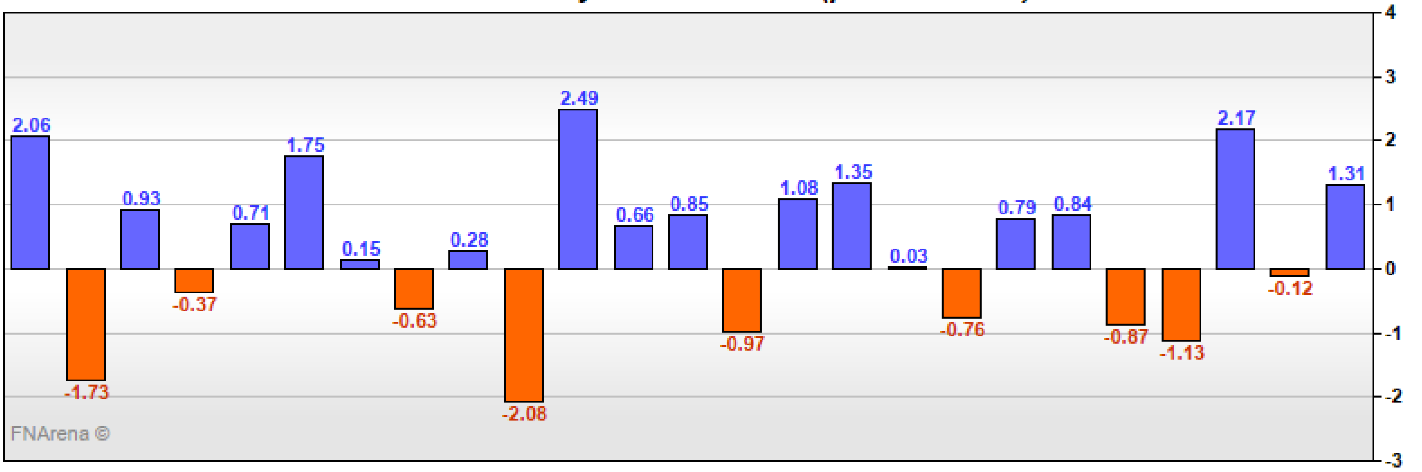
Energy

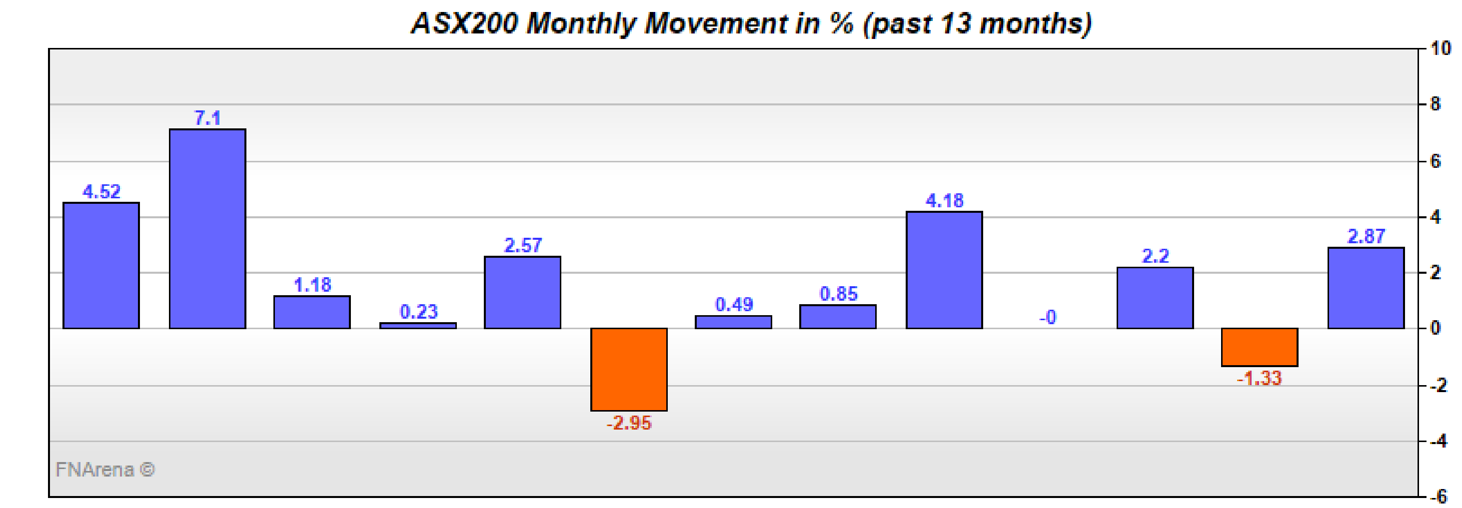
Index	23 Nov 2024	Week To Date	Month To Date (Nov)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
West Texas Crude	70.23	2.30%	1.65%	2.32%	-4.85%	-14.21%
Brent Crude	74.38	2.64%	2.30%	3.97%	-6.16%	-12.94%

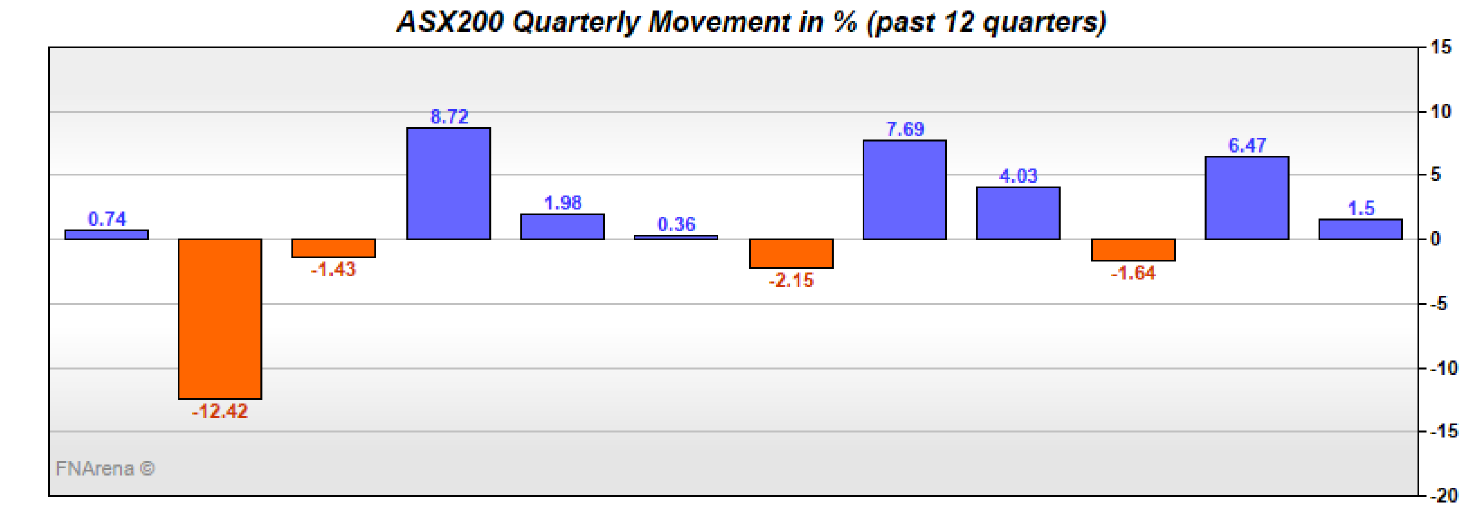
ASX200 Daily Movement in % (past 23 trading sessions)



ASX200 Weekly Movement in % (past 25 weeks)







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

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FNArena welcomes comments and suggestions at info@fnarena.com

AUSTRALIA

Santos Shifts From Growth To Shareholder Return

Santos will shift focus from growth for growth's sake to prioritising shareholder returns from 2026. Brokers line up with Buy ratings.

-Santos to slow growth, increase dividends
-Barossa and Pikka to be commissioned ahead of the shift
-Many growth options remain, but not all will proceed
-Following upgrades, brokers universally rate the stock a Buy

Energy producer Santos ((STO)) turned 70 years old this year. South Australia Northern Territory Oil Search incorporated in 1954 as Santos and listed on the stock exchange in 1970.

In more recent times, a key point of differentiation between Santos and its larger local peer Woodside Energy ((WDS)) has been that Santos held a stronger growth profile, Morgans notes, while Woodside enjoyed better earnings quality from its concentrated portfolio of high-quality assets.

That's about to change.

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

It will apply from the second half of 2026 when growth projects are commissioned at Barossa gas (offshore Northern Territory) in the September quarter 2025 and Pikka oil (Alaska) in the first half of 2026.

The new framework will return more cash to shareholders than the current policy and confirms Santos will prioritise shareholder returns over committing to its available growth opportunities, including Papua LNG, backfill opportunities into PNG LNG, Dorado (offshore WA), Narrabri (NSW) & Beetaloo (offshore NT).

Higher Payout

The new framework will return at least 60% of "all-in" free cash flow (actual free cash flow) in dividends to shareholders from the second half 2026 versus the current setting to pay out at least 40% of free cash flow excluding major growth capex. When gearing is below Santos' 15-25% target range, the company will return 100% of free cash flow via dividends and/or buybacks.

The production target to 2030 of 100-140mmboe has been reduced to 100-120mmboe as a result.

Under the framework, new project investment will increasingly become the swing factor, Macquarie points out. Traditionally, the opposite has been true when production declines necessitated large financial investment decisions (FID). Santos will likely be slower and more selective to "FID" new projects.

From 2026, Santos will put in place a capital ceiling that restricts future capex to an appropriate level (stress tested at lower oil prices), and effectively avoid a situation in which excessive growth capex on multiple projects is overlapping at the same time, Macquarie notes. The level of the ceiling has not been set yet.

Management is nonetheless confident of delivering Barossa and Pikka on time, before the new framework kicks in.

Santos has also set itself a long-range target of 14mtpa of third-party carbon capture & storage (CCS) by 2040, noting estimated capacities of some 20mtpa at Moomba (SA), 10mtpa at Bayu Undan and 5mtpa at Reindeer (WA), reducing Scope 3 emissions by around -50% from 2023 levels.

Some global peers target greater than a 15% return on this style of investment and Macquarie expects Santos should be able to do similarly on toll plus exposure to carbon pricing over time.

UBS notes Moomba CCS safely commissioned and already having sequestered more than 150kt of /CO2, hence Santos' Energy Solutions division can now deliver material value in the broker's view. UBS believes Santos retains the option to sell down a stake in this division and bring forward cash flows.

The investor briefing saw no change to 2024 guidance while 2025 guidance will be released at the December quarter update in January next year.

Management flagged an extensive cost-out initiative to commence in 2025 and set a target for unit production costs at around $7/boe in 2027 -- below a prior consensus estimate of $8.50/boe -- supporting higher earnings per share from beyond 2026.

How to Grow?

Santos' new framework does not imply the company will halt growth altogether, rather it will prioritise returns over growth. Growth will continue, with preference given to LNG backfill opportunities (new nearby gas wells to feed existing operations).

Santos' new CFO stated its new framework was designed to ensure shareholder returns at least as much as 2024 levels at conservative commodity prices. Jarden's analysis concludes Santos can invest up to -$750m per annum in major new unsanctioned growth projects, in addition to around -$1.4bn pa in sustaining capex, and meet this commitment.

But the question is, which projects?

Capital investment will preference LNG backfill, such as Gladstone LNG (Qld) and Cooper Basin (Qld) drilling, as well as PNG backfill development, ahead of other growth investment. Interestingly, notes Jarden, Santos stated all unsanctioned growth will compete equally for funds, meaning not all unsanctioned growth (Dorado, Narrabri, Papua LNG, Bayu Undan CCS, WA CCS and Pikka Phase 2) will proceed.

Jarden's view is Papua LNG, Dorado Phase 1 and Pikka Phase 2 are the most likely to proceed, with Bayu Undan CCS more likely to move ahead than WA CCS, albeit delayed further.

Management made it clear backfilling existing LNG infrastructure was the best way it can add value, and that is something Morgans "wholeheartedly" agrees with. The difficulty is in getting there, this broker notes, with GLNG upstream due to exhaust its well inventory by the end of this decade and the Cooper Basin requiring significant innovation to unlock the Patchawarra, Granite Wash and deep coals to the north.

GLNG represents the larger hurdle to cross, Morgans suggests. While innovation has unlocked a lot more molecules on much better economics than the broker could have ever hoped over the last decade from GLNG's coal-seam gas (CSG) operations, innovation cannot manufacture more coals.

Santos' answer appears to be to push forward with new gas from Beetaloo/McArthur River (NT) -- an "exciting" growth project in years past that ended up taking a backseat to the heavy balance sheet load created by simultaneously developing Barossa and Pikka.

Although over the coming years Santos will have the Papua development in PNG and likely Pikka Stage 2, which could ultimately see Beetaloo slip further back in the timeline under management's more moderate view on growth, Morgans assumes. This broker expects Santos to commercialise at least a couple of the resource plays in the Cooper Basin and maintain its long-held track record of outperforming on 2P (proven & probable) reserves.

Santos' focus on its backfill strategy also puts some greenfield projects under increased doubt, Morgans suggests, such as Dorado.

Citi is similarly less confident on a timely FID at Dorado and hence pushes the timing out to 2027 (from 2026) and removes Dorado from its financial forecasts.

UBS has pushed out the Dorado development to beyond 2030 with only Papua LNG and modest backfill opportunities in PNG LNG from the unsanctioned portfolio in the broker's forecast to 2030. While this reduces estimated valuation slightly, it allows for much stronger dividends and free cash flow from 2026-30.

At the briefing Santos provided a production chart of PNG LNG production split into 2P reserves and unsanctioned backfill, which were both largely in line with Citi's estimates, having materially increased the decline rate of the 2P reserve production profile following the 2023 strategy day. To maintain higher production rates, Citi had to bring forward capex on the unsanctioned growth.

Citi's concern is that 2P reserves might be downgraded, and that the capex intensity of PNG LNG is greater than assumed in the consensus forecast. But with the share price under $7 per share, the broker does get the sense there is some margin of safety in the share price to accommodate these risks.

Targets Down, Ratings Up

The reduction in Santos' production growth guidance, with increased dividends not due until after 2026, has led most brokers to slightly trim their 12-month target prices. The consensus target among the six brokers monitored daily by FNArena covering Santos falls to $8.04 from $8.21, in a range from $7.40 (Morgans) to $8.70 (Macquarie).

Citi's analysis suggests Santos can indeed grow further at a 60% payout ratio, but in the absence of growth beyond Pikka-2 and PNG backfill, the company could afford up to around a 75% payout ratio before cannibalising the business ahead of more meaningful decline in the mid-2030s. With the share price under $7, Citi finds this opportunity compelling and upgrades to Buy from Neutral.

A key drag on Morgans' investment view on Santos remains the unsustainable premium at which the broker sees it trading versus Woodside, although this gap has been closing. Looking at the next twelve months, Morgans sees Santos trading on a 2025 forward multiple of 5.0x earnings versus Woodside on 4.1x. With that said, it is impossible for Morgans to ignore the recent selling pressure which has pushed Santos to a discount relative to the broker's updated target price.

Morgans sees this selling as fuelled by a combination of top-down fears (primarily on the oil price) and some key asset risks (GLNG depletion, Papua hurdles, Cooper fatigue). While each of these medium/long-term risks are reasonable hurdles, the broker believes the selling pressure has been enough to push Santos into "accumulate" territory. Morgans thus upgrades to Add from Hold.

With an inflection point in production and free cash after 2026, and numerous value realisation opportunities via asset sales or development of its portfolio of unsanctioned growth, Santos is differentiated from its peers and remains UBS' preferred Australian energy exposure. UBS retains Buy.

Ord Minnett's forecasts already implied a dividend yield of 10-12% in the 2026-28 out-years, and the broker notes its conviction is stronger than that of the broader market, which is expecting a yield of only 6-7%. In Ord Minnett's view, consensus is under-estimating the company's ability to generate free cash flow and management's determination to improve shareholder returns. Ord Minnett retains Buy.

Precise settings of the new capital framework are not yet set, however it is clear to Macquarie Santos won't be growing for growth's sake -- rather it will prioritise shareholder returns, and some projects simply have to wait. This should appeal to new investors, Macquarie suggests, in retaining Outperform.

Ahead of the 2026 transition, Morgan Stanley estimates Santos will achieve a 2025 free cash flow yield of 7%, which the broker sees as the most attractive risk-adjusted return in its Australian upstream stock coverage. Morgan Stanley sticks with Overweight.

That leaves all six above brokers now with Buy or equivalent ratings.

Beyond that group, Jarden maintains its Overweight rating with a $7.85 target price, believing the end of the material investment phase and the potential for higher shareholder returns is in sight.

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AUSTRALIA

a2 Milk Starts Paying Dividends

After a tough couple of months of supply chain disruptions and weak Chinese economic data, a2 Milk has relieved the market with upgraded FY25 revenue guidance and a maiden dividend.

-a2 Milk upgrades FY25 revenue guidance
-Maiden dividend from next year
-Investment in supply chain still a priority
-Analysts remain mostly cautious

By Greg Peel

The a2 Milk Company ((A2M)) was enjoying a cracking 2024 with the shares up around 77% to September when the wheels fell off. August New Zealand port data showed a fall of -16% in NZ infant formula volumes to China year on year due to supply disruptions from Synlait Milk ((SM1)), of which a2 Milk owns 19.8%.

Adding to negative sentiment were data showing the Chinese marriage rate had fallen -17% year on year, implying a further fall in China's birth rate, and thus less demand for infant milk formula (IMF).

There was a sharp bounce in the share price in late September when Beijing announced stimulus measures to improve the birth rate, but these were soon deemed to be of little impact and the share price fell once more.

By the time of a2 Milk's AGM last week, the share price had fallen -35% from its mid-year peak. Shareholders were thus relieved when the trading update provided at the AGM proved better than feared.

<u>We'll Take It</u>

a2 Milk raised FY25 revenue growth guidance to mid-to-high single digit from mid-single digit. Hardly mind-blowing, but a relief nonetheless.

Mataura Valley Milk's (75% owned) external sales are significantly above plan and reflecting upward movements in commodity prices, forex impacts, greater volumes and changes in product mix. Global Dairy Trade average values are up 7% year to date and 12% year on year, although this is largely mitigated by the NZ farmgate price, which is up 21% year on year.

The impact on earnings is nevertheless immaterial, Morgans notes, given MVM ingredient sales are largely commodity milk powder sales which have a slightly dilutive impact on a2 Milk's gross margins and earnings.

Otherwise, English label IMF sales are slightly ahead of plan, due to category growth and sales on China's Singles Day (ironic?), as well as Liquid Milk sales, which saw growth in the core products of lactose-free in Australia and grass-fed in the US.

Chinese label sales are broadly in line with plan given Synlait Milk supply constraints. Chinese label production levels returned to normal during the September quarter and trade stock is returning to target levels ahead of the all-important Chinese New Year.

Year on year revenue growth in percentage terms is expected to be consistent between the first half FY25 and the second, while the FY25 earnings margin is expected to be consistent with FY24 (14%).

Maiden Capital Management

Given a2 Milk's strong balance sheet, featuring net cash of close to NZ$970m in FY24, the board has announced a dividend policy for the first time, targeting a payout ratio of between 60-80% of underlying profit. The first interim dividend is expected to be declared in February and in line with the bottom end of the range.

The initiation of a dividend is a positive reward for shareholders, Wilsons notes, and signals improved visibility on the quantum of potential M&A or joint venture deal as part of management's intended supply chain transformation

As the company executes its strategy, the board will continue to review capital management options which may result in further capital returns to shareholders, likely to be in the form of special dividends over time. The board nevertheless remains conscious of the company's significant cash balance which is being prioritised for supply chain transformation, growth opportunities and risk mitigation.

The introduction of a dividend policy has come earlier than analysts had expected and was thus a positive surprise. Citi points out it potentially opens up the universe of potential investors, particularly retail, which could reduce share price volatility.

Mostly Cautious

Citi reiterates its Buy rating on a2 Milk following the AGM. Since mid-2023, the broker has been optimistic on the outlook for 2024 births due to Year of the Dragon and pent-up family formation post-covid.

Citi thinks a2 Milk could also see market share gains (currently 7.3%) due to the structural shift to English label (20.2% share) and from new product development, such as the new English label product which is "more premium than platinum" to launch later in FY25.

Citi sees other near team catalysts including the potential for further Chinese government stimulus aimed at increasing the birth rate beyond 2024 and a potential supply chain acquisition.

The world has been waiting for Beijing to announce a big-bang stimulus package to rescue its ailing post-covid economy but has been constantly disappointed by efforts to date. China's falling birth rate, and thus rapidly ageing population, is of particular concern for the government.

Citi notes China will be holding its Central Economic Work Conference in mid-December, where it could outline further plans to boost the birth rate, an issue which it has acknowledged needs to be addressed in recent months. China's Two Sessions meeting in March 2025 may also serve as another catalyst, with potential stimulus to be outlined.

Citi has increased its target price for a2 Milk to $7.15 from $7.04.

Ord Minnett has gone the other way, cutting its target to $5.90 from $6.50. This broker highlights the economic environment in the Chinese market, the primary destination for the company's infant milk formula that makes up 68% of annual sales, has proven a long-running drag on its stock.

However, Ord Minnett upgrades its rating to Accumulate from Hold given valuation support and the strong start to FY25.

UBS has a Buy rating.

Thereafter, Hold or equivalent ratings prevail.

Given the share price has been weak in recent weeks on weak shipment data, weak macro data (falling marriage registrations etc) and concerns China's stimulus measures aren't enough to grow the birth rate, a relief rally following the stronger than expected trading update, slightly upgraded guidance and the announcement of a dividend policy, is not surprising to Morgans.

Management continues to execute well, the broker suggests, but trading on an FY25 PE of 23.7x Morgans thinks a2 Milk is fairly valued and maintains a Hold rating. The broker is also concerned the investment in the supply chain will initially be earnings per share dilutive. Morgans' target has fallen to $5.95 from $6.25 previously.

There is no change to Bell Potter's Hold rating, as a2 Milk continues to trade at a premium to other Dairy FMCG (fast-moving consumer goods) entities. The most recent update illustrates an evolution of the revenue mix towards that of a more traditional dairy entity, Bell Potter notes, that would likely step-change as investment in downstream processing is pursued.

Bell Potter's target has fallen to $6.00 from $6.10.

At October peaks, a2 Milk's share price implied around an 8% six-year sales compound annual growth rate, Macquarie calculates, while the recent sell-off appeared to price in downgrade risk and CAGR of more like 1-2% versus 6% consensus. The trading update bounce took the implied CAGR back to around 5%.

For Macquarie, the key catalyst, other than delivering on earnings amid structural challenges, is supply chain investment. This broker retains a Neutral rating and has cut its target to $5.70 from $5.90.

Morgan Stanley retains an Equal-Weight rating and $5.90 target.

The consensus target among the seven brokers monitored daily by FNArena covering a2 Milk has fallen to $6.14 from $6.28, noting this does not include UBS whose target is quoted in NZ dollars. But if we take out Citi's stand-out target of $7.15, consensus falls to $5.89.

There are three Buy or equivalent ratings and four Hold ratings.

Wilsons suggests the marginally stronger result in the core branded business (IMF and liquid milk) is encouraging and reflects strong operational execution in a challenging market. The broker understands that supply chain disruptions during the period have been in line with expectations.

Wilsons welcomes the new dividend policy and openness to special dividends, rewarding shareholders while also implying improved visibility on supply chain transformation funding needs. Wilsons retains a Market Weight rating and a target of $5.75, down from $5.97.

AUSTRALIA

Targets Jump For Embattled WiseTech

Unwanted media attention has led to an earnings downgrade for WiseTech Global, but brokers have taken the opportunity to reassess valuations and significantly lift target prices.

-WiseTech Global downgrades FY25 guidance
-Product launch delayed due to CEO fallout
-Analysts shift out revenue growth expectations
-Model reassessments result in significant target price increases

By Greg Peel

WiseTech Global ((WTC)) is a global market leader in the logistics software market, with a formidable track record of growth and cashflow generation, Morgans notes.

The broker is attracted to WiseTech's strong market position, growth prospects via ongoing adoption of its CargoWise product by global freight forwarders, and the near-term growth opportunities emerging across the company's customs and compliance and landside offerings.

The logistics software group accounts for 40% of the IT sector in the benchmark ASX200.

WiseTech has been in the news a lot lately, for all the wrong reasons. This led indirectly to last Friday, when WiseTech announced at its AGM it had downgraded FY25 revenue and earnings guidance, citing delays in launching a new product following *"distractions flowing from the recent media attention and the organisational changes"* after various allegations about the conduct of founder and now former CEO Richard White.

Interim CEO Andrew Cartledge and the board, in consultation with ex-CEO White, have since reviewed the progress of its new breakthrough products, CargoWise Next, Container Transport Optimisation and ComplianceWise.

The commercial launch of the Container Transport Optimisation module, which had been scheduled for the first half of FY25, has now been pushed back to the second half. Of the other two products, CargoWise Next is on track to launch in this December quarter, while ComplianceWise went live in the September quarter.

The board has handed down findings relating to independent review of some of the media claims relating to Richard White and the company, which has found no impropriety. Some matters remain outstanding, however, and work on WiseTech's review continues.

Citing a "media brouhaha", Macquarie notes no evidence of misconduct has been found by the reviewing lawyers and this, coupled with the former CEO moving to a product consultant role, mitigates the risk of an overhang.

WiseTech shares nevertheless dropped -25% on the day of the announced downgrades.

<u>All is Not Lost</u>

While there was risk the revenue ramp-up from new products, especially CTO, could take longer than expected, the quantum of the revenue guidance downgrade was a surprise to Citi and the key discussion point with investors was whether the delay to CTO was primarily the cause of the downgrade.

WiseTech downgraded its FY25 revenue guidance to $1,200-1,300m from $1,300-1,350m previously, earnings to $600-660m from $660-700m, and earnings margin to 50-51% from 51-52%.

Citi's analysis pointed to around $350m in CTO revenue potential in Australia and US (assuming 35% penetration). However, the broker assumed CTO would ramp up over time given it is being rolled out port-by-port (east coast of Australia, followed by west coast of US), and revenue build-up within a port is expected to take time as "liquidity", meaning freight forwarders providing idle containers, builds up.

With CTO now shifted to the second half FY25, one of the questions Citi received from investors is whether the FY25 downgrade would result in upgrades to FY26.

While Citi has lowered its FY26 revenue forecast by -3% the broker has upgraded its FY26 Cargowise revenue growth forecast to 36% year on year from 33% previously to reflect the delayed product roll-out. Citi's forecasts assume around $160m revenue contribution from new products in FY26, which should also benefit from Phase II of ComplianceWise.

While all brokers have downgraded their FY25 forecasts, not all have countered with FY26 upgrades, mostly pushing further out to FY27-28. Bell Potter notes the delay in the release of CTO just pushes back the expected revenue from this product by several months so all is not lost, just delayed.

That said, given the quantum of the revenue downgrade, Goldman Sachs believes the updated guidance also reflects a more conservative view of the revenue ramp-up of ComplianceWise and CargoWise Next - with the ramp of these three products driving the material acceleration in second half FY25 revenue that was implied by prior guidance.

Goldman has updated estimates to reflect the delayed product launch into the late second half, but has also moderated its product assumptions through FY25-26.

This still drives a meaningful acceleration in revenue growth into FY26, but lowers the broker's earnings forecasts across FY25-27.

Macquarie sees the guidance cut as short-term noise within the long-term story. WiseTech has an **unassailable competitive advantage**, Macquarie suggests, driven by the CargoWise dataset, and CTO is a whitespace opportunity with no competitors.

Penetrating this opportunity will take time. The broker's earnings changes reflect new product delays, but higher outer-year sales, both from new products and from existing products.

The broker also sees potential for WiseTech to extend CargoWise beyond freight forwarders to Beneficial Cargo Owners -- the other 50% of global manufactured trade volumes.

Ord Minnett's industry discussions suggest strong customer demand for the ComplianceWise and CargoWise Next modules, particularly ComplianceWise given increasing regulatory issues around international trade.

The CargoWise Next module will be included with the core CargoWise product for free, but Ord Minnett expects the features it adds to result in heavier usage of the product which will boost transaction volumes.

Earnings Down, Targets Up

Ord Minnett has cut its FY25 forecast by -6%, left FY26 unchanged and increased FY27 by 4%. The broker's price target rises to $137.00 from $120.00, highlighting a positive view on WiseTech's products and their strong presence in the logistics industry.

The company noted in its FY24 results presentations it had rolled out its core CargoWise product to 52 large global freight operators, including more than half of the world's top 25 freight forwarders, the latest being Nippon Express -- Japan's largest freight forwarder.

Given how Ord Minnett sees the company's prospects, and the potential upside on offer post Friday's sharp sell-down, the broker also raises its recommendation on WiseTech to Accumulate from Hold.

With the stock trading on 76.6x FY26 forward PE and enterprise multiple of 46.5x, Morgans sees this as a more attractive valuation for the company, and therefore upgrades to an Add rating from Hold with a price target of $135.30, up from $114.20.

CargoWise is a high-quality platform with multiple catalysts, Macquarie believes, operating with a sustainable competitive advantage in a winner-takes-most market.

As the former CEO remains as a consultant, overhang risk is mitigated, and the new product launches expand the total addressable market with low penetration. This broker has extended its discounted cash flow model to 15 years to capture this value in cash flows.

The move results in a target increase to $152.70 from $100.00 and an upgrade to Outperform from Neutral.

Bell Potter has rolled forward its relative valuations by a year given we are approaching the end of the first half FY25, and FY26 better captures the impact from the new products.

The broker applies multiples of 95x and 55x in its PE and enterprise valuations and has reduced the weighted average cost of capital applied in its model to 7.9% from 8.2%, driven by a reduction in the market risk premium.

Bell Potter retains Buy, lifting its target to $140.00 from $123.75.

Looking at changes to the board, CEO, and AGM guidance for FY25, Morgan Stanley believes the outlook for WiseTech remains highly positive. Following industry conversations over the past three to six months with customers, competitors and experts, this broker highlights evidence the company's software generates both higher profits and faster growth for users.

WiseTech is growing more rapidly than its main competitors. Investment in R&D and new products is expected to strengthen its competitive moat. Morgan Stanley estimates the company's total addressable market at approximately US$20bn, up from US$10bn, and growing at a compound annual rate of 15% to reach US$40bn by 2030.

Morgan Stanley raises its target price to $160.00 from $120.00, with its Overweight rating unchanged.

Citi retains Buy, but has left its $124.50 target unchanged.

Of the seven brokers monitored daily by FNArena, all now have Buy or equivalent ratings for WiseTech Global. The consensus target price among the seven has risen to $139.79 from $118.80, on a range from $124.50 (Citi) to $160.00 (Morgan Stanley).

Goldman Sachs retains a Buy rating and with an unchanged target of $138.00.

Citi expects the key focus of the upcoming investor day likely to be on senior management depth as well as further detail on the new products, including other products that WiseTech alluded to in its downgrade announcement.

Indeed, all brokers are awaiting the investor day (December 3) with baited breath.

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COMMODITIES

Capstone Copper At Inflection Point

In a world yearning for more copper, Capstone Copper's resource base and ramped up operations offer a path to share price re-rating, analysts believe.

-Capstone Copper offers strong production growth
-September quarter provided a few problems
-The company is at an inflection point, analysts suggest
-Buy ratings all round

By Greg Peel

Capstone Copper ((CSC)) is a Canadian-based, multi-asset, high growth copper producer, listed on the Toronto Stock Exchange and as of this year, dual-listed on the ASX.

Capstone has two operational mines in Chile, one in the US and one in Mexico, and a fully permitted development project in Chile.

Mantoverde (70%-owned) in Chile is expected to produce 36-40kt of copper cathode and 25-35kt of copper from sulphide ore in 2024.

Mantos Blancos (100%) in Chile is expected to produce 6-8kt of copper cathode and 43-49kt of copper from sulphide ore in 2024.

Pinto Valley (100%) in Arizona is expected to produce 58-64kt of copper in 2024, and also produces molybdenum.

Cozamin (100%) in Mexico is expected to produce 22-24kt of copper in 2024.

Santo Domingo is a fully permitted open-pit project in Chile that has the potential to produce 200kt of copper per year once it is integrated with the nearby Mantoverde project. It also has significant cobalt deposits, along with iron ore and gold.

Mantoverde is the most significant of these assets, Ord Minnett notes, and accounts for some 49% of the broker's 2025 operating earnings forecast followed by Mantos Blancos and Pinto Valley at 20% each and Cozamin at 11%.

Capstone is currently around the 30th largest copper producer in the world. Wilsons sees potential to vault up towards the top 15 over the next five years, assuming management can execute on growth.

A key pillar of the investment case for Capstone is its multiple growth options. Ord Minnett forecasts the company can lift annual production to almost 400kt by 2029 from expected 2024 production of around 190kt in an industry in which the opportunities to increase output are hard to come by.

Analysts have long warned new prospective supply of copper globally falls well short of the expected increase in demand as the world electrifies. No surprise, hence, large mining conglomerates such as BHP Group ((BHP)) have been chasing opportunities in copper as a "future-facing" commodity.

No Stroll in the Park

Wilsons highlights execution on growth and Capstone's September quarter performance reminded that mining operations are inevitably burdened by setbacks.

Group production of 47.5kt was line with forecasts but cash costs of US$2.83/lb were 5% above consensus of US$2.69/lb. Mantoverde was the key outperforming asset versus expectation, while Mantos Blancos and Pinto Valley detracted from the results, Macquarie notes, due to mill downtime both planned and unplanned.

Revenue was -3% below consensus and earnings -14% below. While copper production was in line, revenue was affected by lower payable production (stockpiles at Mantoverde), while earnings were reduced due to higher costs.

The physical output was largely as Moelis expected, with continued growth in the coming periods anticipated as capital works/process improvements at Mantos Blancos come on line and Mantoverde continues to hit its straps.

There was no material change to the balance sheet (gearing) although the company is right at the nexus, Moelis suggests, whereby capital spend has concluded but the resulting production uplift has not yet had the opportunity to generate a meaningful cash margin as payback.

Moelis includes the capital commitment to Mantoverde Optimised in its base case, but otherwise expects a drop-off in capital spend which should see the balance sheet rapidly deleverage, particularly at current copper prices.

Capstone indicated it is trending to the lower end of 2024 guidance of 190-220kt (consensus suggests a slight miss of the lower end) but raised its cash cost guidance to US$2.60-2.80/lb from US$2.30-2.50/lb due to a slightly slower-than-expected ramp-up at Mantoverde and higher costs at Mantos Blancos due to longer equipment procurement and additional maintenance.

In its first quarter of production, Mantoverde sulphides milled 1.7mt at 0.71% Cu with recoveries of 68.2% which resulted in production of 8.1kt at a cash cost of US$2.52/lb. Macquarie believes the operation should see material improvement in the December quarter in all aspects including mill availability, mill throughput, and improved recoveries.

Inflection Point

Capstone's September quarter was affected by mill outages at both Pinto Valley and Mantos Blancos, but the Mantoverde ramp-up was a key positive. Macquarie suggests this indicates Capstone is at an inflection point with the Mantoverde ramp-up almost de-risked and recovery improvements one of the last key milestones.

Following the September quarter report, Macquarie retained its Outperform rating and $12.80 target.

Moelis also retained a positive view with the cashflow inflection post construction now imminent. While the company has in Moelis' view enormous organic optionality within the portfolio, until a firm commitment is made to progress with Santo Domingo (potentially next year), excess operating cashflow is going to manifest on the balance sheet as cash or a reduction in debt.

Even when a final investment decision on that project is made, it is likely to be well funded through a project facility as well as proceeds from the likely sell-down of a significant stake in the project. The company is considered uniquely positioned as one of very few largescale, pure-play, growth-oriented copper stocks. Given the current market sentiment towards the metal, Moelis expects to see continued trading interest.

Moelis maintained its Buy rating and $14.00 target.

Ord Minnett initiated coverage of Capstone last week with a Buy recommendation and a target price of $13.00, based on the company's strong production growth prospects from its already operating mines and future developments, its relatively high exposure to the copper price, on which Ord Minnett has a positive view, and an attractive entry point at present valuation levels.

Ord Minnett's latest commodity price review incorporates a long-term copper price of US$5.00/lb, up from circa US$4.00/lb currently.

In addition to its flagship growth projects at Mantoverde and Santo Domingo, which are relatively well understood by those familiar with the story, Wilsons believes there exists material "latent" or "hidden" potential optionality within the Capstone portfolio. This broker's modelling of these potential opportunities suggests there could be in excess of $2.00-3.00 per share of incremental value on top of its base case valuation.

Stepping back, Wilsons acknowledges it is somewhat speculative to attempt to be too granular around some of these future opportunities, but flags that a key strategic advantage for Capstone is its significant resource base (some 14mt of contained copper). In Wilsons' view, having the resource base already in place provides unspecified optionality for the company over the longer term.

Wilsons does also acknowledge Capstone's operations are not without risks.

In addition to the generic risks of commodity movement, cost inflation, geopolitics. and project delivery, Wilsons flags a key specific risk for Capstone presented by some of its older assets. At present, the bulk of production comes from relatively old operations, which presents some risk on the reliability front.

There are nevertheless substantial sections of the varying assets which are considerably more modern, Wilsons notes; Mantoverde's concentrator is brand new, for example, but the company has suffered some modest challenges in ramping up output from these newer facilities in more recent times. As a result, the company has tended to disappoint versus guidance in recent years.

Accordingly, Wilsons' current cost and volume forecasts sit below consensus expectations. While the broker believes delivery may be slightly below current market expectations, Wilsons still believes overall earnings growth will underpin a positive share price performance.

Wilsons has this week initiated coverage of Capstone with an Overweight rating and $14.50 target.

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COMMODITIES

Uranium Unplugged: Nuclear Rebirth Meets Geo-Politics

The outlook for growth in nuclear energy generation hasn't looked this good for over thirty years. What does it mean for uranium prices?

-Nuclear energy, a wee history
-Factors setting up the growth in demand for uranium
-History suggests nuclear energy build out is possible
-Geo-politics collide with the need to grow uranium supplies

By Danielle Ecuyer

Setting the uranium stage

Title of the week *"Nuclear revival is going to need a lot more uranium*" is delivered by RBC Capital Markets.

The primary driver of uranium demand is for use in nuclear reactors. There are some 438 reactors operational globally with another 173 planned. Current nuclear generation represents 10% of global electricity supply and 19% in the USA.

In terms of demand for uranium, the US, China, and France represent around 58% of global demand. Major producers are Kazakhstan, Canada, and Australia, combined at over 70% of global uranium production in 2022.

Historically, three major incidents have defined the evolution of the nuclear power industry. First was Three Mile Island in 1979 with a partial meltdown of the reactor. Then followed Chernobyl in 1986 in the Ukraine, then part of the USSR, which experienced a catastrophic explosion. Fukushima Daiichi happened in 2011, which also experienced a meltdown post an earthquake and tsunami.

These accidents have impacted, in large part, on government policy and public perception.

The uranium price dropped sharply post-Fukushima due to lower demand, and by 2016 the price had declined to US$20/lb. From 2017-2020, the uranium price recovered to US$30/lb and has rallied since to hit a high of US$104/lb in January 2024 midst concerns around rising geo-politics and growing demand for nuclear energy.

Where to now for uranium demand and prices?

RBC Capital Markets calculated every 10% lift in the energy mix from nuclear energy generation results in 6% incremental growth in uranium demand by 2040 or 15mlbs.

Placing this in context, global supply is estimated by the broker at 181mlbs in 2025. While this might seem relatively insignificant, the issue for uranium mining centres around the slow lead times to advance supply in response to demand-side changes.

RBC's deep dive into the uranium market reveals a 12% lift in demand above the base case results in a 60% increase to the expected 2040 deficit to over -80mlbs.

The broker estimates the average incentive price for a supply-side response for 30mlbs-50mlbs, with an internal rate of return between 15%-30%, at US$95/lb compared to the current spot U308 price around US$80/lb-US$85/lb.

Global nuclear energy is forecast to grow at a compound average growth rate of 2% p.a. through to 2040. When combined with the very long life spans between 60-80 years of nuclear reactors, the resulting demand for uranium will remain "sticky".

Citi believes global uranium prices will be more sensitive to policy changes in developed markets in the future. During COP29, the White House detailed a framework for tripling nuclear capacity by 2050.

Under President Trump's first term uranium prices averaged US$25/lb, post the Fukushima episode. With the current change in demand/supply dynamics, Citi expects the uranium price to trade in a range between US$70/lb to US$90/lb with a rise to US$110/lb in 2026.

However, Trump's proposed 25% tariff on Canada would likely result in higher uranium prices for US utilities as Canadian imports represent around 25% of US requirements and US producers have been slow to ramp up, RBC explains.

Citi highlights longer-term goals for growth in nuclear capacity from data centre demand for clean power and energy independence. Though these trends will not necessarily eventuate in *"overnight demand for nuclear fuel and are likely to be more pronounced closer to 2030"*.

RBC is very upbeat, anticipating global uranium requirements to advance 50% by 2040. This broker forecasts an average uranium price of around US$90/lb from 2025-2028. With a significant supply deficit emerging by the mid-2030s, RBC anticipates supply to cover only 80% of demand, which will require an incentive price at circa US$100/lb to generate the required supply response.

Morgan Stanley's recent negative stance on the uranium price for most of 2024 has reversed, with this broker now seeing an improved risk/reward dynamic.

Supply is being challenged from Russia's temporary export ban on enriched uranium and cuts in Niger production, with French company Orano placing Niger's only operating mine at 3% of global supply into care and maintenance from transport issues. Junior miners are also experiencing ramp-up problems.

The broker envisages around -2,600t uranium supply cuts across 2024/2025, versus Cameco's 1mlb or 365t increase in 2024 guidance from McArthur River's improved performance. Miners might be forced to buy in the U308 spot market to meet off-take agreements, Morgan Stanley highlights, creating a "tighter balance" for 2025.

Does history reveal any lessons?

Looking longer-term, Citi believes recent developments in the US represent a new start and wave in nuclear energy, akin to the 1970s and 1980s when rising energy demand collided with geopolitical instability.

Of the 94 reactors in use in the US, 92 were built between 1970-1990, and within this context, Citi articulates the tripling of nuclear energy capacity over the next 25 years might be possible, although financing and alternative energy sources could prove challenging.

The framework, as outlined at COP29, looks to the potential for building new large-scale, gigawatt-scale reactors.

Citi proposes the bull case and puts forward six new large reactors to be built by 2040, while acknowledging the plans should be undertaken sooner rather than later, given the lessons learned from Vogtle 3 and 4 alongside the retention of the labour force.

Small modular reactors are proposed as the next option, with a base case of three commercialised before 2035, with developments in the US lagging Canada and Russia.

Lastly, utilities are seeking to extend existing life spans of reactors to 80 years and, in some cases,100 years. Citi notes six reactor extensions have been approved, and another sixteen are under review, with a further eighteen future applications announced.

As a result of increased reactor life spans, Citi forecasts uranium demand to be higher by 3mlbs in 2030, 13mlbs in 2040, and 17mlbs in 2050.

<u>Supply side, not so fast</u>

As much as the demand for nuclear energy offers a compelling narrative for uranium prices, the supply side of the equation equally has challenges, supporting a more positive outlook for prices.

At the enrichment level, Russia represents around 40% of global enrichment capacity, and as Western countries diversify away, RBC estimates Western uranium demand could rise by 10%-15% by the late 2020s as enrichment generation is built out.

By way of history the thirty year disarmament program, referred to as *"Megatons for Megawatts"* commenced the transfer and conversion of tonnes of Russian weapons-grade uranium to the US, which started in 1993. The latest sanctions from Russia in retaliation for US bans on imported uranium, subject to exemptions, has underpinned the supply risks to the uranium enrichment markets.

The two Western enrichment entities, Orano and Urenco, have committed to adding capacity, but the lead times are long, with Orano's 30% increase not expected until 2028.

RBC anticipates uranium supply to rise to 246mlbs by 2035, from 181mlbs in 2025, and envisages considerable supply-side risks from execution problems, with around 15% of supply coming from new projects or regions with significant geopolitical risk such as Kazakhstan, Niger, and Russia, which combined represent around 40% of estimated supply in 2035.

Canada is slated to lead the supply growth, with production forecast to double with new mine start-ups, NexGen Energy's ((NXG)) Rook I, and expansions at Cameco's McArthur River.

Without investment in existing mines, forecast supply is expected to be depleted at 216mlbs, which is below RBC's supply estimate. The major resource depletion is located in Africa, Canada, and the US in the absence of new developments in the next decade.

"We beg to differ. Our thesis is very simple: the industry has a structural supply deficit which is only going to get worse as mines become closer to end of life. The only way to solve that gap is through higher incentive pricing, to raise the incentive to build new mines." This Bloomberg quote is from Jonathan Hinze, nuclear industry expert.

Australia has the largest potential uranium resource according to the International Atomic Energy Agency. RBC notes higher incentive prices could support the development of projects to add up to 5mlbs from Deep Yellow's ((DYL)) Mulga Rock, Alligator Energy's ((AGE)) Samphire, and Toro Energy's ((TOE)) Wiluna.

RBC sees rising geopolitics in Africa with China exerting a significant influence on Namibia. The Namibian Langer Heinrich mine is owned 25% by the Chinese and 75% by Paladin Energy ((PDN)). Russian influence in Niger has increased post the mid-2023 government coup. Historically, Niger represented around 20%-25% of European imports, and the government has revoked mining licenses.

Supply forecasts include the restart of Lotus Resources' ((LOT)) Kayelekera mine in Malawi, Bannerman's ((BMN)) Etango mine in Namibia, Deep Yellow's Tumas mine in Namibia, and Aura Energy's ((AEE)) Tiris mine in Mauritania.

RBC nominates NexGen as an Outperform or Buy-equivalent rating as the company is developing a "strategically important" Rook I project.

For more information and updates on uranium/stocks, check out FNArena's Uranium Weekly:

https://fnarena.com/index.php/2024/11/26/uranium-week-supply-misses-and-geo-politics/

https://fnarena.com/index.php/2024/11/19/uranium-week-from-russia-with-love/

https://fnarena.com/index.php/2024/11/12/uranium-week-trump-cameco-nextdc/

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COMMODITIES

Material Matters: Gold, Silver & Lithium

Analysts see potential gold price upside and recommend ASX-listed exposures; further upside for the surging silver price; and the rationale for continuing some loss-making lithium operations.

-Where to for the gold price and equities?
-Further upside for the surging silver price
-Why lithium production cuts haven't been more extensive

By Mark Woodruff

<u>Where to for the gold price and equities?</u>

UBS maintains a positive view on the ASX gold sector, raising gold price forecasts from 2026 onwards to account for diversification, safe haven flows, and expected price resilience amid heightened macroeconomic volatility and geopolitical tensions.

Gold equities have retraced approximately -10% over the past month, reflecting a -5% decline in the gold price driven by delayed interest rate cut expectations and US dollar strength following the US election outcome, explain the analysts.

According to Bell Potter, markets are positioning for corporate tax cuts, tariff hikes and immigration curbs under a Trump Presidency. The latter two are expected to have an inflationary impact, delaying the interest rate easing cycle and raising interest rate expectations compared to pre-election levels.

In the longer term, reduced tax revenue and higher inflation could significantly expand the already significant US budget deficit, explains the broker.

As tariffs take effect, they are not only inflationary but, overall, tend to lead to slower economic growth, highlights Bell Potter, bringing the risk of stagflation (high interest rates and low growth) into the mix, an environment where gold has historically outperformed other asset classes.

Regarding demand, UBS highlights gold reserves held by many central banks remain small as a percentage of total assets, while consumer demand for physical gold as an alternative investment should stay resilient, particularly in China and India.

On the supply side, UBS notes mine production is slow to respond to higher prices, while large hedging strategies (hedged gold is counted as supply) are generally avoided by major producers, as shareholders typically prefer uncapped exposure to gold price upside.

While this broker's long-term gold price forecast remains unchanged at US$1,950/oz, across 2025-28 estimates are adjusted by -3%, 3%, 4% and 4%, respectively, to US$2,800/oz, US$2,850/oz, US$2,700/oz and US$2,400oz.

Price targets across the UBS research coverage of gold miners rise by up to 4% in the case of both Northern Star Resources ((NST)) and Genesis Minerals ((GMD)).

UBS also likes Persius Mining ((PRU)) and De Grey Mining ((DEG)). All four are Buy-rated.

For these stocks to outperform, UBS suggests the key catalyst remains delivery on production guidance and subsequent generation of free cashflow.

Already strong balance sheets and strong cash generation should drive dividends and buybacks.

Under Bell Potter's precious metals coverage Persius Mining is not researched, but as is the case for UBS, Northern Star Resources, De Grey Mining (Speculative Buy) and Genesis Minerals attract Buy ratings.

This broker's additional Buy ratings include Capricorn Metals ((CMM)), Gold Road Resources ((GOR)), Regis Resources ((RRL)), Catalyst Metals ((CYL)) and Alkane Resources ((ALK)), while Speculative Buy ratings are assigned to Southern Cross Gold ((SXG)), Chalice Mining ((CHN)), and Santana Minerals ((SMI)).

Further upside for the surging silver price

Over 2024, the silver price has surged by around 30%, driven by consecutive market deficits since 2019, supported by robust industrial demand and limited mine supply growth, explains Morgan Stanley.

As 75% of silver supply is derived as a by-product from lead/zinc, copper, and gold mining, the broker points out supply is less responsive to silver price movements alone.

Silver's 55% exposure to industrial uses, particularly in photovoltaic cells (accounting for 20% of total demand) sets it apart from gold with less than 10% exposure.

Silver benefits from a diverse range of demand sources, spanning industrial uses (predominantly its role as a conductor in electrical and electronic applications), as well as jewellery, silverware, bars and coins.

Investment demand via physically backed exchange traded products (ETPs) can also be meaningful, explains Morgan Stanley.

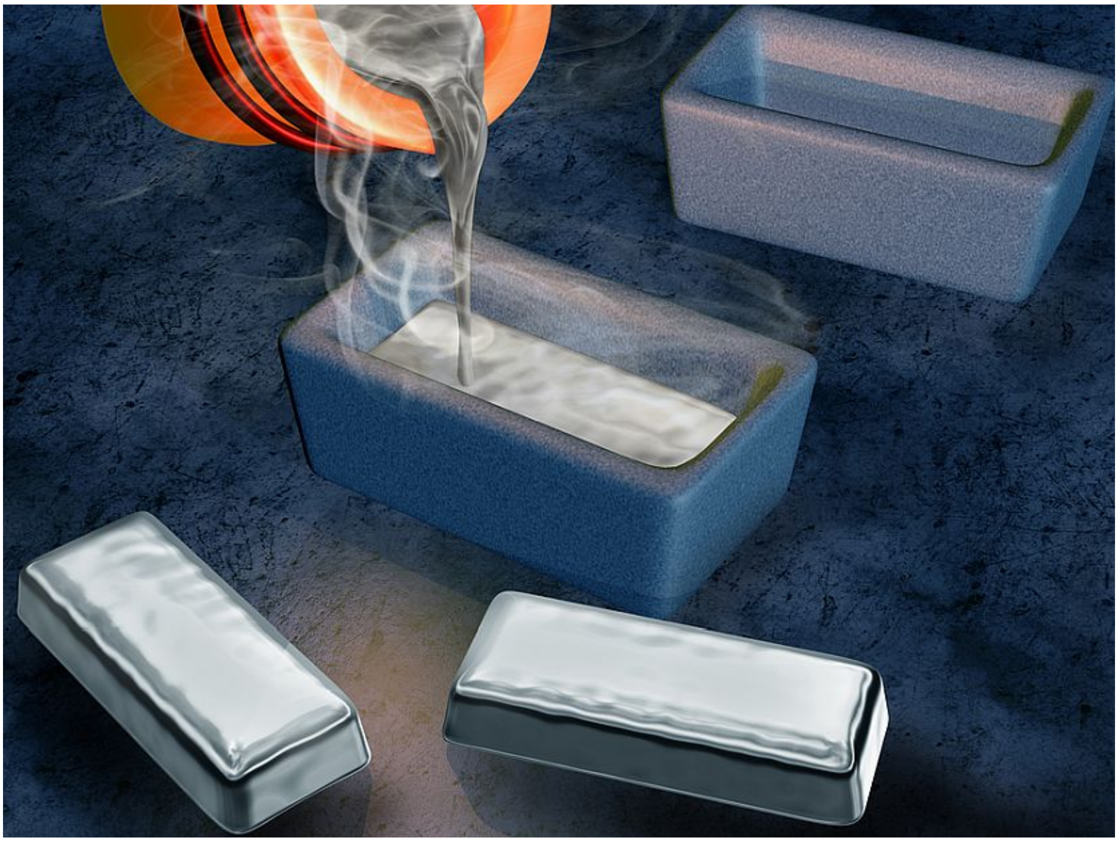
The analysts recognise the positive impact on the silver price from gold's rise, driven by physical investment demand, but potential downside risks include stronger-than-expected zinc mine growth or weaker-than-anticipated economic growth, which could dampen industrial demand.

Strong demand from electronics and photovoltaic applications is expected to sustain significant silver market deficits into next year and beyond, even as mine output gradually recovers, according to the analysts.

Morgan Stanley highlights an upcoming seasonally stronger period for silver and gold demand, driven by India's wedding season in November and December and the Chinese New Year in late January.

This broker forecasts modest price upside for silver to US$33/oz from around US$31/oz by the June quarter of 2025, supported by lower yields benefiting gold and persistent silver deficits pushing the gold-to-silver ratio below 80.

As this much-watched indicator has moved within a relatively narrow range between 75 and 90 since mid-2021, with the current ratio of 86 above the 10-year average of 80, Morgan Stanley suggests the balance of risk is for the ratio to move lower moving into the first half of 2025.



Why lithium production cuts haven't been more extensive

Since August, Macquarie explains lithium production curtailments, plant shutdowns and business mergers have combined to moderate the pricing downtrend, and further supply cuts may be on the horizon.

During the analyst's recent trip to China, the general vibe was lithium prices could be range bound in the near-term between RMB70,000-90,000/tonne for lithium carbonate equivalent (LCE).

Rising business mergers indicate smaller producers/developers are facing increasing cash flow pressure, explains the broker.

Positively, October Chinese plug-in vehicle sales remained strong on subsidies and model launches, which Macquarie observes was partially offset by slow plug-in sales in the US and Europe.

At the same time, Macquarie warns there could be a sharp but brief price drop in the next two months when lithium chemical restocking eases off, in line with seasonality.

Even though prolonged lower lithium prices have led to production cuts and delays in several new projects, Citi has sought to clarify why supply reductions have not been more widespread even though most producers are loss-making on an all-in basis, including capital costs.

Recently in Australia, Mineral Resources ((MIN)) has curtailed spodumene production at the Bald Hill lithium mine and the 50%-owned Mt Marion underground operation, while at the Pilangoora hard-rock lithium deposit Pilbara Minerals ((PLS)) will place the Ngungaju processing plant on temporary care and maintenance from December 1.

Also, Arcadium Lithium ((LTM)) announced in early-September Mt Cattlin will suspend its fourth quarter waste stripping and move to care and maintenance by mid-202525, while its 3Q production results also indicate a slower Olaroz phase 2 ramp-up versus the prior guidance.

Citi explains some loss-making operations continue because mine sites hold significant intellectual property, and rehiring a workforce is particularly challenging, especially in Western Australia.

Also, expanding production at several operations such as Pilgangoora and Greenbushes, owned by IGO Ltd ((IGO)), means capital costs are elevated in FY24, note the analyst, and should trend down with economies of scale, thereby improving margins.

Citi suggests fear of missing out is another factor, with many miners regretting not capitalising on the US$7k/t pricing available in late 2023 or failing to capture full production volumes during ramp-ups, as seen with Mineral Resources when Wodgina was placed on care and maintenance during the previous down cycle.

In a review of major hard rock lithium mining costs in Australia, Macquarie highlights IGO Ltd's Greenbushes mine showed the most competitive costs under a range of calculation methods, while Pilbara Minerals had the second lowest costs (C1) including sustaining capex.

By contrast, cash costs at Mineral Resources came in above current spot spodumene prices when sustaining capex is included, though several recently implemented cost reduction measures could help to lower the costs at Mt Marion and Wodgina.

RUDI'S VIEWS

Rudi's View: Confidence In Quality Rewarded

By Rudi Filapek-Vandyck, Editor

Many years ago, I read a story by Marcus Padley praising the virtues of a one-stock investment portfolio.

The philosophy behind the idea is that when all your money sits in one stock, you will make sure you know every in and out about this company and you'll know when to take some money off the table and when to buy additional exposure.

The concept also makes sure you concentrate all your efforts in the right place. There's only one company to follow, query, research and analyse. Anyone can do this.

It's an appealing concept, assuming you choose the right company, which is always straightforward when we allow Harry Hindsight to have his say.

In my personal case, I might have chosen TechnologyOne ((TNE)) whose growth trajectory since 2004 is nothing short of 'stunning'.

Consider the share price back then was less than $1 and this week the price has exceeded $30. I am not even going to put a mathematical appreciation on this.

Year-to-date the shares have rallied more than 100%.

You wonder why I would ever buy an index ETF or try my hardest trading in and out of stocks whose momentum comes and goes.

But, of course, I could also have chosen CSL ((CSL)) which until the early covid-panic of 2020 had been an equally stunning investment for many years, but a whole lot less so since.

I would have built-up a lot of frustration had I put all my money into CSL, there's no denying it.

The underlying philosophy behind the one-stock portfolio does appeal though and the longer I analyse and comment on financial markets, and run my own Portfolio, the more I gravitate towards the core philosophy as expressed by investment legend Peter Lynch: **Know what you own, and why you own it.**

Truly achieving that, to be frank about it, is a whole lot easier to do when you concentrate your efforts around a selected basket of companies you get to know intimately as you own a large part of the targeted selection over a prolonged period of time.

This is essentially the framework I have created for myself and for those investors who pay attention to my specific research into All-Weather Stocks.

I like the idea of getting on board the TechOne shareholder register when only a few others are paying attention and still praising the company's quality and achievements many years later when just about everyone is starting to pay attention because the return has been absolutely phenomenal.

I am still not in a mood to sell and that confidence is built upon the multiple experiences and insights accumulated over that long period of ownership.

Having said so, one should never fall for hubris and fail to understand the importance of pure plain investor's luck. I might have been confidently singing the praises of TechOne for many years now, there's a big difference between being confident and knowing exactly how the future will play out.

I never knew the share price would double this year. I did not know TechOne's new product would be such a big hit so soon or that the UK expansion would beat all expectations. I also still remember 2016-2017 and 2020 when nobody seemed much interested and the share price didn't move much a la CSL today.

But I remained confident I should remain on board TechOne's register, regardless of what the market mood was during those times.

Combine all of the above and the logical improvement upon the one-stock investment thesis is to build a concentrated portfolio of selected companies you get to know really, really well.

In my case, I seek to identify the highest quality sustainable growers, the kind of companies like TechOne and CSL that are most likely to generate lots of shareholder value, over time, not necessarily right here, right now or all the time.

The market's mood swings are not necessarily straightforward or even "important", plus bad things can and do happen to great companies, occasionally, but that only sets them back temporarily.

The investment thesis for CSL is continued margin improvement on the back of strong growth in plasma collection and related products, which forms the basis and the bulk of the company. Vaccines and Vifor should start contributing positively again.

In TechOne's case it is the qualitative transformation of a business that is now truly blossoming and readying itself for an acceleration in the pace of growth on top of cash flows arriving in spades.

The board has just amended its dividend policy in line with the improving outlook, while additional shares for employees will no longer dilute shareholders.

Two decades ago, TechOne shares were valued on PE multiples in the mid-teens. Today, the PE multiple on next year's forecast EPS is a meaty 72x (60x on FY26 forecast). And yet, plenty of expert voices will tell us this does not by default prevent the share price from climbing further in 2025.

To understand the importance of last week's financial result, investors should know market consensus was positioned for the company to outperform on its own FY24 guidance.

As it turned out, financial forecasts were beaten on just about every single metric that counts for this type of business, even including temporary headwinds that make the underlying performance and operational momentum even more magnificent.

In simple parlance, this company that promised for years it would grow between 10%-15% per annum, and delivered on it, had upgraded itself for growth between 12%-16%, but is now likely to grow by around 20%, with ongoing upside surprise potential, including from acquisitions.

That, in a nutshell, is the valuation transformation that has taken place this month and which places TechOne in contention for the coveted title of **Highest Quality Growth Company on the ASX**, alongside the likes of Pro Medicus ((PME)), REA Group ((REA)), Aristocrat Leisure ((ALL)), Goodman Group ((GMG)), and WiseTech Global ((WTC)) -- the founder's behaviour excluded.

All these outstanding ASX-listed achievers share some basic similarities, including consistent spending on R&D from a market leadership position.

These companies also make a mockery out of investors' obsession with trying to find ten-baggers among cheaply priced alternatives.

The share market's seldom highlighted *secret* is the highest and most consistent, sustainable returns have come from these highly priced, High Quality achievers -- for the past 15 years.

Given the AI Megatrend will transform businesses and economies in the years forthcoming, the number one task ahead for investors might well be to figure out how this separates Winners from Losers, and how not to be deterred by the higher valuations for the first group and not to be suckered in by the lagging share prices for the latter.

One of the added advantages of running a multi-stock portfolio is you can allow some inclusions to lag and underperform. It's quite unnatural for all stocks to rally at the same time and in the same magnitude. Plus all of today's Winners have been out-of-fashion at some stage over the past 15 years.

Among this year's underperformers we also find Dicker Data ((DDR)), IDP Education ((IEL)) and Woolworths Group ((WOW)). While the reasons for IDP Education and Woolworths have been well-documented, we look forward to better times ahead. As far as Dicker Data is concerned, we honestly have no idea.

Does the market know something we yet have to find out about? Let's hope not, but we are willing to take that risk.

In some cases, the risks don't add up or are too high to bear. The FNArena-Vested Equities All Weather Model Portfolio sold out of Audinate Group ((AD8)) and Steadfast Group ((SDF)) earlier this year. In both cases, the risk profile had deteriorated.

One of the added bonuses of running a multi-stock portfolio is that mistakes made or unexpected disappointments don't necessarily destroy the year's performance.

All-Weather Model Portfolio

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

Prior years:

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

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

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

Video: Why FNArena & All-Weather Stocks

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

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

Model Portfolios, Best Buys & Conviction Calls

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

FNArena Subscription

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

(This story was written on Monday, 25th November, 2024. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

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

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

RUDI'S VIEWS

Rudi's View: Trump Beneficiaries & TechOne

By Rudi Filapek-Vandyck, Editor

Assuming everything goes to plan, next year's Trump presidency will lead to lower corporate taxes but also to import tariffs.

Wilsons' latest strategy update outlines a few basic principles for Australian investors to take on board.

Lower corporate taxes are a benefit for those companies who both operate in the US and pay taxes in the country. This is not the default setting for all Australian companies, the strategists highlight.

But companies that do generate sales and pay taxes over there include Aristocrat Leisure ((ALL)), James Hardie ((JHX)), Breville Group ((BRG)) and CSL ((CSL)). All are highlighted as being part of **Wilsons' Focus Portfolio**.

Breville Group, as reported previously, is potentially facing serious headwinds from tariffs but management is already taking pre-emptive measures. It'll be a while before anyone can figure out what exactly the impacts and consequences might be.

James Hardie is often seen as a bond proxy as the shares tend to respond negatively when bond yields spike higher. This remains a risk, Wilsons suggest, as Trump's economic stimulus might inflame inflation and force bond yields to rise.

The new administration's accommodative stance towards energy should benefit both Santos ((STO)) and Worley ((WOR)). The latter's benefit includes the company's largest ever project, CP2 LNG, which is now more likely to be approved and ready to accelerate the company's growth in the subsequent years.

Market worries about CSL's vaccines business to be negatively affected are out of kilter with reality, Wilsons suggests. Either way, vaccines are not crucial for CSL's growth outlook or for Wilsons' investment thesis that revolves around Behring (plasma collection) and higher margins in the years ahead (pretty similar to what I wrote on Monday).

****

Part One of this week's Weekly Insights sang the praises of TechnologyOne ((TNE)) but the share market would not be itself if there was no room for opposing views about this company and its future.

Analysts at **Morgan Stanley** had previously put the company in the boring and slow-growing basket, instead preferring more exiting business models. That assessment has misfired, leading to the team quietly joining the rest of the market, albeit with a price target of $25 only which makes a Neutral rating the highest possible for the time being.

One analyst is still refusing to budge and whoever gets the chance to read **Morningstar's** recent update be warned: it's like stepping into a parallel universe in which TechOne has nothing to offer but the luck of the Irish and an inexplicable elevated valuation.

Morningstar's fair value assessment has crept up to (wait for it) $15.75, which is almost half today's share price. So no surprise, its view is the shares are egregiously overvalued.

In the world of Morningstar it remains way too early to praise TechOne's progress in the UK as the numbers are based off a small number of new customers only.

And where others see the acquisition of CourseLoop as 100% complimentary to TechOne's product offering, Morningstar takes the view this acquisition proves TechOne's product offering is not good enough and evidence of a lack of a compelling and competitive offering.

It is Morningstar's view the company that has recently been re-rated on confidence of accelerated growth ahead has in fact struggled to find its next leg of growth.

Excuse me?

Yes, says Morningstar, growth has simply been the result of governments spending more post covid and of high inflation feeding through CPI-linked contracts.

And that supposedly successful Saas-Plus offering, that's not more than "mostly an accounting change".

What if Trump's Department of Government Efficiency initiative were to start a global cultural headwind for the likes of TechOne whose main customers are government institutions and departments?

And that, as they say, is what maketh the market.

Extra background: Morningstar's fair value assessment for Goodman Group ((GMG)) is $27 and for Xero ((XRO)) it is $90.

Part One of Weekly Insights this week: https://fnarena.com/index.php/2024/11/27/rudis-view-confidence-in-quality-rewarded/

Best Buys & Conviction Calls

Morningstar's selection of **Best Buys** on the ASX has seen a few changes this month. Ramsay Health Care and IDP Education have joined, while ResMed shares are no longer considered cheap enough to remain included.

This now means the full selection consists of:

-IGO Ltd ((IGO))
-TPG Telecom ((TPG))
-Domino's Pizza ((DMP))
-Bapcor ((BAP))
-Endeavour Group ((EDV))
-Santos ((STO))
-ASX Ltd ((ASX))
-Aurizon Holdings ((AZJ))
-Brambles ((BXB))
-Dexus ((DXS))
-SiteMinder ((SDR))
-APA Group ((APA))
-Fineos Corp ((FCL))
-Ramsay Health Care ((RHC))
-IDP Education ((IEL))

****

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

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

-Vault Minerals ((VAU))
-Waypoint REIT ((WPR))

****

Jarden's recent update on smaller cap ASX-listed companies ("emerging companies") has led to the release of **20 Best Ideas**, lined up in order of anticipated total return (potential):

-IPH Ltd ((IPH))
-Temple & Webster ((TPW))
-Universal Store Holdings ((UNI))
-Nick Scali ((NCK))
-SiteMinder ((SDR))
-EVT Ltd ((EVT))
-AUB Group ((AUB))

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

-Inghams Group ((ING))
-Monadelphous ((MND))
-Champion Iron ((CIA))
-Domain Holdings Australia ((DHG))
-Genesis Energy ((GNE))

And then there's another list of stocks that have equally been selected with High Conviction:

-Pointsbet Holdings ((PBH))
-Telix Pharmaceuticals ((TLX))
-Integral Diagnostics ((IDX))
-National Storage ((NSR))
-Ingenia Communities Group ((INA))
-Karoon Gas ((KAR))
-Pepper Money ((PPM))
-Michael Hill International ((MHJ))

****

Wilsons' Australian Equity Focus Portfolio:

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

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

****

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

The selection consists of 17 companies:

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

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

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

****

Ord Minnett's most preferred choices on the ASX:

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

****

Wilsons Highest Conviction investment ideas:

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

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

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

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

****

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

****

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

In Resources:

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

-Santos ((STO))

In Financials:

-AUB Group ((AUB))
-Dexus ((DXS))
-Medibank Private ((MPL))
-QBE Insurance ((QBE))
-Suncorp Group ((SUN))

Industrials:

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

The list of **Least Preferred exposures**:

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

****

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

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

Plus:

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

****

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

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

-Macquarie Group ((MQG))

-Suncorp Group ((SUN))

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

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

-James Hardie ((JHX))

-Orica ((ORI))

-Coles Group ((COL))

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

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

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

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

****

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

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

****

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

-Acrow ((ACF))
-ALS Ltd ((ALQ))

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

****

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

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

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

-Suncorp Group ((SUN))
-Telstra ((TLS))
-National Australia Bank ((NAB))
-Westpac Bank ((WBC))
-ANZ Bank ((ANZ))
-BHP Group ((BHP))

-CommBank ((CBA))
-Premier Investments ((PMV))
-Coles Group ((COL))
-Viva Energy ((VEA))
-Atlas Arteria ((ALX))
-Aurizon Holdings ((AZJ))
-APA Group ((APA))
-GPT Group ((GPT))
-Deterra Royalties ((DRR))
-Metcash ((MTS))
-Amotiv ((AOV))
-Charter Hall Retail REIT ((CQR))
-Amcor ((AMC))

****

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

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

****

Macquarie's ASX Quality Compounders:

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

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

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

-Fisher & Paykel Healthcare ((FPH))
-Medibank Private ((MPL))
-Coles Group ((COL))
-The Lottery Corp ((TLC))
-Lovisa Holdings ((LOV))
-CSL ((CSL))
-IDP Education ((IEL))

-Pinnacle Investment Management ((PNI))
-ARB Corp ((ARB))
-Breville Group ((BRG))
-Johns Lyng ((JLG))

****

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

****

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

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

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

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

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

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

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

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

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

****

Barrenjoey's Top Picks:

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

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

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

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.

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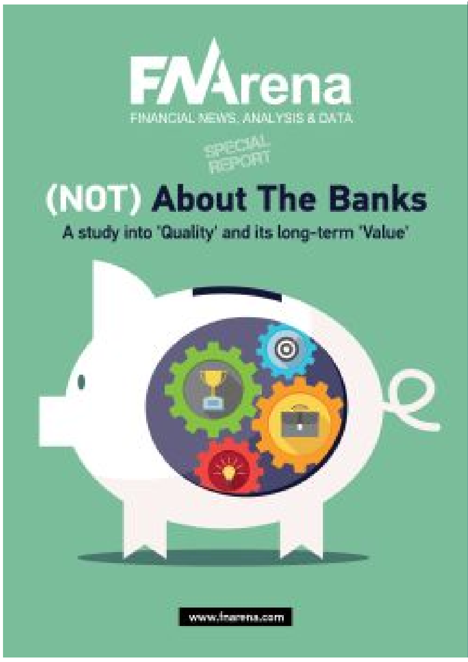

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FNArena is proud about its track record and past achievements: Ten Years On

SMALL CAPS

Higher Margins Underpin Gentrack's Ambitions

The positive trend for Gentrack Group continues with FY24 results triggering higher margin forecasts from analysts.

-Gentrack Group's FY24 revenue exceeds guidance
-Falling non-recurring revenue fears prove unfounded
-Analysts increase long-term margin forecasts
-A sceptical Jarden suggests shares are priced for perfect execution

By Mark Woodruff

Since 2023, Gentrack Group's ((GTK)) share price has risen steadily from $2.44 to nearly $12 today, marked by sharp increases every May and November as half-year results consistently exceeded market expectations.

In fact, Shaw and Partners estimates management has delivered revenue over FY22 to FY24 on average 20-30% above initial guidance.

November 2024 was no exception after this week's FY24 results for Gentrack alleviated market concerns around the impact of falling non-recurring revenue (NRR) from project work on a fixed cost base, explains Wilsons.

Shares jumped by over 25% to be trading around $12.00.

Shaw now views FY25 consensus forecasts as achievable and sees FY26 earnings margins potentially reaching the upper end of management's target range, supporting **a more optimistic market outlook on long-term margin potential.**

Gentrack designs, develops, implements, and supports specialist software solutions for electricity, gas, and water utilities, as well as airports.

The group offers a cloud-based SaaS service with increased capabilities around complex data sets for smart meters and more diversified energy and water grids.

The utilities platform (g2) is designed to support the core billing, customer care and collections processes with Salesforce Sales Cloud integrated in the front-end.

Veovo, the aviation software platform, covers the operational management of airports including passenger forecasting, queue management and flight and gate information.

Exceeding management's guidance of around NZ$200m, Gentrack generated NZ$213.2m in revenue, beating the consensus forecast by 5% due to higher-than-expected hardware sales in the airports division, explains Wilsons.

Growing by 25% on FY23, revenue gains were broad-based across operating units, recurring/non-recurring sources and regions, comments Bell Potter.

Free cash flow (FCF) also rebounded materially in the second half, while an 11% earnings margin came in at the bottom of guidance range due to higher-than-expected long-term incentive (LTI) costs.

If an around -NZ$4m impact from higher long-term LTI-related payroll taxes is excluded, Shaw suggests earnings would have exceeded by 12% the mid-point of management guidance for between NZ$23.5-26.5m.

Due to uncertain timing around potential deals closing and timing of revenue recognition in FY25, management was only able to reiterate medium-term targets, though upside risk to the 15% revenue compound annual growth rate (CAGR) was flagged at the later conference call for analysts.

FY24 highlights, according to Jarden, were strong cash generation, new logo wins in Asia and SaudiArabia, and traction on the group's g2 stack, with the first customer going live with NZ-listed Genesis Energy running to plan.

Margins

Gentrack does not disclose gross margins and has a meaningful proportion of sales from low margin, transactional consulting, explains Morgan Stanley.

Demonstrating clear operating leverage, Shaw highlights underlying cash earnings expanded by 2.2 percentage points ex payroll. It's felt long-term margins of over 25% are achievable.

Reaching even higher, Morgan Stanley believes 30% earnings margins are possible, exceeding management's medium-term target of between 15-20%. This broker points out 220bps of improvement was recorded as sales grew at 25% (51% excluding UK insolvencies).

Revenue growth included a greater mix of lower margin consulting and hardware sales, making the expansion story more compelling, in this analysts' view.

Software peers like Hansen Technologies ((HSN)), Infomedia ((IFM)), and TechnologyOne ((TNE)) are delivering cash margins in the mid-20% range, points out Shaw.

The sceptic

Conceding Gentrack is displaying enviable momentum, has a strong pipeline, and the absence of any near-term negative catalysts, Jarden highlights risk associated with the binary nature of contracts and the replacement hurdle for the substantial portion of non-recurring revenues (NRR).

Jarden also highlights the competitive nature of the overall market, which is seeing significant investment, and the weight of expectations priced into the stock.

On this broker's assessment, the current share price implies a 10-year revenue compound annual growth rate (CAGR) of 18% at a 29% EBITDA margin. While this outcome is achievable, it's felt shares are priced for perfect execution.

On the flipside, in the event of sizeable contract wins, Jarden notes a greater and earlier-than-expected reset of the revenue base would likely drive greater confidence in management's ability to win other large utility customers and support the high valuation.

Non-recurring revenue

Displaying strong ongoing operating momentum, observes Jarden, underlying FY24 revenue jumped by 50%, supported by a 102% lift in NRR, aided by product upgrades and onboarding new logos, and a 31% increase for annual recurring revenue (ARR).

NRR comprised 36% of the underlying revenue base in FY24, up from 26% in the previous corresponding period, lifting the replacement hurdle into FY25, notes the broker.

Positively, the NRR measure is a lead indicator of future subscription revenue, highlights Morgan Stanley, and management expects to see further year-on-year growth in NRR in FY25, underpinned by already announced wins and the pipeline of project work and new customer onboards.

Outlook

Key drivers of the next major upward leg in Gentrack shares, suggest Wilsons, is a Tier-1 Energy signing in southeast Asia, and a maiden win in UK B2C Water, potentially in the second half of FY25.

Wilsons understands the deal pipeline is deep and broad across both Energy and Water markets, with management seeking contracts wins in both UK B2C Water and in UK B2B Water.

Management noted most customer conversations are about g2. Morgan Stanley believes this provides potential for 50% revenue expansion for most of these customers.

Bell Potter is bullish on management's ability to maintain customer win momentum in both core markets and the rest of the world (ROW) supporting high NRR revenues, with flow on benefits for ARR.

Of the three Buy-rated (or equivalent) daily monitored brokers covering Gentrack Group in the FNArena database, the average 12-month target price following FY24 results rose to $13.07 from $11.43, suggesting around 11% upside to the latest share price.

Outside of daily monitoring, Wilsons raised its target to $12.50 from $11.50 and downgraded to Market Weight from Overweight on valuation.

Jarden maintained an Underweight rating though raised its target to NZ$7.65 from NZ$7.00.

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WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 22-11-24

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday November 18 to Friday November 22, 2024
Total Upgrades: 13
Total Downgrades: 9
Net Ratings Breakdown: Buy 59.03%; Hold 32.95%; Sell 8.02%

For the week ending Friday November 22, 2024, FNArena recorded thirteen upgrades and nine downgrades for ASX-listed companies by brokers monitored daily.

The trend of significantly larger downgrades to average earnings forecasts compared to upgrades resumed last week, following the prior week's aberration, while average target price increases slightly outpaced declines, as highlighted in the accompanying tables.

Healius experienced the largest reduction in average earnings forecasts and ranked second on the list of negative target price revisions after management indicated first-half earnings would be flat year-on-year at approximately $6m, well below consensus expectations of $27m.

Management attributed the shortfall to investments aimed at driving revenue growth and the impact of wage cost inflation.

Ord Minnett lowered its target price for Healius to $1.30 from $1.37, retaining a Sell rating due to the elevated premium at which the stock trades relative to the market and its peers, based on one-year forward estimates.

Citi reduced its target to $1.05 from $1.50 but upgraded the rating to Neutral from Sell following the recent share price decline, the sale of Lumus Imaging (which will leave Healius debt-free), and a pathology cost base now likely reflecting true business-as-usual levels.

This broker also forecast a 40c special dividend (approximately $300m) from the Lumus sale and anticipated pathology earnings margins would improve by FY27.

Morgans, maintaining a Hold rating and cutting its target to $1.30 from $1.53, noted the absence of quantitative guidance but highlighted stabilisation in pathology market share over the past half year, with year-to-date revenues and volumes increasing by 5.9% and 4.5%, respectively.

Five brokers were already covering Atlas Arteria in the FNArena database when Citi initiated coverage last week with a Buy rating, accompanied by lower forecast earnings than the existing average.

Citi highlighted the company's portfolio of five toll road concessions across France, Germany, and the US, with an average concession life of approximately 12 years, and noted an attractive dividend yield supported by robust cash flow generation.

Key near-term upside catalysts include traffic recovery on the APRR network in France (30.8%-owned) and the 66.7% stake in Chicago Skyway, which together represent around 90% of the equity valuation (45% each).

Citi also cautioned additional income taxes at APRR could pose a near-term downside risk, potentially affecting dividends in FY25 and FY26.

Lynas Rare Earths ranked high on the negative change to forecast earnings table after Macquarie significantly downgraded neodymium and praseodymium (NdPr) price assumptions for FY25 and FY26.

NdPr prices have remained flat for the past three weeks, as the impact of the Myanmar civil war on rare earth mining is expected to be temporary, with dominant producer China Northern Rare Earths unaffected.

The broker forecasts NdPr prices at approximately US$70/kg in 2025, US$90/kg in 2026, and converging to a longer-term forecast of US$95/kg (real).

PWR Holdings suffered the largest fall in average target price (-18%) but garnered two upgrades to Buy from Neutral (or equivalent) by Bell Potter and Citi following a disappointing first-half trading update (and subsequent share price punishment).

CEO and Managing Director Kees Weel commented on reducing the cost base to align with the current trading environment while pursuing opportunities in Aerospace & Defence (A&D). Revenue is expected to rise strongly in A&D, decline in OEM and Aftermarket, and remain flat in Motorsports.

Bell Potter suggested the first-half performance was an anomaly, with a significantly improved second half and FY26 expected, recommending investors buy shares.

Citi also viewed the share price reaction to the trading update as overdone, highlighting rapid growth in A&D as a key long-term driver.

The latter broker emphasised PWR's attractive investment profile, citing its strong intellectual property, robust balance sheet, and offshore growth potential, with EV program impacts largely confined to FY25.

On the flipside, furniture and homewares retailer Adairs received a more than 9% increase in its average target price within the FNArena database after Bell Potter reviewed its Retail sector coverage.

The analysts expect a supportive environment for Australian retail in the first half of 2025, skewed towards the June quarter, with potential interest rate cuts providing relief.

While earnings forecasts for Adairs were unchanged, Bell Potter raised the target price by 14% to $2.85, driven by a lower assumed risk-free rate ahead of an anticipated easing cycle and a higher valuation multiple.

Among average target price and earnings revisions, TechnologyOne emerged as the standout last week, with respective increases of 43% and 17%.

As covered in

https://fnarena.com/index.php/reporting_season/ the company achieved a strong FY24 results beat due to quicker growth in annual recurring revenue (ARR), the promise of ongoing margin expansion, faster momentum in the UK, plus a complimentary acquisition.

Last week, both FleetPartners Group and Santos received two ratings upgrades apiece from separate brokers.

The strong FY24 performance by FleetPartners Group lead by strength in novated leasing is explained at https://fnarena.com/index.php/2024/11/20/evs-and-capital-management-drive-fleetpartners/

In an article to be published later today by FNArena on Santos the planned introduction of a new capital framework aiming to slow growth and increase shareholder returns is detailed.

Total Buy ratings in the database comprise 59.03% of the total, versus 32.95% on Neutral/Hold, while Sell ratings account for the remaining 8.02%.

Upgrade

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

Bell Potter reviews the outlook for retailers and upgrades Adairs to Buy from Hold. The broker believes there are positive tailwinds for the company, with "supportive web traffic" during the Linen Lover sales in late October.

Black Friday sales are also seen as a potential positive, supporting membership growth in the Linen Lovers program.

The analyst views new store rollouts as a challenge in NSW and QLD due to competition in the large-format retail space for the homemaker market.

Bell Potter also envisions multiple valuation expansion from two factors, including growth in the channel mix with Mocka through a Bunnings partnership and margin improvements from the national distribution centre.

Buy rating. Target price $2.85.

AMCOR PLC ((AMC)) Upgrade to Hold from Lighten by Ord Minnett .B/H/S: 0/6/0

Following the merger announcement with Berry Global for US$8.4bn, Ord Minnett upgrades Amcor to Hold from Lighten and raises the target price to $15.50 from $14.10.

The merged group is targeting cost savings and revenue boosts of US$650m per annum within three years.

Amcor shareholders will own 63% of the merged group, with Berry shareholders at 37%. The deal is expected to be completed by mid-2025.

The broker has included half of the anticipated earnings benefits into forecasts, with EPS estimates raised by 2% in FY26 and 10% in FY27.

FLEETPARTNERS GROUP LIMITED ((FPR)) Upgrade to Outperform from Neutral by Macquarie and Upgrade to Buy from Accumulate by Ord Minnett.B/H/S: 4/0/0

Improved vehicle supply in FY24 reduced the order pipeline for FleetPartners Group and drove a 16 percentage point increase in new business writing (NBW) growth, explains Macquarie.

FY24 net profit (NPATA) profit exceeded the broker's forecast by 8.3%. NBW rose by 21% year-on-year, with contributions from Novated up 36%, Corporate Fleet Australia up 28%, and Corporate Fleet New Zealand down -8%.

Macquarie raises the target price by 5.5% to $3.65 and upgrades the rating to Outperform from Neutral.

Ord Minnett upgrades FleetPartners Group to Buy from Accumulate, raising the target price to $3.60 from $3.50.

The broker notes the company delivered another strong result for FY24, with growth in novated leasing driving an increase in assets under management or financed.

Net operating income pre-end-of-lease and provisions met expectations but exceeded consensus by 2%, while net profit was 5% above expectations, driven by higher end-of-lease income.

Management announced an additional $30m buyback for 1H25, lifting the total buyback to 32% of the company's shares, the analyst states.

Ord Minnett identified a slight delay in the Accelerate program as the only "hiccup" in an otherwise positive update.

HEALIUS LIMITED ((HLS)) Upgrade to Neutral from Sell by Citi .B/H/S: 0/3/1

Citi observes the AGM update from Healius, revealing management's profit expectations for pathology in 1H25 to be the same as 1H24, despite revenue growth of 5.9% year-to-date.

The "low profitability" was attributed to investment in growing revenues to stabilise market share, with losses stemmed in the last six months.

The broker expects a 40c or $300m special dividend from the Lumus sale and anticipates pathology earnings margins to improve by FY27.

Citi lowers the target price to $1.05 from $1.50 after adjusting for the Lumus sale. The rating is upgraded to Neutral from Sell due to the recent share price decline, an improved debt free balance sheet and an improvement in pathology cost base.

MINERAL RESOURCES LIMITED ((MIN)) Upgrade to Neutral from Sell by Citi .B/H/S: 3/3/1

Citi retains its $35 target price for Mineral Resources but upgrades the rating to Neutral from Sell, citing a -25% discount to the broker's valuation and recent share price underperformance.

Despite noting multiple headwinds and limited interest from incremental buyers due to governance and leadership concerns, the broker emphasises the underlying assets remain unchanged.

PARAGON CARE LIMITED ((PGC)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 1/1/0

Ord Minnett raises its target price for Paragon Care to 54c from 46c and upgrades the rating to Buy from Accumulate following a positive AGM trading update and FY25 revenue guidance, which came in 7% ahead of consensus.

Pharmacy revenue growth of 19.1% in FY25 to-date is over 2.5 times system growth, increasing the broker's confidence in management meeting its ambitious longer-term market share targets.

For the longer-term, Ord Minnett sees upside risk to its forecasts, which already assume approximately 9% retail market share.

See also PGC downgrade.

PIEDMONT LITHIUM INC ((PLL)) Upgrade to Neutral from Underperform by Macquarie .B/H/S: 0/1/0

Sayona Mining and Piedmont Lithium have announced a 50/50 all-stock merger, accompanied by $40m equity raisings each and a conditional $69m placement via a revolving credit facility (RCF).

Macquarie views the transaction as a de facto takeover by Sayona Mining, given that the only producing asset, North American Lithium, is owned by Sayona.

The broker highlights management of the combined entity will predominantly come from Sayona, with the stock primarily listed on the ASX and secondarily on Nasdaq. Piedmont Lithium's operations are based in the US and Ghana.

Macquarie nearly doubles Piedmont Lithium's target price to 21c from 11c and upgrades the rating to Neutral from Underperform, citing the value-accretive removal of the offtake agreement enabled by the merger.

PWR HOLDINGS LIMITED ((PWH)) Upgrade to Buy from Hold by Bell Potter and Upgrade to Buy from Neutral by Citi .B/H/S: 3/1/0

Bell Potter lowers its target for PWR Holdings to $8.00 from $9.75 and upgrades to Buy from Hold on valuation following a 1H trading update well below expectations.

The broker had forecast a $8.7m profit, but management now expects $3.2-3.7m for the period.

Revenue is anticipated to decline in the OEM and Aftermarket segments, remain flat in Motorsports, and rise strongly in Aerospace & Defence, prompting Bell Potter to reduce revenue forecasts by -9% for FY25, FY26, and FY27.

The broker views the 1H update as an aberration and highlights the potential for a significantly improved H2 and FY26, presenting a buying opportunity

Citi upgrades PWR Holdings to Buy from Neutral, as the analyst believes the fall in the share price has been "overdone."

The broker notes the loss of three "niche" EV programs, a weaker aftermarket scenario, and recent staff hires impacting operating leverage but views these negatives as more than discounted.

Citi lowers EPS forecasts by -34.4% and -10.9% for FY25 and FY26, respectively, due to the loss of EV programs and the weaker aftermarket outlook.

The target price dips to $9.45 from $10.85. Citi believes the company offers significant intellectual property, a robust balance sheet, and good offshore growth potential.

SANTOS LIMITED ((STO)) Upgrade to Buy from Neutral by Citi and Upgrade to Add from Hold by Morgans .B/H/S: 6/0/0

Santos announced a change in the company's capital allocation, with the dividend payout ratio increasing to over 60% of all-in free cash flow from over 40%.

Citi highlights the rise has been enabled by stable capex investment to maintain production of over 100mmboe in the second half of the decade.

The broker notes Santos is seeking to maintain its "top-line" with around a 13% return on investment capital, which is positive for equity.

The investment case is more appealing to Citi, triggering an upgrade to Buy from Neutral. Target price $7.60.

Santos is upgraded to Add from Hold by Morgans as the share price trades at a discount to the revised target price of $7.40, down from $7.90.

The broker's key takeaways from the investor day include a lack of major surprises. Management revealed a strategic shift to invest in existing infrastructure and slow growth as the ideal mechanism to add shareholder value.

Management has lowered the medium-term production target to 100-120mmboe from 100-140mmboe, with a revised capital payout of over 60% of actual free cash flow, compared to over 40% of pre-capex cash flow.

Morgans lowers EPS forecasts for FY25 and FY26 due to changes in capex assumptions for PNG LNG and the Cooper Basin.

The analyst highlights the "backfill" strategy could put some greenfield projects in doubt, including Dorado.

SAYONA MINING LIMITED ((SYA)) Upgrade to Neutral from Underperform by Macquarie .B/H/S: 0/1/0

Sayona Mining and Piedmont Lithium have announced a 50/50 all-stock merger alongside $40m equity raisings each, with a conditional $69m placement via a revolving credit facility (RCF).

Macquarie suggests the transaction functions as a de facto takeover by Sayona Mining, as the only producing asset, North American Lithium (NAL), is owned by Sayona. Piedmont Lithium's operations are based in the US and Ghana.

Further supporting this view, the broker notes the combined entity's management will predominantly come from Sayona, with the stock primarily listed on the ASX and secondarily on Nasdaq.

Macquarie doubles Sayona Mining's target price to 4c and upgrades the rating to Neutral from Underperform, citing the value-accretive removal of the offtake agreement enabled by the merger.

Downgrade

AUTOSPORTS GROUP LIMITED ((ASG)) Downgrade to Neutral from Buy by UBS .B/H/S: 1/2/0

UBS has downgraded its rating for Autosports Group to Neutral from Buy with a price target of $2.20, down from $2.90.

CLOSE THE LOOP LIMITED ((CLG)) Downgrade to Hold High Risk from Buy High isk by Shaw and Partners .B/H/S: 0/1/0

Close the Loop has received an indicative, non-binding proposal from private equity funds manager Adamantem Capital to acquire 100% of the company for 27cps via a Scheme of Arrangement.

While Close the Loop's directors support the proposal and have allowed Adamantem to proceed with due diligence, Shaw and Partners notes the offer is significantly below its unchanged 60cps valuation/target.

The broker downgrades its rating to Hold, High Risk from Buy, High Risk.

At the AGM tomorrow, the analyst anticipates a trading update indicating flat earnings (EBITDA) and potential debt reduction of -$1-2m for 1H FY25.

COMPUTERSHARE LIMITED ((CPU)) Downgrade to Accumulate from Buy by Ord Minnett .B/H/S: 5/1/0

Ord Minnett notes Computershare reiterated guidance for FY25 EPS growth of 7.5%.

Management highlighted strong demand for its employee share plan and corporate action segments. Share registry and portfolio management are expected to benefit from higher margin income balances, offsetting the lower interest rates anticipated from the RBA.

The broker believes the reduced growth outlook explains why the stock is trading at a "steep discount" to the ASX 200 instead of its traditional premium.

Following the guidance update, Ord Minnett raises its FY25 EPS estimate by 4%, and by 4%-6% for the following years.

The target price increases to $31.75 from $30.50. The rating is downgraded to Accumulate from Buy due to a 14% share price gain in November.

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

Citi downgrades Lovisa Holdings to Sell from Neutral due to slower store roll outs, which have continued longer than the broker anticipated, leading to more moderate EPS growth.

The analyst also notes higher competitive threats from Harli & Harper, with a second store opening on Friday, and heightened uncertainty surrounding the new CEO's transition.

Citi raises concerns about more relaxed site selection criteria in overseas growth markets.

The broker's EPS forecasts are reduced by -4.9% and -10.8% for FY25 and FY26, respectively.

Citi believes the risks are "too high" over the next 12 months for the stock, despite Brett Bundy owning 39% of the shares. The stock is Sell rated, with a reduced target price of $25.95, down from $32.16.

PARAGON CARE LIMITED ((PGC)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 1/1/0

Bell Potter downgrades Paragon Care to Hold from Buy following the company's AGM update based on the stock's valuation.

The broker observes year-to-date revenue growth of 15.5% in FY25, with pharmacy revenue growth of 19.1% and complementary medicines up 17%. Service and surgical specialties experienced a decline in revenue.

Management provided "run rates" for the divisions, which the analyst views as guidance indications, although not explicitly stated as such. The run rates suggest revenue growth for Paragon of 8% in FY25, with gross margin slipping -60bps to 8.9%.

Cost-out guidance was retained at $5m in FY25 and $12m in FY26.

Bell Potter lowers the EPS forecast for FY25 by -2% and raises the FY26 EPS forecast by 1.3%. No change to the 52c target price.

See also PGC upgrade.

TASMEA LIMITED ((TEA)) Downgrade to Hold from Buy by Shaw and Partners .B/H/S: 1/1/0

Management at Tasmea's AGM issued a trading update and guided to FY25 profit of $48m, which is at the upper end of the consensus range but slightly below Shaw and Partners' forecast of $50m.

The broker retains its $2.50 target price and downgrades the rating to Hold from Buy following a doubling of the share price over the past three months.

Tasmea listed on the ASX on 29 April at an initial price of $1.56 per share.

TECHNOLOGY ONE LIMITED ((TNE)) Downgrade to Hold from Add by Morgans and Downgrade to Neutral from Outperform by Macquarie and Downgrade to Lighten from Hold by Ord Minnett.B/H/S: 1/5/0

Morgans raises its target price for TechnologyOne to $29.90 from $20.50 and downgrades the rating to Hold from Add following FY24 results.

While outcomes were only modestly ahead of the broker's expectations, Morgans increases its medium-term forecasts to better align with management's long-term growth targets.

Management reiterated its long-term growth roadmap outlined at its investor day, including plans to double ARR to more than $1bn by FY30. The broker's target also benefits from a valuation roll-forward and a higher assumed multiple.

The analysts highlight further acceleration in the UK business, which is directly linked to the company's globally unique SaaS go-to-market offering, explains Morgans.

A final dividend of 17.37c (65% franked) was declared, bringing the total FY24 dividend to 22.45c.

TechnologyOne reported 30 major local government contract closures in FY24, with education deals involving the University of Chester and Buckingham being focal points of UK growth, Macquarie observes.

The company reported "strong" profit growth of 18% over FY24. Macquarie sees evidence of the UK "flywheel," with recurring revenue sales up 70% year-on-year and 100% adoption of the SaaS-plus model.

Management confirmed the company is on track to exceed the $500m target by 1H25 and reaffirmed a $1bn target by FY30, with a profit margin above 35%.

Cash flow is becoming more predictable with the SaaS transition in place, achieving 101% cash flow conversion to net profit in FY24.

Macquarie adjusts EPS forecasts down -2% for FY25 and up 1% for FY26, citing better net profit margins and SaaS-plus "traction."

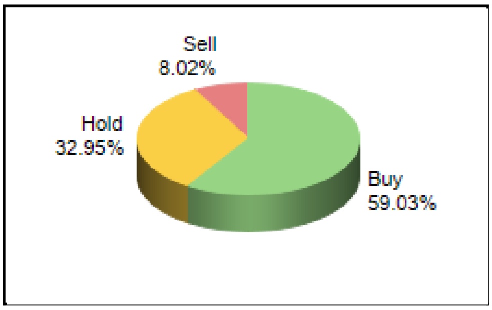
The stock is downgraded to Neutral from Outperform on valuation grounds. The target price increases to $27.90 from $22.20.

Ord Minnett raises its target for TechnologyOne to $25.20 from $17.60 and downgrades to Lighten from Hold on valuation grounds (after a 20% stock price surge in November) following a "stellar" FY24 result.

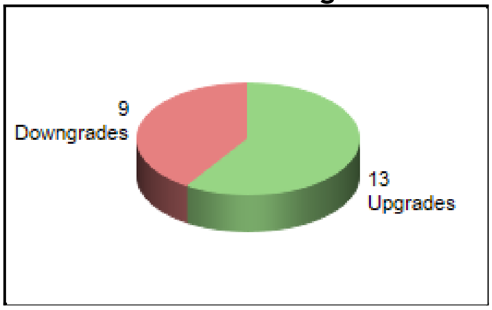
Management reported profit before tax (PBT) growth of 18%, in line with the broker's forecast, while key metrics such as annual recurring revenue (ARR) growth of 20% exceeded expectations.

The broker highlights the company is on track to achieve its target of more than $500m in ARR in the first half of FY25, ahead of the previous FY25 timeline.

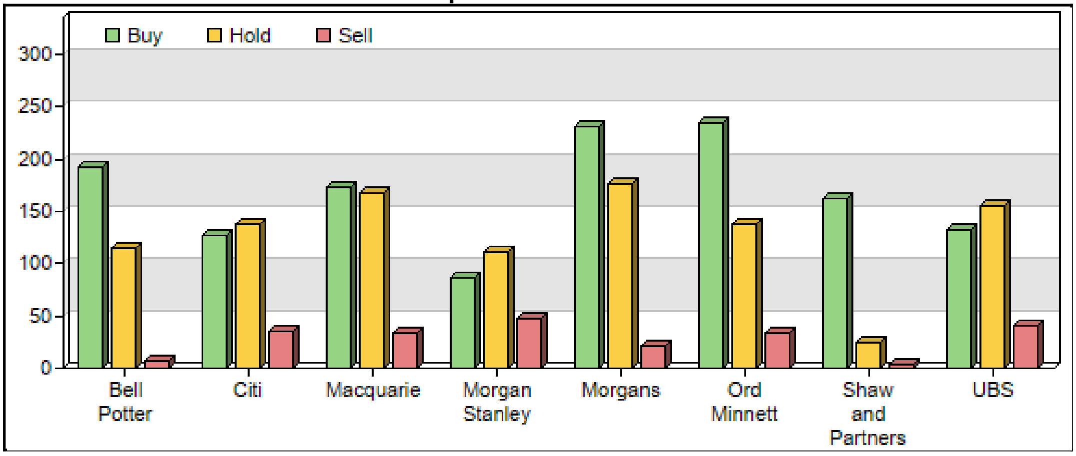
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ADAIRS LIMITED	Buy	Neutral	Bell Potter
2	AMCOR PLC	Neutral	Sell	Ord Minnett
3	FLEETPARTNERS GROUP LIMITED	Buy	Neutral	Macquarie
4	FLEETPARTNERS GROUP LIMITED	Buy	Buy	Ord Minnett
5	HEALIUS LIMITED	Neutral	Sell	Citi
6	MINERAL RESOURCES LIMITED	Neutral	Sell	Citi
7	PARAGON CARE LIMITED	Buy	Buy	Ord Minnett
8	PIEDMONT LITHIUM INC	Neutral	Sell	Macquarie
9	PWR HOLDINGS LIMITED	Buy	Neutral	Citi
10	PWR HOLDINGS LIMITED	Buy	Neutral	Bell Potter
11	SANTOS LIMITED	Buy	Neutral	Citi
12	SANTOS LIMITED	Buy	Neutral	Morgans
13	SAYONA MINING LIMITED	Neutral	Sell	Macquarie
Downgrade				
14	AUTOSPORTS GROUP LIMITED	Neutral	Buy	UBS
15	CLOSE THE LOOP LIMITED	Neutral	Buy	Shaw and Partners
16	COMPUTERSHARE LIMITED	Buy	Buy	Ord Minnett
17	LOVISA HOLDINGS LIMITED	Sell	Neutral	Citi
18	PARAGON CARE LIMITED	Neutral	Buy	Bell Potter
19	TASMEA LIMITED	Neutral	Buy	Shaw and Partners

20	TECHNOLOGY ONE LIMITED	Neutral	Buy	Morgans
21	TECHNOLOGY ONE LIMITED	Sell	Neutral	Ord Minnett
22	TECHNOLOGY ONE LIMITED	Neutral	Buy	Macquarie

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	TNE	TECHNOLOGY ONE LIMITED	28.729	20.086	43.03%	7
2	ADH	ADAIRS LIMITED	2.525	2.313	9.17%	4
3	PNI	PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED	22.538	20.688	8.94%	4
4	ALQ	ALS LIMITED	16.350	15.425	6.00%	4
5	XRO	XERO LIMITED	196.150	188.150	4.25%	6
6	AX1	ACCENT GROUP LIMITED	2.584	2.484	4.03%	5
7	QAN	QANTAS AIRWAYS LIMITED	8.925	8.592	3.88%	6
8	SRG	SRG GLOBAL LIMITED	1.360	1.310	3.82%	3
9	CPU	COMPUTERSHARE LIMITED	30.470	29.403	3.63%	6
10	ELD	ELDERS LIMITED	9.430	9.138	3.20%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	PWH	PWR HOLDINGS LIMITED	8.538	10.450	-18.30%	4
2	HLS	HEALIUS LIMITED	1.273	1.500	-15.13%	4
3	ASG	AUTOSPORTS GROUP LIMITED	2.400	2.633	-8.85%	3
4	LOV	LOVISA HOLDINGS LIMITED	31.400	33.287	-5.67%	7
5	STO	SANTOS LIMITED	8.040	8.213	-2.11%	6
6	GNC	GRAINCORP LIMITED	9.462	9.590	-1.33%	5
7	NCK	NICK SCALI LIMITED	15.303	15.510	-1.33%	3
8	DGL	DGL GROUP LIMITED	0.557	0.563	-1.07%	3
9	IPH	IPH LIMITED	7.212	7.252	-0.55%	5
10	LYC	LYNAS RARE EARTHS LIMITED	6.758	6.792	-0.50%	6

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	TNE	TECHNOLOGY ONE LIMITED	42.413	36.195	17.18%	7
2	NHC	NEW HOPE CORPORATION LIMITED	61.675	58.200	5.97%	4
3	BEN	BENDIGO & ADELAIDE BANK LIMITED	88.975	86.050	3.40%	5
4	NIC	NICKEL INDUSTRIES LIMITED	3.888	3.797	2.40%	6
5	QAN	QANTAS AIRWAYS LIMITED	104.940	102.540	2.34%	6
6	AMC	AMCOR PLC	112.002	109.875	1.94%	6
7	JDO	JUDO CAPITAL HOLDINGS LIMITED	7.420	7.280	1.92%	6
8	BOQ	BANK OF QUEENSLAND LIMITED	47.180	46.340	1.81%	6
9	NAB	NATIONAL AUSTRALIA BANK LIMITED	224.040	221.080	1.34%	6
10	QBE	QBE INSURANCE GROUP LIMITED	161.088	159.053	1.28%	7

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	HLS	HEALIUS LIMITED	-0.400	3.100	-112.90%	4
2	ALX	ATLAS ARTERIA	33.250	39.400	-15.61%	6
3	LYC	LYNAS RARE EARTHS LIMITED	13.250	15.667	-15.43%	6
4	XRO	XERO LIMITED	130.527	148.493	-12.10%	6
5	ADH	ADAIRS LIMITED	22.500	24.167	-6.90%	4
6	NCK	NICK SCALI LIMITED	72.050	75.250	-4.25%	3
7	LGI	LGI LIMITED	7.633	7.967	-4.19%	3
8	DGL	DGL GROUP LIMITED	5.400	5.600	-3.57%	3

9	ASG	AUTOSPORTS GROUP LIMITED	27.350	28.233	-3.13%	3
10	RMC	RESIMAC GROUP LIMITED	11.833	12.167	-2.75%	3

Technical limitations

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

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

WEEKLY REPORTS

Uranium Week: Supply Misses And Geo-Politics

Supply-side constraints and Russian export curbs are just two factors altering the risk/reward outlook for the uranium spot price.

-Russia moves the nuclear export goal post to the USA again
-U308 spot price fall belies higher activity levels
-Will supply side challenges and geo-politics underpin higher U308 prices?
-The uranium stocks in focus

By Danielle Ecuyer

Volatility and uncertainty prevailed last week

On the tails of last week's Russian announcement to implement retaliatory import restrictions of enriched uranium to the USA, industry consultants TradeTech highlighted Centrus Energy received a notice from Tenex regarding Russia's cancelation of its license to export low-enriched uranium to the US through to Dec 31, 2025.

The company must now secure a special license to facilitate the remaining low-enriched uranium shipments in 2024 to Centrus and for 2025, with no guarantee the license will be granted.

Further uncertainty was injected into the market with the Russian state nuclear corporation Rosatom confirming ongoing uranium deliveries to all normal customers, which would include Iran, India, and China. US supplies are now under a "special regime".

A vessel delivering enriched uranium to the US was also delayed this week, offshore from the port of St Petersburg.

On the back of the Russian updates, TradeTech points to buyers entering the U3O8 spot market last Monday, with several deals transacted at US$81/lb for delivery at ConverDyn's US facility and US$80/lb for delivery at Cameco in Canada.

The Sprott Physical Uranium Trust acquired slightly more than 50,000lbs of U3O8 at US$80.50/lb on Tuesday, with more trading occurring at this price level after the price closed.

TradeTech reports buying interest faded on Wednesday, with one buyer at US$80/lb for 200,000 pounds and another at US$79/lb for 100,000 pounds, both for delivery at ConverDyn.

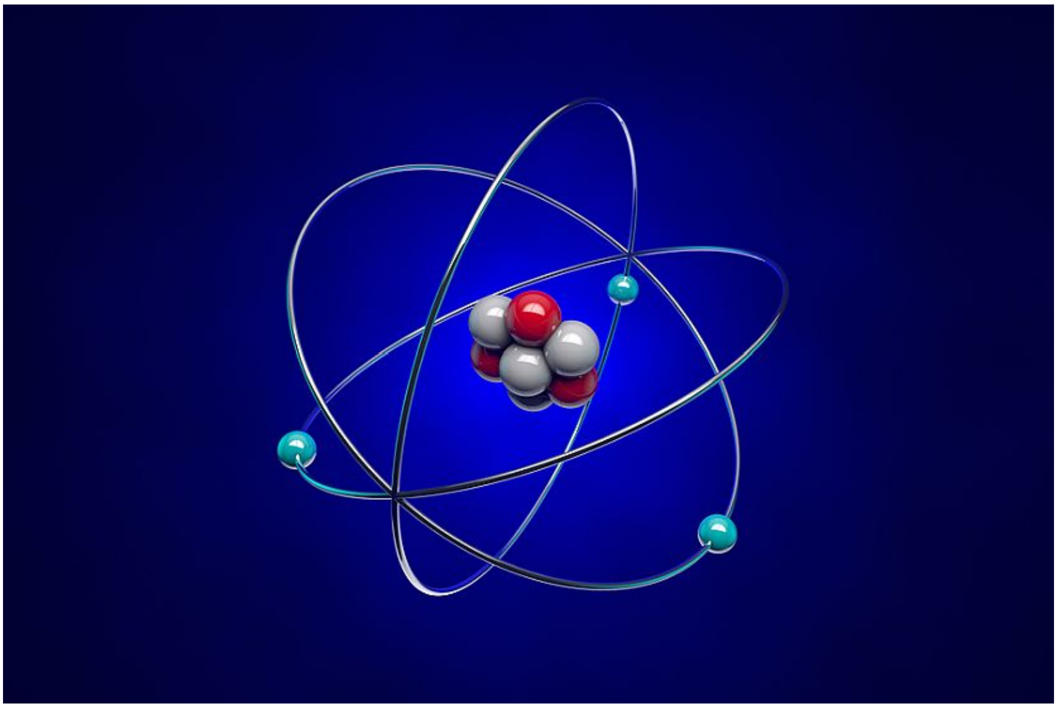
While Thursday was quiet, sellers offered U3O8 at reduced price levels. Two deals were conducted at US$77.50/lb.

TradeTech's weekly spot price indicator fell -US$5.50 to US$77.50/lb and was down -US$1 from Nov 21. The Mid-Term U3O8 price indicator is US$84/lb, and the Long-Term price indicator is US$82/lb.

"The decree prohibiting the export of uranium products from Russia to the United States... is an anticipated reciprocal response to the actions of the US authorities," Rosatom said in a statement. *"The decree also establishes a special licensing regime that permits the supply of Russian uranium products to the United States and US customers."*

Unsurprisingly, Russia's undertaking has underpinned uncertainty in the enrichment market, with TradeTech emphasising the **"urgency around the need to fund infrastructure that supports additional enrichment capacity in Europe and the USA."**

The industry consultants highlight moves by Centrus Energy Corp and Orano to expand high-assay low-enriched uranium production capacity.



What are the brokers saying?

Petra Capital weighed into the potential consequences of the Russian export ban, stressing US utilities will need to source alternative supplies. Between 2019-2025, Russia provided around 25% of the US's enriched uranium supply.

The broker details conversion as the "most complex" aspect of the uranium fuel cycle and representing the current bottleneck. A renewed contracting cycle is seen as likely because of the Russian ban.

Citi recently upgraded its three-month uranium price forecast to US$85/lb with a 12-month target of US$95/lb. Citi has turned tactically neutral and neutral-bullish for U3O8 prices.

The broker also highlights the recent news flow suggests capital will no longer be a constraining factor in the sector or an obstacle for nuclear build-out and commercialisation of new technologies.

Citi assigns a 15% probability to uranium prices averaging US$150/lb in 2025 under a bullish scenario.

RBC Capital Markets also entered the uranium fray last week with an updated assessment for the industry.

This broker expects global uranium requirements to grow by 50%-plus by 2040, with the uranium price forecast to average US$90/lb from 2025-2028 versus the current average of US$80/lb-US$85/lb.

Supply risks from a slower ramp-up in new supply and geopolitical tensions could result in higher uranium prices. RBC envisages a long-term supply deficit into the mid-2030s, which could support higher contracting activity.

Longer-term, the broker believes the deficit will widen starting in the mid-2030s, necessitating a higher incentive price of US$100/lb to encourage the required supply response.

Morgan Stanley observes the tightening of uranium supply from disappointing mine supply guidance, including Orano placing Niger's only operating mine into care and maintenance, and Russia's export restrictions to the USA as a catalyst for an improving risk/reward outlook.

This broker notes utility contracting volumes are down -63%. Combined with the above factors and the removal of US election uncertainty, a floor under the spot price is conceivable. Morgan Stanley notes market dynamics may underpin a recovery in the spot price.

Stocks in the news

Paladin Energy ((PDN)) was back in the news following the extension of the national security review of Fission Uranium with a new conclusion date of December 30.

If the Fission Uranium acquisition doesn't proceed, Canaccord Genuity would lower its target price for Paladin shares to $12 from $15.

Citi has a Buy rating on Paladin with an $11.50 target price (Fission not included).

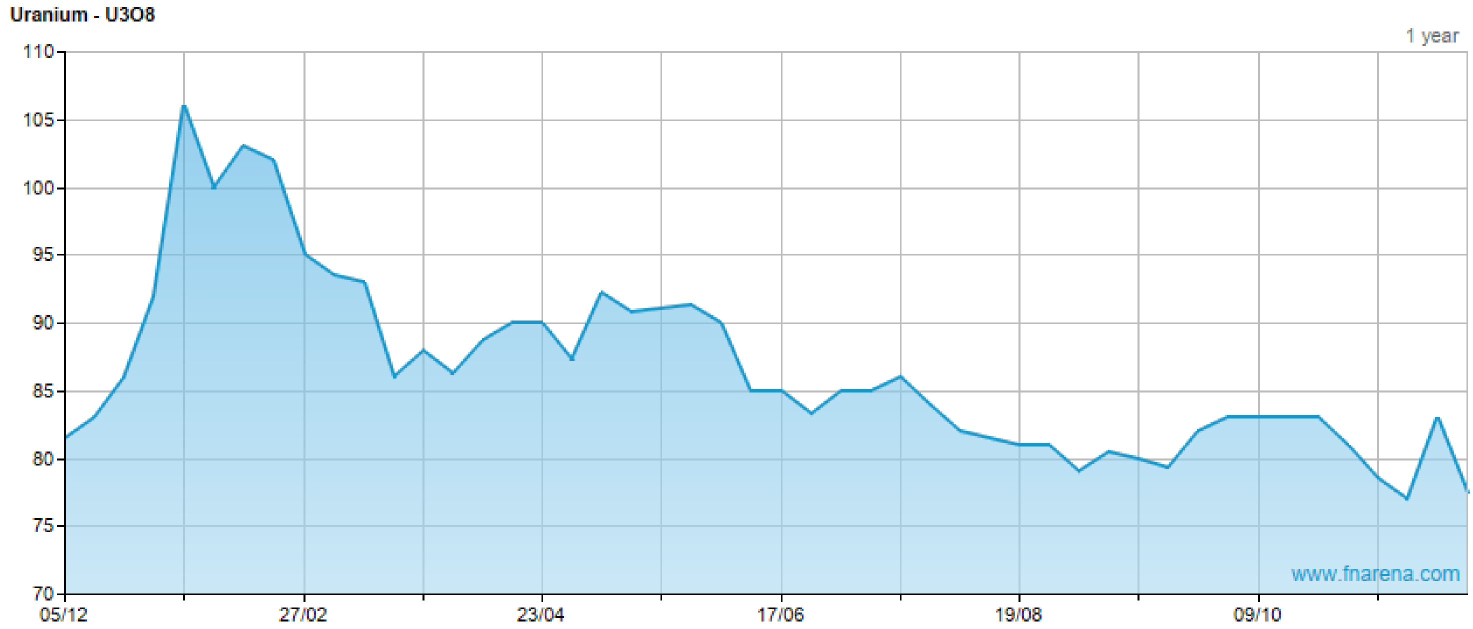
NextGen Energy ((NXG)) is highlighted by Shaw and Partners, with the company expected to receive a license to construct and operate the Rook uranium project in Canada by early 2025, post a Commission Hearing date. The news follows the Canadian Nuclear Safety Commission's completion of its technical review.

The broker rates the stock a Buy, High Risk, with a $16.20 target price.

Petra Capital believes **Bannerman Energy** ((BMN)) offers the best leverage and value on the ASX, with a Buy rating and $4.51 target price. The broker also believes **NextGen Energy** will be a beneficiary of capital inflows; Buy rated with a $12.15 target price.

<u>**Uranium companies listed on the ASX:**</u>

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	22/11/2024	0.0500	▲25.00%	$0.19	$0.03			
AEE	22/11/2024	0.1500	▼- 3.23%	$0.31	$0.11			
AGE	22/11/2024	0.0400	▼- 4.76%	$0.08	$0.03		$0.100	▲150.0%
AKN	22/11/2024	0.0100	0.00%	$0.06	$0.01			
ASN	22/11/2024	0.0700	▼- 1.43%	$0.17	$0.06			
BKY	22/11/2024	0.3900	▲ 7.58%	$0.45	$0.26			
BMN	22/11/2024	2.8000	▲ 0.36%	$4.87	$1.90		$7.400	▲164.3%
BOE	22/11/2024	3.0700	0.00%	$6.12	$2.38	19.8	$4.200	▲36.8%
BSN	22/11/2024	0.0200	▼-17.86%	$0.21	$0.02			
C29	22/11/2024	0.1200	▲33.33%	$0.13	$0.06			
CXO	22/11/2024	0.1000	▼- 1.02%	$0.36	$0.08		$0.090	▼- 10.0%
CXU	22/11/2024	0.0200	0.00%	$0.06	$0.01			
DEV	22/11/2024	0.1400	▲31.82%	$0.45	$0.10			
DYL	22/11/2024	1.2900	▲ 3.69%	$1.83	$0.91	-70.6	$1.900	▲47.3%
EL8	22/11/2024	0.3100	0.00%	$0.68	$0.26			
ERA	22/11/2024	0.0030	▼-33.33%	$0.08	$0.00			
GLA	22/11/2024	0.0200	▲100.00%	$0.04	$0.01			
GTR	22/11/2024	0.0030	▼-25.00%	$0.02	$0.00			
GUE	22/11/2024	0.0600	0.00%	$0.18	$0.05			
HAR	22/11/2024	0.0500	0.00%	$0.28	$0.03			
I88	22/11/2024	0.4800	▲ 2.22%	$1.03	$0.14			
KOB	22/11/2024	0.0800	0.00%	$0.18	$0.07			
LAM	22/11/2024	0.8600	0.00%	$1.04	$0.48			
LOT	22/11/2024	0.2400	▲ 6.38%	$0.49	$0.20		$0.547	▲127.8%
MEU	22/11/2024	0.0400	0.00%	$0.06	$0.04			
NXG	22/11/2024	13.4300	▲11.10%	$13.66	$7.89		$16.200	▲20.6%
ORP	22/11/2024	0.0400	▲33.33%	$0.12	$0.03			
PDN	22/11/2024	8.4400	▲ 6.63%	$17.98	$6.83	42.5	$12.325	▲46.0%
PEN	22/11/2024	0.0600	▲ 3.45%	$0.15	$0.05		$0.240	▲300.0%
SLX	22/11/2024	5.9500	▲ 4.27%	$6.74	$3.01		$7.200	▲21.0%
TOE	22/11/2024	0.2600	▼- 3.57%	$0.70	$0.01			
WCN	22/11/2024	0.0200	▲25.00%	$0.03	$0.01			



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

WEEKLY REPORTS

The Short Report - 28 Nov 2024

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

Summary:

Week Ending November 21st, 2024 (most recent data available through ASIC).

10%+

PLS 17.73
BOE 14.96
PDN 14.48
IEL 13.40
SYR 13.34
MIN 10.47
DYL 10.00

In: DYL

9.0-9.9%

DMP
ADT
LTR

Out: DYL, LYC

8.0-8.9%

LYC
LIC
KAR

Out: LYC

7.0-7.9%

JLG
CTD
GMD
SYA

In: GMD Out: CTT, SEK

6.0-6.9%

SEK
RIO
CTT
CUV
AD8
FLT
SLX
IMU
STX

In: CTT, SEK Out: GMD, NUF

5.0-5.9%

DXS
NUF
ALD
BGL
NVX
CHN
LOT
APE

In: NUF Out: IDX, NCK, SFR, WBT

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.3	0.4	NAB	0.8	0.8
ANZ	0.6	0.6	QBE	0.4	0.5
BHP	0.4	0.4	RIO	6.9	6.9
CBA	1.4	1.4	STO	0.8	1.0
COL	1.0	0.8	TCL	0.7	0.7
CSL	0.4	0.5	TLS	0.2	0.3
FMG	0.9	1.0	WBC	0.8	0.8
GMG	0.6	0.6	WDS	2.1	2.1
JHX	0.9	0.9	WES	0.7	0.7
MQG	0.7	0.7	WOW	0.5	0.5

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

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

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

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

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

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

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

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

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 29-11-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

EMECO HOLDINGS LIMITED ((EHL)) Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

Jarden upgrades Emeco Holdings to Overweight from Neutral following an AGM update where initial FY25 earnings (EBITDA) guidance of at least $300m was provided.

Management indicated a similar earnings skew to FY24 in FY25, with a slight improvement anticipated in 2H25 utilisation.

The broker raises EPS estimates for FY25-27 by 17%, 7%, and 7%, respectively, supported by strong demand for surface equipment and constrained capital intensity.

Jarden increases the target price to $1.00 from $0.85, citing enhanced earnings visibility and balance sheet strength.

HARVEY NORMAN HOLDINGS LIMITED ((HVN)) Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

Jarden has recalibrated its views on retailers.

The broker upgrades Harvey Norman to Overweight from Neutral to reflect the replacement cycle, a more optimistic outlook for the consumer in 2025 with short-term volatility and a lot relying on Cyber week.

Target price moves to $4.90 with the company's upcoming AGM on Nov 27.

JB HI-FI LIMITED ((JBH)) Upgrade to Neutral from Underweight by Jarden.B/H/S: 0/0/0

Jarden has recalibrated its views on retailers.

The broker upgrades JB Hi-Fi to Neutral from Underweight, reflecting the replacement cycle and a more optimistic outlook for consumers in 2025, despite short-term volatility and the significance of the upcoming Cyber Week.

Jarden believes JB Hi-Fi offers "quality growth" and raises the target price to $84 from $68.

LOVISA HOLDINGS LIMITED ((LOV)) Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

Following a trading update for the first 20 weeks of FY25, Jarden lowers its forecasts for Lovisa Holdings to reflect a more conservative store rollout.

The target price falls to $29.03 from $30.59, and the broker upgrades the rating to Overweight from Neutral, noting execution risk is now largely priced into the current share price. A strong long-term rollout opportunity is still considered viable.

Net new store rollouts totaled 27, with closures reduced to 13, consistent with FY23 levels.

The trading update showed like-for-like sales growth slowed to 1.0% year-on-year, below the 2.5% consensus, while total sales growth of 10% lagged the 13.2% forecast, note the analysts.

SUPER RETAIL GROUP LIMITED ((SUL)) Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

Jarden has recalibrated its views on retailers.

The broker upgrades Super Retail to Overweight from Neutral with a $16.80 target price.

Jarden has a more optimistic view on the consumer for 2025 with Super Retail expected to gain market share.

Downgrade

GENTRACK GROUP LIMITED ((GTK)) Downgrade to Market Weight from Overweight by Wilsons.B/H/S: 0/0/0

Following FY24 results, Wilsons raises its target for Gentrack Group by $1.00 to $12.50 and downgrades to Market Weight from Overweight on valuation.

The broker highlights ongoing momentum for both Energy and Water (B2B and B2C), despite market concerns heading into the result around non-recurring revenue (NRR) not replenishing.

Management's medium-term guidance for ongoing growth and operating leverage remains.

The analysts understand the deal pipeline is deep and broad across both Energy and Water markets, with management seeking potential contract wins in both UK B2B Water (mid-sized opportunity) and in UK B2C Water.

WESFARMERS LIMITED ((WES)) Downgrade to Underweight from Neutral by Jarden.B/H/S: 0/0/0

Jarden has recalibrated its views on retailers.

The broker downgrades Wesfarmers to Underweight from Neutral with risks to the earnings outlook.

Target price $61.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	EMECO HOLDINGS LIMITED	Buy	Neutral	Jarden
2	HARVEY NORMAN HOLDINGS LIMITED	Buy	Neutral	Jarden
3	JB HI-FI LIMITED	Neutral	Sell	Jarden
4	LOVISA HOLDINGS LIMITED	Buy	Neutral	Jarden
5	SUPER RETAIL GROUP LIMITED	Buy	Neutral	Jarden
Downgrade				
6	GENTRACK GROUP LIMITED	Neutral	Buy	Wilsons
7	WESFARMERS LIMITED	Sell	Neutral	Jarden

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
A2M	a2 Milk Co	$5.73	Wilsons	5.75	5.85	-1.71%
ARX	Aroa Biosurgery	$0.71	Jarden	0.75	0.71	5.63%
ASG	Autosports Group	$1.91	Jarden	2.95	2.90	1.72%
			Moelis	2.00	2.30	-13.04%
			Wilsons	2.86	3.41	-16.13%
AX1	Accent Group	$2.39	Jarden	2.35	2.29	2.62%
CRD	Conrad Asia Energy	$0.90	Wilsons	2.03	1.92	5.73%
EHL	Emeco Holdings	$0.88	Canaccord Genuity	1.07	1.05	1.90%
			Jarden	1.00	0.85	17.65%
EOS	Electro Optic Systems	$1.21	Canaccord Genuity	1.90	1.85	2.70%
FPR	FleetPartners Group	$3.16	Canaccord Genuity	3.40	3.80	-10.53%
GTK	Gentrack Group	$12.40	Wilsons	12.50	11.50	8.70%
HVN	Harvey Norman	$4.79	Jarden	4.90	4.60	6.52%
JBH	JB Hi-Fi	$91.17	Jarden	84.00	68.00	23.53%
KGN	Kogan.com	$4.95	Jarden	4.55	4.70	-3.19%
LGL	Lynch Group	$1.75	Jarden	1.80	1.90	-5.26%

LIC	Lifestyle Communities	$8.96	Canaccord Genuity	9.75	10.10	-3.47%
LOV	Lovisa Holdings	$29.22	Jarden	29.03	30.59	-5.10%
LTR	Liontown Resources	$0.74	Wilsons	1.40	1.75	-20.00%
MP1	Megaport	$7.61	Canaccord Genuity	9.45	11.15	-15.25%
			Goldman Sachs	10.40	12.00	-13.33%
NWL	Netwealth Group	$30.46	Wilsons	30.33	25.16	20.55%
NWS	News Corp	$49.15	Jarden	49.80	45.80	8.73%
NXD	NextEd Group	$0.11	Canaccord Genuity	0.34	0.38	-10.53%
PME	Pro Medicus	$248.18	Goldman Sachs	221.00	193.00	14.51%
PPS	Praemium	$0.69	Moelis	0.87	0.80	8.75%
PWH	PWR Holdings	$8.34	Moelis	7.74	10.97	-29.44%
PYC	PYC Therapeutics	$1.85	Canaccord Genuity	2.40	0.24	900.00%
			Wilsons	3.90	0.39	900.00%
QBE	QBE Insurance	$20.00	Jarden	20.90	19.55	6.91%
REA	REA Group	$252.14	Jarden	205.00	181.00	13.26%
SEK	Seek	$26.29	Jarden	28.50	28.00	1.79%
SMP	SmartPay	$0.50	Wilsons	1.32	1.66	-20.48%
WEB	Web Travel	$4.91	Goldman Sachs	7.00	6.70	4.48%
WES	Wesfarmers	$71.66	Goldman Sachs	69.50	66.60	4.35%
			Jarden	61.00	61.20	-0.33%
WTC	WiseTech Global	$125.85	Jarden	116.00	101.00	14.85%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

ABB AUSSIE BROADBAND LIMITED

Telecommunication - Overnight Price: $3.58

Jarden rates ((ABB)) as Initiation of coverage with Overweight (2) -

Jarden initiates coverage on Aussie Broadband with a $4.00 target and Overweight rating, supported by proprietary infrastructure, strong capital management, and premium positioning.

Within the industry, the analysts like challenger telcos as they continue to take market share from the incumbent operators.

The company's premium status (and pricing) in consumer fixed connectivity is underpinned by its proprietary software, owned fibre network, and Tier-1 voice infrastructure, explain the analysts.

Key drivers include NBN Co's Fibre Connect program upgrading approximately 3.1m subscribers to higher-speed tiers and NBN Co's new pricing model encouraging higher-speed adoption, explains Jarden.

The analysts also expects increased service and installation orders from small businesses and new building activity.

The broker forecasts an 18% dividend compound annual growth rate (CAGR) through FY33.

This report was published on November 25, 2024.

Target price is **$4.00** Current Price is **$3.75** Difference: **$0.25**
If **ABB** meets the Jarden target it will return approximately **7%** (excluding dividends, fees and charges).
Current consensus price target is **$4.24**, suggesting upside of **13.1%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **8.00** cents and EPS of **12.70** cents.
At the last closing share price the estimated dividend yield is **2.13%.**
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **29.53**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **15.3**, implying annual growth of **57.1%**.
Current consensus DPS estimate is **2.0**, implying a prospective dividend yield of **0.5%**.
Current consensus EPS estimate suggests the PER is **24.5**.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **11.00** cents and EPS of **17.50** cents.
At the last closing share price the estimated dividend yield is **2.93%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **21.43**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **20.9**, implying annual growth of **36.6%**.
Current consensus DPS estimate is **5.0**, implying a prospective dividend yield of **1.3%**.
Current consensus EPS estimate suggests the PER is **17.9**.

Market Sentiment: **0.8**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

ANG AUSTIN ENGINEERING LIMITED

Mining Sector Contracting - Overnight Price: $0.54

Petra Capital rates ((ANG)) as Buy (1) -

Petra Capital reiterates a Buy rating and a target price of 60c for Austin Engineering, noting the recent share price decline presents a buying opportunity.

The broker expects the company to benefit from resilient customer demand, market share gains, and profit margins exceeding the FY26 consensus forecast.

Management reaffirmed FY25 guidance for revenue of $350m and earnings (EBIT) of $50m, anticipating 1H:2H revenue and EBIT splits of 45:55 and 40:60, respectively.

This report was published on November 21, 2024.

Target price is **$0.60** Current Price is **$0.55** Difference: **$0.055**
If **ANG** meets the Petra Capital target it will return approximately **10%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** dividend of **2.50** cents and EPS of **6.00** cents.
At the last closing share price the estimated dividend yield is **4.59%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **9.08**.

Forecast for FY26:

Petra Capital forecasts a full year **FY26** dividend of **3.50** cents and EPS of **6.90** cents.
At the last closing share price the estimated dividend yield is **6.42%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.90**.

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

CSC CAPSTONE COPPER CORP.

Copper - Overnight Price: $11.26

Wilsons rates ((CSC)) as Initiation of coverage with Overweight (1) -

Wilsons initiates coverage on multi-asset, high-growth copper producer Capstone Copper with an Overweight rating and a $14.50 target. The company has four producing assets in the Americas (US, Mexico, and Chile), along with a key growth project in Chile.

The company, also listed in Canada, ranks around the 30th largest copper producer globally but has the potential to rise into the top 15 within five years, according to the broker.

The analysts highlight the company's strategic advantage as its massive resource base, supported by near-term operating cash flow and a strong balance sheet to evolve into a larger and lower-cost major producer.

Production guidance for 2024 is 189kt of copper, matching the broker's expectations but below consensus, reflecting management's conservative estimates.

This report was published on November 25, 2024.

Target price is **$14.50** Current Price is **$10.64** Difference: **$3.86**
If **CSC** meets the Wilsons target it will return approximately **36%** (excluding dividends, fees and charges).
The company's fiscal year ends in December.

Forecast for FY24:

Wilsons forecasts a full year **FY24** dividend of **0.00** cents and EPS of **5.30** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **200.75**.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **23.80** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **44.71**.

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

EGH EUREKA GROUP HOLDINGS LIMITED

Aged Care & Seniors - Overnight Price: $0.59

Moelis rates ((EGH)) as Initiation of coverage with Buy (1) -

Moelis initiates coverage on Eureka Group with a Buy rating and a 70c target price.

The broker highlights the group is the largest seniors' rental village operator in an undersupplied market, expected to grow at a 3% p.a. compound rate over the next decade.

Eureka recently raised equity, strengthening the balance sheet and reducing gearing to 8% from 37%. Moelis believes the funds deployed will be EPS accretive.

The analyst forecasts EPS growth of 12% p.a. for the next three years. Eureka trades at a 16% premium to NTA.

This report was published on November 25, 2024.

Target price is **$0.70** Current Price is **$0.58** Difference: **$0.115**
If **EGH** meets the Moelis target it will return approximately **20%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **1.50** cents and EPS of **3.30** cents.
At the last closing share price the estimated dividend yield is **2.56%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **17.73**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **1.80** cents and EPS of **3.80** cents.

At the last closing share price the estimated dividend yield is **3.08%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.39**.

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

EHL EMECO HOLDINGS LIMITED

Mining Sector Contracting - Overnight Price: $0.87

Canaccord Genuity rates ((EHL)) as Buy (1) -

Canaccord Genuity maintains its Buy rating for Emeco Holdings and raises the target price to $1.07 from $1.05, reflecting improvements in operational performance and return on capital.

FY25 earnings (EBITDA) guidance exceeds $300m, supported by robust gold and bulk commodity production, offsetting weaker performance in lithium and nickel, explains the broker.

The company is targeting a 20% return on capital by FY26, aided by a -$60m growth capex investment in FY24.

Operational updates indicate to the broker improved underground rental utilisation and confidence in redeploying surface rental equipment in 2H25. Management also reiterated depreciation and capex guidance.

Canaccord highlights strong free cash flow generation and a deleveraging balance sheet, with the overall valuation supported by an attractive FY25 valuation multiple.

This report was published on November 21, 2024.

Target price is **$1.07** Current Price is **$0.88** Difference: **$0.195**
If **EHL** meets the Canaccord Genuity target it will return approximately **22%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **14.80** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **5.91**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **3.20** cents and EPS of **15.80** cents.
At the last closing share price the estimated dividend yield is **3.66%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **5.54**.

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

GQG GQG PARTNERS INC

Wealth Management & Investments - Overnight Price: $2.24

Jarden rates ((GQG)) as Initiation of coverage with Buy (1) -

Jarden initiates coverage of GQG Partners with a Buy rating and a $3.30 target price.

GQG has achieved over 40% compound annual growth in funds under administration over the past five years, driven by strong net inflows. Net profit after tax has compounded at an average rate of over 50% during the same period.

Consensus estimates of net inflows at around 4%-5% for 2025-2026 appear both conservative and achievable.

Jarden highlights the company trades at an undemanding 9x 12-month forward price-to-earnings ratio, well below its peers, which are experiencing net outflows.

Buy rated. Target $3.30.

This report was published on November 27, 2024.

Current Price is **$2.30**. Target price not assessed.
Current consensus price target is **$3.19**, suggesting upside of **38.9%**(ex-dividends)
The company's fiscal year ends in December.

Forecast for FY24:

Jarden forecasts a full year **FY24** dividend of **20.36** cents and EPS of **22.02** cents.
At the last closing share price the estimated dividend yield is **8.85%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **10.45**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **22.4**, implying annual growth of **N/A**.
Current consensus DPS estimate is **20.7**, implying a prospective dividend yield of **9.0%**.
Current consensus EPS estimate suggests the PER is **10.3**.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **24.13** cents and EPS of **26.39** cents.
At the last closing share price the estimated dividend yield is **10.49%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.72**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **25.4**, implying annual growth of **13.4%**.
Current consensus DPS estimate is **23.3**, implying a prospective dividend yield of **10.1%**.
Current consensus EPS estimate suggests the PER is **9.1**.

This company reports in **USD**. All estimates have been converted into AUD by FNArena at present FX values.
Market Sentiment: **0.8**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

MEK MEEKA METALS LIMITED

Overnight Price: $0.07

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

Petra Capital initiates coverage on Meeka Metals with a Buy rating and a 15c target, citing near-term production potential at the Murchison Gold Project.

The May 2024 definitive feasibility study (DFS) outlined a low-capex path to production, with a nine-year mine life and first gold targeted for the September quarter of 2025, explains the broker.

Following the acquisition of a larger ball mill, an updated DFS in December is expected to increase processing capacity by 30%, lifting production to 570koz over the mine's life, notes the analyst.

The project is fully funded, with construction underway, including plant refurbishment and infrastructure upgrades. Pre-production capex is estimated at -$44m, and operations remain unhedged and debt-free, highlights Petra Capital.

The broker anticipates significant valuation upside from exploration and re-optimised production metrics.

This report was published on November 25, 2024.

Target price is **$0.15** Current Price is **$0.07** Difference: **$0.078**
If **MEK** meets the Petra Capital target it will return approximately **108%** (excluding dividends, fees and

charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Petra Capital forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 0.20** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 36.00**.

Forecast for FY26:

> Petra Capital forecasts a full year **FY26** dividend of **0.00** cents and EPS of **3.10** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **2.32**.

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

PPS PRAEMIUM LIMITED

Wealth Management & Investments - Overnight Price: $0.66

Moelis rates ((PPS)) as Buy (1) -

Management reaffirmed progress on Praemium's Spectrum IDPS product at the AGM, highlighting strong platform revenue growth and advancements in AI-driven efficiencies.

Moelis notes revenue margins improved by 3bps in early FY25 due to SMA repricing, and Euroz Hartleys adopted the full suite of the company's products, transitioning $2bn in FUA over 18 months.

The broker estimates gross inflows of $250m, $600m, and $1bn for FY25-27, respectively, frrom Spectrum, noting potential upside if execution remains robust. OneVue synergies are expected to contribute $3m in annual earnings.

Moelis raises EPS forecasts by 0.3% in FY25 and 3.5% in FY26.

Buy rating retained. Target price rises to 87c from 80c.

This report was published on November 20, 2024.

Target price is **$0.87** Current Price is **$0.69** Difference: **$0.185**
If **PPS** meets the Moelis target it will return approximately **27%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Moelis forecasts a full year **FY25** dividend of **1.00** cents and EPS of **2.80** cents.
> At the last closing share price the estimated dividend yield is **1.46%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **24.46**.

Forecast for FY26:

> Moelis forecasts a full year **FY26** dividend of **1.30** cents and EPS of **3.40** cents.
> At the last closing share price the estimated dividend yield is **1.90%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.15**.

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

QAL QUALITAS LIMITED

Wealth Management & Investments - Overnight Price: $2.60

Jarden rates ((QAL)) as Initiation of coverage with Buy (1) -

Jarden initiates coverage of Qualitas with a Buy rating and a $3.75 target price.

Qualitas is a private credit manager with approximately 80% of its funds under management invested in residential property.

Management has committed to doubling funds under management to $18bn by FY28. The broker forecasts $17.9bn, including $1.8bn in funds raised and annual fundraising of around $2.5bn over FY26-FY28.

This report was published on November 27, 2024.

Target price is **$3.75** Current Price is **$2.56** Difference: **$1.19**
If **QAL** meets the Jarden target it will return approximately **46%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **8.60** cents and EPS of **11.60** cents.
At the last closing share price the estimated dividend yield is **3.36%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **22.07**.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **10.40** cents and EPS of **14.10** cents.
At the last closing share price the estimated dividend yield is **4.06%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **18.16**.

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

SDV SCIDEV LIMITED

Industrial Sector Contractors & Engineers - Overnight Price: $0.55

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

SciDev has secured a landmark win, according to Canaccord Genuity, with its first European Per- and Polyfluoroalkyl Substances (PFAS) treatment contract.

The $475,000 contract with Swedish Hydro Solutions involves designing, constructing, and commissioning a containerised water treatment plant for contaminated landfill leachate, observes the broker.

A successful trial could lead to expanded usage and additional contract value, highlights the analyst.

Canaccord notes significant growth potential in Europe, where 17,000 sites have confirmed PFAS contamination and 21,000 are suspected. Expansion into the US market is considered a key next step.

The broker points out SciDev's effective and low-cost PFAS treatment technology provides a strong competitive advantage, underpinning the unchanged $0.74 target and Buy rating.

This report was published on November 20, 2024.

Target price is **$0.74** Current Price is **$0.60** Difference: **$0.135**
If **SDV** meets the Canaccord Genuity target it will return approximately **22%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **2.90** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.86**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **4.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.13**.

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

SLC SUPERLOOP LIMITED

Telecommunication - Overnight Price: $2.13

Jarden rates ((SLC)) as Initiation of coverage with Buy (1) -

Jarden initiates coverage on Superloop with a Buy rating and a $2.50 target, highlighting structural tailwinds including the NBN Fibre Connect program, pricing reforms, and increased small business penetration.

Within the industry, the analysts like challenger telcos as they continue to take market share from the incumbent operators.

The broker expects FY26 adjusted earnings EBITDA of $112m, 6% above guidance, driven by the Origin Energy ((ORG)) contract, which adds $19m in annualised earnings from broadband subscribers.

The analysts' forecast Superloop will deliver a 54% EPS compound annual growth rate (CAGR) from FY25 to FY27.

The company's residential segment is set to grow at a 14% revenue CAGR through FY33, while wholesale contracts, including Origin Energy and AGL Energy ((AGL)), underpin near-term earnings leverage, explains Jarden.

Challenges include competition from incumbents and fixed wireless access (FWA) penetration, highlights the broker.

This report was published on November 25, 2024.

Target price is **$2.50** Current Price is **$2.20** Difference: **$0.3**
If **SLC** meets the Jarden target it will return approximately **14%** (excluding dividends, fees and charges).
Current consensus price target is **$2.15**, suggesting downside of **-2.3%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **0.00** cents and EPS of **0.30** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **733.33**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **5.3**, implying annual growth of **N/A**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **41.5**.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **0.00** cents and EPS of **4.70** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **46.81**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **7.1**, implying annual growth of **34.0%**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **31.0**.

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

WEEKLY REPORTS

In Brief: Superloop, Qantas, Jumbo, Qualitas & GQG

Junior telcos take bite of the high speed network, Qantas flying high on luxury spending, Jumbo's outlook improves and wealth managers to make investors wealthy.

-Telco juniors are ready to rumble
-Premium airlines taking off for growth
-Jumbo catches some upside love
-Wealth managers offer value

By Danielle Ecuyer

Quote of the week comes from Rob Almeida, MFS Investment Management Global Investment Strategist:

"In 1929, investors began to discount the Republican Congress's plans to tariff over 25,000 goods entering the US. This mattered to investors because, while tariffs make US goods more attractive to domestic buyers, they drive up costs for US producers sourcing goods outside the country as well as consumers. While there were other catalysts heading into October 1929, the prospects of the Smoot-Hawley tariffs were a factor that changed both how investors thought about future profits and what they were willing to pay."

Tailwinds blowing for smaller telco players

Challenging the incumbent telco operators is a favoured theme for Jarden, with the broker initiating coverage on **Superloop** ((SLC)) and **Aussie Broadband** ((ABB)).

From a macro perspective, three tailwinds are benefiting the sector:

-NBN Co's "Fibre Connect" program underpins the upgrade of around 3.1m subscribers to higher-speed connections, while the pricing model incentivises movement to higher speed tiers.

-Growth in services-in-operation from increased building activity.

-A rising share of small businesses adopting consumer-grade plans.

These tailwinds provide potential earnings upside for Superloop and Aussie Broadband.

Superloop is the preferred stock, with Jarden pointing out potential earnings upside has not yet been reflected in the share price. The analyst believes the Origin Energy ((ORG)) contract is underappreciated and represents a significant earnings opportunity, with consensus subscriber growth expected to exceed current levels.

Origin is targeting around 600k broadband subscribers by FY26. Jarden forecasts a more conservative 295k subscribers, with wholesale market earnings filling the gap for FY26.

In the consumer segment, Jarden expects 14% compound average revenue growth from FY23 to FY33, driven by market share gains and a shift to higher-speed tiers. Average revenue per user is projected to rise to $24/month by FY33, up from $22/month. Gross margins are estimated to grow at a 13% compound annual growth rate over the same period.

The broker starts coverage with a Buy rating and a $2.50 target price.

Jarden is also positive on Aussie Broadband, starting with an Overweight rating, nearly Buy-equivalent. The broker sees the company continuing to invest in growth both organically and through M&A, with Buddy Telco being a key focus for 1H25. Management remains committed to a net leverage target of 1.75x-2.5x.

The valuation, along with attractive expected dividend growth of 18% compounding annually through to FY33, makes the stock appealing. Target price: $4.

Are airlines the new luxury stock theme?

According to Morgan Stanley, it is time for premium carriers to take the **"luxury"** exposure mantle from traditional luxury goods stocks.

The broker believes premium airlines offer an alternative avenue for exposure to secular luxury demand trends. Demand for premium tickets, with reduced reliance on marginal economy class, is expected to boost profitability for carriers like **Qantas Airways** ((QAN)) and Delta Air Lines, which are the top picks globally.

Delta has achieved around 40% of passenger revenue from premium tickets, up from 29% in 2014. Management expects premium sales to surpass the main cabin by 2027.

Similarly, Qantas reports international revenue per available seat kilometre is approximately 40% higher than pre-covid levels, driven by strong leisure and premium cabin demand.

Morgan Stanley retains an Overweight (Buy-equivalent) rating on Qantas, with a $10.50 target price.

Despite concerns over -$16bn in capex investments, the broker argues these investments are expected to generate returns above the weighted average cost of capital.

Higher lottery turnover remains on the cards

J.P. Morgan observes lottery turnover is down -4% in 1H25 compared to the previous year.

Including this week's $100m draw, turnover could grow 2% annually across Powerball, Oz Lotto, Saturday Lotto, and Set for Life. If prize jackpots reach $150m, turnover could grow 10% year-on-year, though the broker notes jackpot sequences remain volatile.

Annual comparisons are entering a challenging period due to record jackpots in late 2023 and early 2024. Despite this, J.P. Morgan upgrades **Jumbo Interactive** ((JIN)) to Neutral and raises the target price by 9% to $13.30.

The decision to upgrade is based on a decline in the company's valuation to circa 19x (from 24x) and consensus EPS forecast downgrades of -15% and -13% for FY25/FY26, respectively.

The Daily Winners programme is highlighted as having the potential to generate high-margin recurring revenue, aside from jackpots.

The pick of the wealth winners

Net inflows averaging over 15% annually in the past five years make Jarden bullish on wealth managers **Qualitas** ((QAL)), **GQG Partners** ((GQG)), and **Pinnacle Investment Management** ((PNI)).

Qualitas is in a strong position to attract global funds into private assets. The broker sees its guidance to double funds under administration by FY28 as achievable.

With minimal investment required for growth, significant operating leverage is expected, leading to over 20% compound annual EPS growth. The stock is trading at an -18% discount to its three-year average P/E ratio, with a 3.3% dividend yield.

Qualitas starts off with a Buy rating and a $3.75 target price.

GQG Partners has demonstrated a compound annual growth rate of 40% in funds under management and 50% in net profit over the past five years. Consensus fund inflows of 4%-6% for FY25-FY26 are seen as conservative. The stock trades at 9x 2025 forecast earnings, compared to peers **Magellan Financial Group** ((MFG)) and **Platinum Asset Management** ((PTM)) at around 14x.

GQG Partners starts with a Buy rating and a $3.30 target price.

Goldman Sachs also has GQG in focus following the precipitous fall in the company's share price of -19% after news emerged of US prosecutors charging Adani executives with alleged bribery schemes. Management highlighted over 90% of client assets are invested in non-Adani Group assets, suggesting only around 10% of funds under management are exposed.

The analyst calculates a drop in Adani assets of -10% to -50% would result in an estimated impact to FY25 net profit of -1.3% to -6.6%, concluding the sell-off was materially overdone. At Goldman Sachs, the shares are Buy rated with a $3 target price.

Pinnacle is noted for its quality, fund outperformance, and low cost-to-income ratios. However, it is considered the "most expensive" asset manager globally among 30 public and private peers.

No surprise thus, Jarden starts coverage with a Neutral rating alongside a $24.40 target price.

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

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