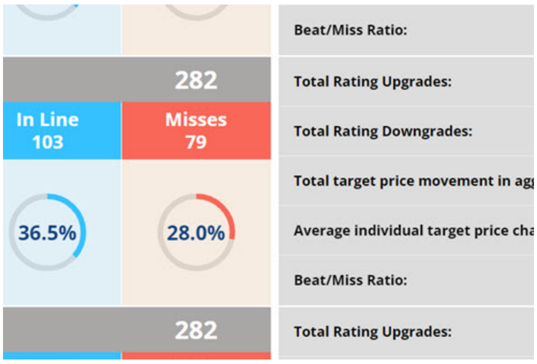
WEEK 9

# STORIES TO READ FROM FNArena

Friday, 1 March 2024

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AUSTRALIA

# The Market In Numbers - 24 Feb 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 Feb 2024 | Week To Date | Month To Date (Feb) | Quarter To Date (Jan-Mar) | Year To Date (2024) | Financial Year To Date (FY24) |
|---|---|---|---|---|---|---|
| NZ50 | 11719.820 | -0.04% | -1.28% | -0.43% | -0.43% | -1.65% |
| All Ordinaries | 7899.20 | -0.08% | -0.17% | 0.89% | 0.89% | 6.72% |
| S&P ASX 200 | 7643.60 | -0.19% | -0.48% | 0.70% | 0.70% | 6.11% |
| S&P ASX 300 | 7592.40 | -0.15% | -0.34% | 0.75% | 0.75% | 6.08% |
| Communication Services | 1594.20 | 0.61% | -1.26% | 0.38% | 0.38% | 3.69% |
| Consumer Discretionary | 3500.30 | 1.17% | 5.46% | 8.03% | 8.03% | 18.91% |
| Consumer Staples | 11914.30 | -3.41% | -3.21% | -3.22% | -3.22% | -10.38% |
| Energy | 10477.30 | -1.34% | -6.26% | -1.37% | -1.37% | -3.24% |
| Financials | 7189.00 | 0.94% | 1.95% | 7.00% | 7.00% | 15.58% |
| Health Care | 42632.50 | 0.23% | -3.45% | 0.69% | 0.69% | 3.25% |
| Industrials | 7012.30 | 0.71% | 2.12% | 2.13% | 2.13% | 3.17% |
| Info Technology | 2090.80 | 3.29% | 12.74% | 14.07% | 14.07% | 14.28% |
| Materials | 17640.60 | -1.70% | -4.93% | -9.49% | -9.49% | -2.17% |
| Real Estate | 3460.50 | -2.44% | 2.11% | 3.37% | 3.37% | 13.69% |
| Utilities | 8156.50 | 1.86% | 1.23% | -0.28% | -0.28% | -6.61% |
| A-REITs | 1569.40 | -1.67% | 3.11% | 4.46% | 4.46% | 15.85% |
| All Technology Index | 2952.10 | 2.85% | 8.33% | 9.58% | 9.58% | 22.16% |
| Banks | 2978.00 | 0.86% | 1.78% | 7.14% | 7.14% | 19.27% |
| Gold Index | 6177.80 | -4.17% | -8.06% | -16.15% | -16.15% | -6.65% |
| Metals & Mining | 5754.30 | -2.23% | -5.67% | -11.02% | -11.02% | -5.00% |

## The World

| Index | 23 Feb 2024 | Week To Date | Month To Date (Feb) | Quarter To Date (Jan-Mar) | Year To Date (2024) | Financial Year To Date (FY24) |
|---|---|---|---|---|---|---|
| FTSE100 | 7706.28 | -0.07% | 0.99% | -0.35% | -0.35% | 2.32% |
| DAX30 | 17419.33 | 1.76% | 3.05% | 3.99% | 3.99% | 7.87% |
| Hang Seng | 16725.86 | 2.36% | 8.01% | -1.89% | -1.89% | -11.58% |
| Nikkei 225 | 39098.68 | 1.59% | 7.75% | 16.84% | 16.84% | 17.81% |
| DJIA | 39131.53 | 1.30% | 2.57% | 3.83% | 3.83% | 13.73% |
| S&P500 | 5088.80 | 1.66% | 5.02% | 6.69% | 6.69% | 14.35% |
| Nasdaq Comp | 15996.82 | 1.40% | 5.49% | 6.56% | 6.56% | 16.02% |

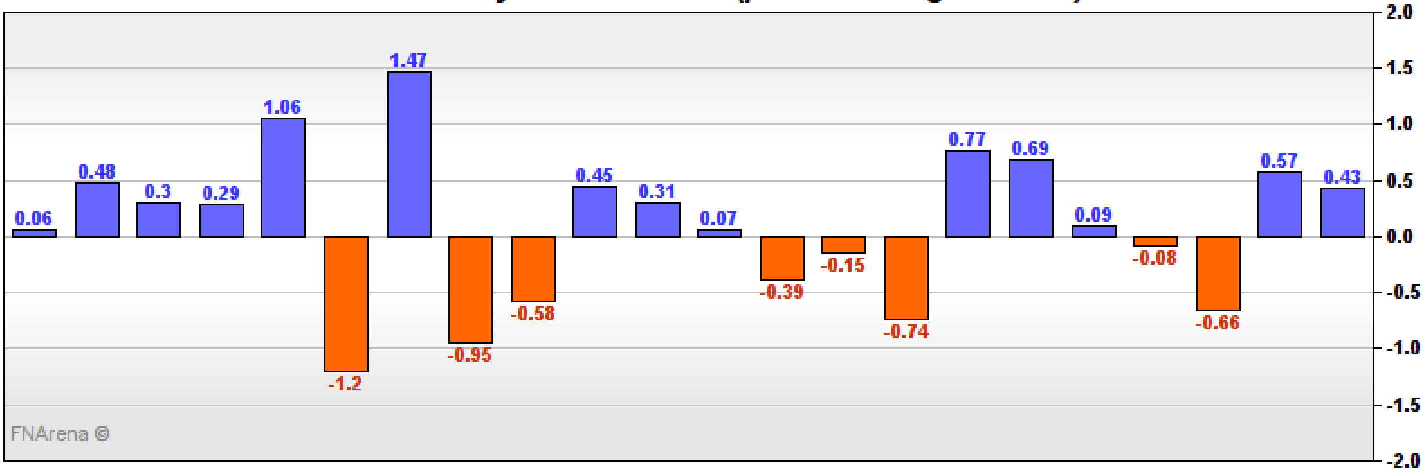
## Metals & Minerals

| Index | 23 Feb 2024 | Week To Date | Month To Date (Feb) | Quarter To Date (Jan-Mar) | Year To Date (2024) | Financial Year To Date (FY24) |
|---|---|---|---|---|---|---|
| Gold (oz) | 2022.40 | 0.91% | -0.68% | -1.08% | -1.08% | 5.99% |
| Silver (oz) | 22.73 | -0.70% | -1.81% | -6.77% | -6.77% | 0.89% |
| Copper (lb) | 3.8740 | 3.44% | -0.43% | 1.73% | 1.73% | 4.23% |
| Aluminium (lb) | 0.9904 | -1.13% | -3.18% | 1.86% | 1.86% | 3.40% |
| Nickel (lb) | 7.8282 | 7.17% | 5.35% | 5.26% | 5.26% | -12.04% |
| Zinc (lb) | 1.0755 | 1.01% | -7.00% | -4.37% | -4.37% | 2.57% |
| Uranium (lb) weekly | 102.00 | -0.97% | 2.00% | 18.60% | 18.60% | 81.49% |
| Iron Ore (t) | 121.11 | -6.24% | -9.76% | -12.39% | -12.39% | 6.32% |

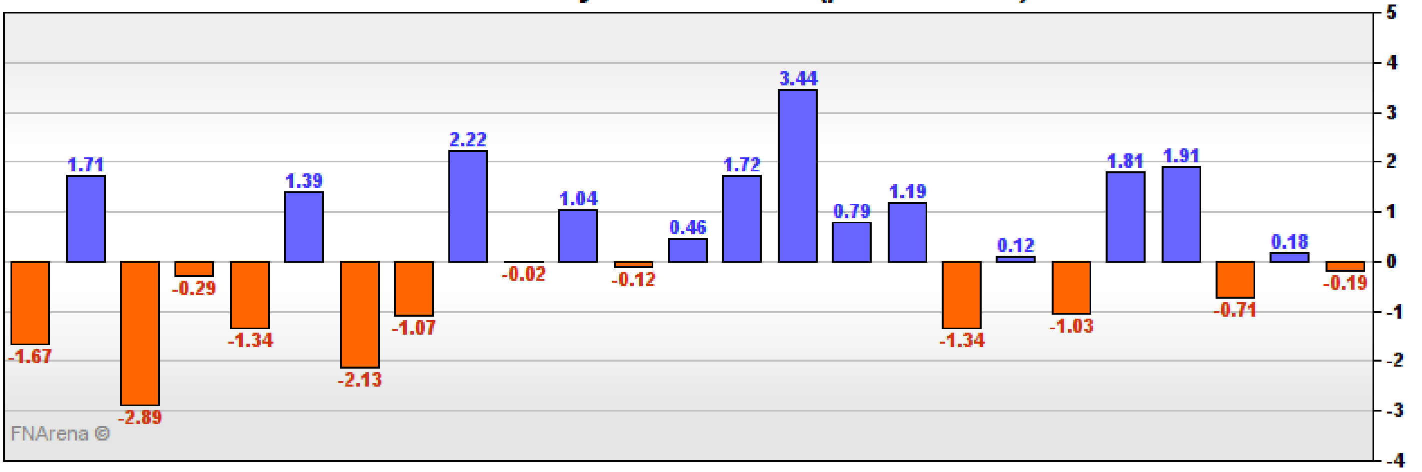
## Energy

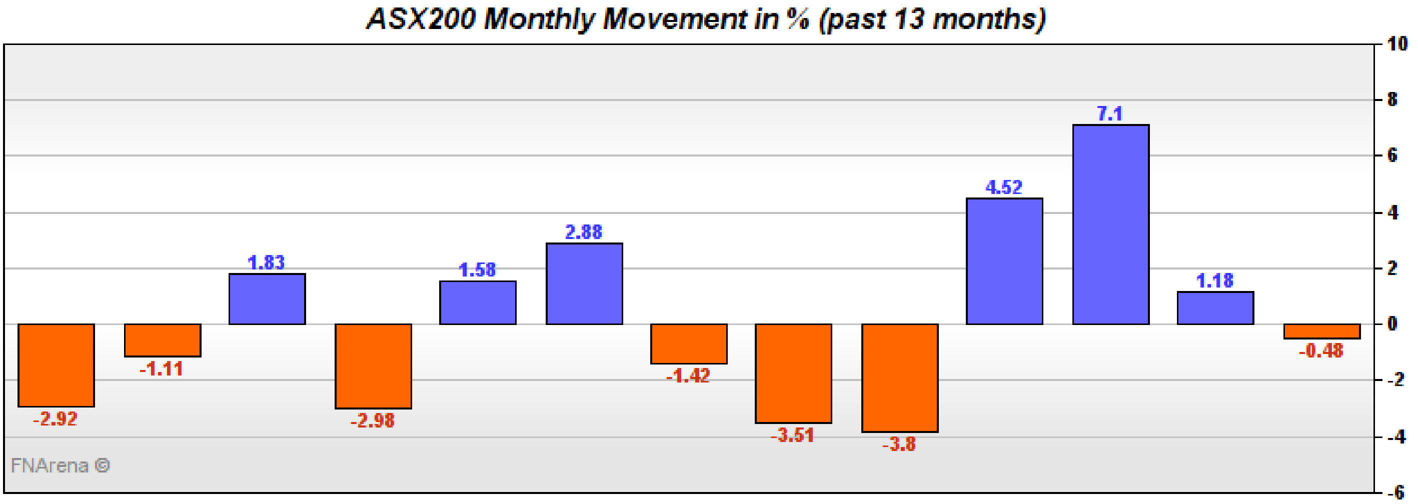
| Index | 23 Feb 2024 | Week To Date | Month To Date (Feb) | Quarter To Date (Jan-Mar) | Year To Date (2024) | Financial Year To Date (FY24) |
|---|---|---|---|---|---|---|
| West Texas Crude | 78.52 | 0.23% | 0.76% | 6.38% | 6.38% | 12.40% |
| Brent Crude | 83.60 | 0.75% | 0.86% | 5.48% | 5.48% | 12.50% |

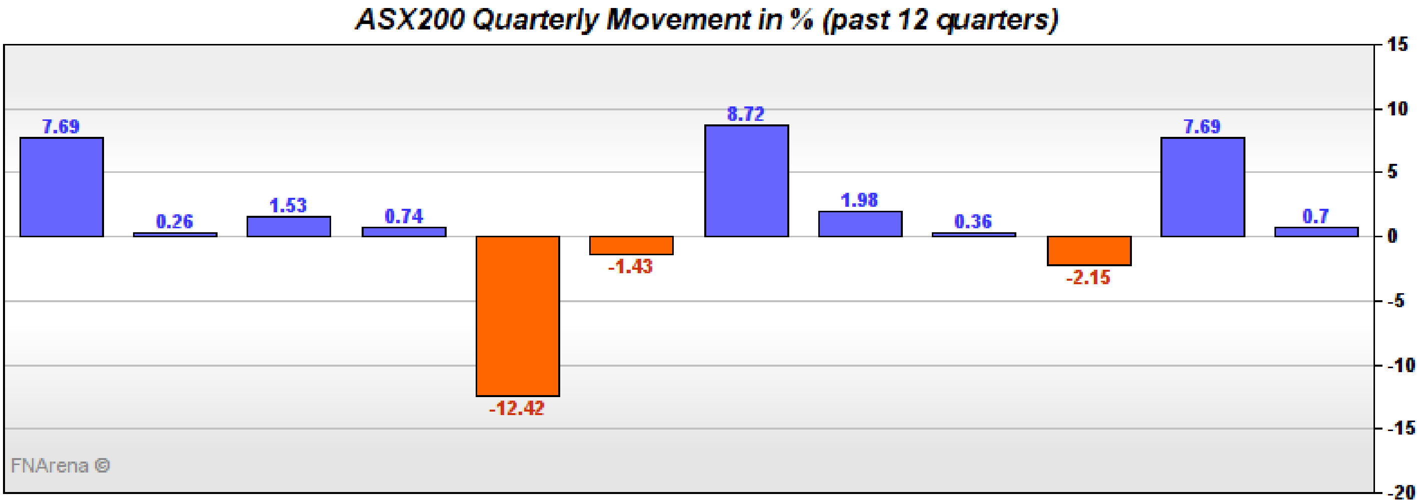
*ASX200 Daily Movement in % (past 22 trading sessions)*




*ASX200 Weekly Movement in % (past 25 weeks)*






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

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AUSTRALIA

# Dr Boreham's Crucible: Cochlear

By Tim Boreham

ASX code: ((COH))

Shares on issue: 65,494,094

Market cap: $22.3bn

Chief executive officer: Diggory 'Dig' Howitt

Board: Alison Deans (chair), Mr Howitt, Yasmin Allen, Glen Boreham, Andrew Denver, Prof Bruce Robinson, Michael Daniell, Christine McLoughlin, Michael del Prado, Karen Penrose

Financials (first half to December 2023): revenue $1,113.4m (up 25%), earnings before interest and tax $254.9m (up 37%), net profit $191.4m (up 35%), earnings per share $291.9m (up 36%) dividend per share $2 (up 29%), net cash $485.22m (down 12.6%)

Identifiable major shareholders: Blackrock Inc 6.8%, State Street Corp (5.9%), ABP (Algemen Burgerlijk PSF) 5.4%, Perennial Investment Management 5%.

With apologies to visiting diva Taylor Swift – of whom you might have heard - it's a case of Shake It Off for Cochlear, exemplified by its shares this month hitting a record high ahead of this week's sturdy half-year numbers.

On Monday last week, the company unveiled record half-year revenue, driven by sales of Cochlear's next-generation Nucleus 8 sound processor.

The company's interim profit was also the second highest on record.

We use the term 'unveiled', but the numbers in effect had been pre-announced on February 8. In other words, they were as predictable as a controversy over the price of Swifty merchandise.

"Implant growth has been strong across all segments - children, adults and seniors," says Cochlear chief Dig Howitt.

"We continue to see an improving trend in adult referral rates, in part driven by initiatives to improve awareness and access for older adult cochlear implant candidates."

Inspired by a day at the beach

The Cochlear name refers to the cochlea spiral tunnel of the inner ear that receives vibrations and sends them to the brain for interpretation, as well as the adjacent cochlear canal or duct and cochlear nerve.

The Cochlear implant is implanted in the cochlea. Cochlear, by the way, is Latin for ‘snail shell’.

The term ‘cochlear’ - as in lower case - is generic.

On a beach in 1977, otolaryngologist (ear specialist) Graeme Clark (later to become Prof Clark) fiddled with a shell and a blade of grass and realized there was a safe way to insert electrodes into the inner ear.

His discovery was inspired by his profoundly deaf pharmacist father.

Prof Clark partnered with Australian entrepreneur Paul Trainor (Nucleus Group) to commercialize an implant, the Nucleus 22.

Nucleus Group was acquired by the conglomerate Pacific Dunlop but morphed into Cochlear, which listed on the ASX in 1995.

To date, Cochlear has sold more than 750,000 implants and has a circa 60% market share.

Headquartered at Sydney’s Macquarie University, Cochlear employs more than 4,800 people and sells to more than 180 countries, with a direct presence in 50 of them.

Long-running CEO Dr Chris Roberts stepped down in September 2015, to be replaced by the Denver-based Chris Smith. Mr Smith quit in July 2017 and Mr Howitt - then chief operating officer - took over.

Cochlear’s products

Cochlear’s products include the implants, the sound processors and other bits and pieces such as spare coils and cables, remote controls and repairs.

The lion’s share of the company’s revenues derives from implants and services (such as sound processors and upgrades). But acoustics (bone conduction implants) are becoming more important. Bone conduction implants are more suited to patients with mixed, or single-sided, hearing loss.

The key acoustics devices are Osia (as in ‘osseo integrated steady state implant’) and Baha (as in bone-anchored hearing aid).

In October 2022 Cochlear launched the Nucleus 8 sound processor, which has features such as Bluetooth connectivity and background noise suppression.

Opening the cheque book

In 2017, the hitherto not-especially-acquisitive Cochlear paid US$78m (A$115m) for Sycle LLC, the world’s dominant supplier of audiology practice management software.

In April 2022, Cochlear whipped out the cheque book again to buy Oticon Medical for around $170m.

Oticon consists of the implant business of the Danish-based Demantis Group, which wanted to focus on other activities.

Cochlear's rationale is that while it is clearly the leader in implants, it doesn't get much custom from the hearing loss segment because hearing aids are still the main treatment option.

The transaction was meant to have been sealed by the end of 2022, but has been delayed because of concerns from the Australian and British competition regulators.

In Australia, Cochlear and Oticon are two of only three providers of non-surgical bone conductors and bone anchored devices.

In June 2023, the UK Competition and Markets Authority green-lighted the purchase, but demanded the divestment of Oticon's bone-conduction business.

The purchase still depends on consent from the Australian Competition and Consumer Commission and the European Commission. Cochlear expects the deal to be completed by June this year, with expected integration costs of -$30m compared with the earlier envisaged -$60 m.

<u>Finances and performance</u>

The overall gist of the results was higher-than-expected implant revenue, which offset some weakness in the acoustics and services division.

First half sales revenue was $1.113bn (up 25%), with a net profit of $191m (up 35%).

Management reiterated its upgraded guidance of a net profit $385m to $400m for the full year to June 2024, a 26-31% improvement.

Half year implant revenue was up 26% to $638.5m, with 24,193 units installed. The company now expects full-year implant growth of 10-15%, compared with the high single digit growth envisaged last August.

Services revenue (from sound processors and upgrades) grew 35 percent, to $349m.

Acoustics revenue declined -4% to $116m, the main reason being reduced sales of the you-beaut Baha 6 sound processor, launched three years ago.

Mr Howitt cites strong growth in both the developed and emerging markets, with the former growing at a 15% clip and the latter at 10%.

Meanwhile, Cochlear spends about 12% of its revenue on research and development and over time has invested $2.7bn.

Over the last 12 months, Cochlear's share price has tiptoed between a record $334.50 (February 16 this month) and a low of $222 (July 10, 2023).

Two decades ago, the stock traded around $40.

<u>Not bye bye buyback, but au revoir</u>

With nil debt, Cochlear has been making liberal use of share buybacks to improve earnings per share - but management has paused the latest round.

The reason is that with interest rates so high, the company is earning a nice 5% or so by plonking its cash in a term deposit.

Having spent $43m soaking up shares in the half, the company won't pursue the targeted $75m of buybacks for the current year.

"We still believe [buy-backs] are the best way to return cash to shareholders," says chief financial officer Stuart Sayers.

Cochlear's coffers were boosted by a $1,320m capital raising in early 2020, at the onset of the pandemic, at a heavily discounted $140 a share. That move in hindsight was unnecessary, but it was a case of 'you don't know what you don't know'.

<u>What? A cure for deafness?</u>

As with ResMed and the new fat-busting drugs, Cochlear could suffer if new drugs reduce the incidence of childhood deafness.

Pharma house Moderna has been working on a vaccine drug for the cytomegalovirus (CMV), called mRNA-1647. A member of the herpes family, CMV accounts for about 20% of childhood deafness.

Moderna is due to release phase III trial results later this year.

UBS estimates that if the drug got to market, -5-6% of Cochlear's revenue could evaporate in the mid-term.

Mr Howitt says while accurate numbers are hard to find, CMV is the cause of deafness in fewer than 10% of implant-eligible of kids.

"If there is a vaccine to control or stop CMV we would all want it to be successful," he says.

<u>Say it again?</u>

Another potential threat lies with an early-stage gene therapy being developed by drug maker Eli Lilly.

The first trial patient, an 11-year-old Moroccan boy born with profound hearing loss, was able to hear some sounds within 30 days.

A second child is being treated at a Philadelphia clinic.

The therapy involves using a virus to insert the OTOF (otoferlin) gene into the child's inner ear, so the organ can sense sound and transmit it to the brain.

According to Science magazine, around 200,000 people are born with two flawed copies of the gene annually, leaving them deaf but with hair cells that could potentially work.

"The new deafness treatments add to a string of recent successes for the gene therapy field, but also raise questions," Science says.

The Eli Lilly trial is expected to be completed in 2028.

Mr Howitt says gene therapy would be relevant only for about one in 1,000 paediatric implants.

Cochlear cites a developed world market of 130,000 children (with severe or higher hearing loss) but the company already services 80% of this market.

<u>Dr Boreham's diagnosis:</u>

As Ms Swift crooned, the haters are going to hate, hate, hate and it appears Cochlear's fan base isn't quite as ardent and unquestioning as her acolytes.

In spite of the upbeat results, most broking analysts ascribe a 'sell' call (or similar).

To be fair, most of them simply reckon the stock is overvalued, with ascribed 'target prices' as low as $227. "[A] high quality result but difficult for us to see any additional outperformance in the stock," harrumphs investment bank Jarden.

An outlier, Wilsons' Dr Shane Storey ascribes a $365 valuation: "Cochlear may even be doing better (tactically and strategically) than the immediate numbers suggest."

A key concern is how successfully Cochlear will broaden its adult market to achieve its target of high-single digit implant growth in the medium term.

The World Health Organisation estimates 60m people have severe or higher hearing loss and only 5% of those suitable for an implant are serviced.

Cochlear says when it comes to the acoustic transplants the take-up is more like one percent.

To date, the growth comes mainly from existing implantees upgrading their equipment.

Mr Howitt says there is a "huge clinical need" for older people who have given up on hearing aids, while there is also a growing awareness of the link between hearing loss and declining cognition.

Aside from raising awareness, the company needs to boost the low level of referrals from stretched audiology practices. Much depends on how the company uses Oticon and Sycle as a tool for sales referrals.

Unlike Ms Swift, Cochlear occasionally misses a beat and faces problems. But management's loud and clear message is that Cochlear knows how to solve 'em.

Disclosure: Dr Boreham is not a qualified medical practitioner and does not possess a doctorate of any sort - not even Harvard's 'Taylor Swift and her World' or the University of Florida's 'Musical storytelling with Taylor Swift and other iconic female artists'.

**This article first appeared in Biotech Daily**

**www.biotechdaily.com.au**

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RUDI'S VIEWS

# Rudi's View: Week 3 - Not As Good, But Not Bad

**Week 3: Not As Good, But Not Bad**

By Rudi Filapek-Vandyck, Editor

As the local corporate results season went through its third week, it became obvious the heavy skew towards positive surprises could not be maintained.

As it turned out, the busiest week of the season (involving some 40% of the ASX200 market cap) saw the number of misses and disappointments rise quite quickly, without destroying the positive sentiment that has prevaled throughout this season.

To illustrate what is happening in February, we might as well rely on the **FNArena Corporate Results Monitor**.

-Week One had total 'beats' on 52.4% with only one disappointment from REA Group ((REA)) on a strong performance with increased investments to be made.

-By the end of Week Two the Monitor had 'beats' on 41% -still strong by historical standards- with disappointments rising to 22%, still low by historical comparisons.

-By Friday, week three ended with 'beats' on 38% and 'misses' on 28%.

To put some perspective around these numbers: if they were maintained throughout the closing week, this would still be the third best February season since 2014, as far as percentage of 'beats' is concerned.

But then the percentage of misses is also the fourth highest for the period.

Conclusion: it's a polarised market out there, and results season is showing just that.

| TOTAL STOCKS: | | 282 |
|---|---|---|
| Beats 100 | In Line 103 | Misses 79 |
| 35.5% | 36.5% | 28.0% |

| | |
|---|---|
| Total Rating Upgrades: | 35 |
| Total Rating Downgrades: | 40 |
| Total target price movement in aggregate: | 3.03% |
| Average individual target price change: | 2.94% |
| Beat/Miss Ratio: | 1.27 |

By late on Monday, as I am writing this week's update, the percentages have changed to 36.3% 'beats' and 26.7% 'misses'.

Still, those with a positive outlook can seek solace from the fact nearly three out of four corporate releases either meets or beats forecasts. Plus the number of spectacularly negative market updates a la Nuix ((NXL)) or Appen ((APX)) or EML Payments ((EML)) in the past has remained quite limited thus far.

That said, most investors would still like to avoid share price punishments for the likes of Corporate Travel Management ((CTD)), Lendlease ((LLC)), Strike Energy ((STX)), The Star Entertainment Group ((SGR)), Nanosonics ((NAN)), and MA Financial Group ((MAF)) if they can.

Overly popular Pro Medicus ((PME)) can claim the title of fastest recovery this season.

After releasing interim results that simply weren't splendid enough, the subsequent punishment lasted three days, before the shares rallied back to just under $100. Still well below the $111 price level pre-result, but also well above the below-$40 level from mid-2022, and the mid-$70s level in late October last year.

Zooming in on the large percentage of earnings beats, consumer related businesses have on average posted better-than-forecast performances, online marketer Kogan ((KGN)) the latest example on Monday, with strong results also coming from multiple quality growth companies, including those carried by megatrends such as data centres (it's not solely a US phenomenon).

Examples are a-plenty; from Block ((SQ2)) to Aussie Broadband ((ABB)), Bega Cheese ((BGA)) and a2 Milk ((A2M)), to Audinate Group ((AD8)), Cochlear ((COH)) and ResMed ((RMD)), to Goodman Group ((GMG)), to Car Group ((CAR)), to Ampol ((ALD)), ARB Corp ((ARB)), Cettire ((CTT)), JB Hi-Fi ((JBH)), and Wesfarmers ((WES)), and numerous others.

The turnaround story this month looks like it might be the spectacular reversal of fortune through new management at Bravura Solutions ((BVS)). Another eye-catcher was delivered by Cobram Estate Olives ((CBO)).

Overall, many businesses managed to outperform not necessarily because of more sales, but more so because management teams have developed a better grip on cost control.

Cost control and better margins are closely inter-connected. **Better margins** have proved the secret formula for more 'beats' than 'misses' this month.

<u>The Negatives</u>

Are there any obvious negatives that are worth paying attention to?

A remarkably large number of **dividend payouts** went backwards and/or missed expectations. While in various cases this was related to the need for a step-up in investments, this is far from the complete picture and will need to be investigated further.

UBS strategists report, on their numbers some 29% of reporters to date have paid out less than last year, while 35% has lifted their dividend payment.

Also important is companies reporting a **loss in operational momentum** into the fresh calendar year.

This has put a number of such companies among the disappointers this month. But even if it didn't, a worsening of sales volumes is probably the number two of big risks that hovers over the outlook for the rest of the year.

The number one risk is undoubtedly connected with central banks' intentions to start cutting interest rates, when the time is right.

Those with a more cautious bent in their character might consider better corporate dynamics are likely to keep such interest rate cuts further away into the future.

The **burden from high interest rates** remains one source for disappointment, still, and remains one big headwind for many an A-REIT, together with the ongoing process of **asset values deflating**. Offices remain the source of most pain for the sector.

As far as sectors go, resources stand out through negative forecasts and negative adjustments to forecasts, though telecommunication isn't exactly covering itself in glory either.

Staples disappointed through Woolworths Group ((WOW)) and spin-off Endeavour Group ((EDV)) while lots of uncertainty remains for smaller cap credit providers a la Humm Group ((HUM)) and Latitude Group ((LFS)), as well as specific sections of the healthcare sector.

Miners and energy companies stand out as the worst two sectors this month in terms of share price action.

IDP Education ((IEL)) and the lithium sector remain under heavy scrutiny from shorters.

Operational dynamics remain strong for building materials, contractors and engineers, insurers and insurance brokers.

Underlying, and despite the strong bias for beats & meets, earnings forecasts are, on balance, not improving.

The consensus forecast for FY24 EPS is still a negative -5.5%, having lost -0.6% thus far this month.

The consensus EPS forecast for FY25 is a positive 4.3%. The average local share market PE ratio sits around 16.2x, at the upper level of the historical range outside of the covid-years. The average dividend yield has crept up to 4%.

One of potential sources for further relief for corporate margins is a seeming **stabilisation in labour market dynamics**.

UBS strategists report of the companies the broker monitors, 72 have suffered FY24 EPS downgrades post results release, versus only 60 receiving a consensus upgrade. Six out of every ten companies reporting see their sales trajectory slowing with most management commentary referring to customers battling with cost of living pressures.

On UBS's number crunching, only 18% of companies has thus far increased guidance, while 19% has lowered guidance. No less than 92% of companies has reported a rising cost for servicing debt.

Meanwhile, corporate activity is unusually elevated with Alumina Ltd ((AWC)), one of the longest listed commodity producers locally, reporting a take-over approach from JV-partner Alcoa.

Today's news follows similar announcements regarding CSR ((CSR)), Superloop ((SLC)), Altium ((ALU)), Ansarada Group ((AND)), Boral ((BLD)), APM Human Services International ((APM)), Southern Cross Media ((SXL)), Link Group ((LNK)), Perpetual ((PPT)), Pact Group ((PGL)), Volpara Health Technologies ((VHT)), Pacific Smiles ((PSQ)), and Adbri Group ((ABC)), plus a few smaller deals.

The local index is up less than 1% from the 1st of January.

A full analysis of the season will be conducted next week.

FNArena's Corporate Results Monitor: [https://fnarena.com/index.php/reporting_season/](https://fnarena.com/index.php/reporting_season/) (updated daily, with calendar)

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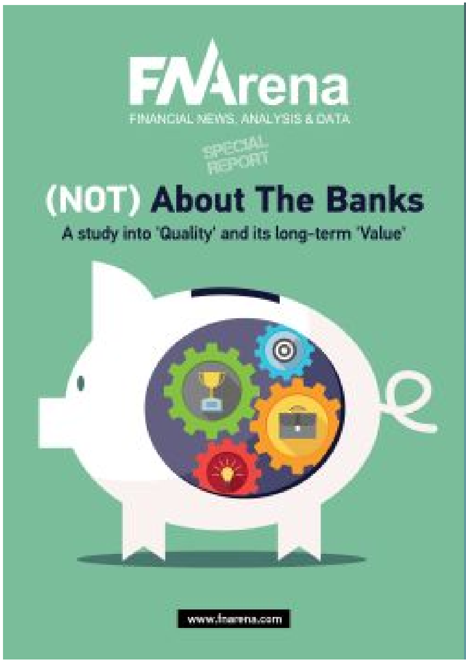



**(This story was written on Monday, 26th April, 2023. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).**

**(Do note that, in line with all my analyses, appearances and presentations, all of the above names and**

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SMALL CAPS

# Hansen Technologies: Focus On FY26

A disappointing update on recently acquired powercloud does not ruin the investment case for Hansen Technologies, analysts say.

**-Hansen Technologies' core business is performing well, but...**
**-the recent powercloud acquisition is loss-making and requires additional investments**
**-Analysts remain positive, pointing at Hansen's strong track record of successfully integrating acquisitions**

By Nicki Bourlioufas

Latest acquisition leads to disappointment

While Hansen Technologies's ((HSN)) recently acquired German software platform powercloud will act as a drag on near-term earnings, analysts remain upbeat on the longer-term outlook, expecting an earnings boost from FY26.

Hansen, a global provider of software and services to the energy, water and communications industries, recently completed its acquisition of powercloud, which provides billing and customer management software products, including to many of Germany largest utility retailers.

The acquisition expands Hansen's business in key target markets, Germany and the broader 'DACH' region of Germany, Austria and Switzerland. Great news so far, were it not for Hansen management's admission the new acquisition is loss-making, and will therefore weigh on the company's growth momentum, plus additional investments in the business are required.

Hansen's first-half earnings before interest, taxes, depreciation, and amortisation (EBITDA) rose 15.8% to of $52.1m, while reported net profit after tax (NPAT) of $17.6m was up 9.4% on the previous calendar period (pcp). The EBITDA margin of 31.1% rose from 30.2% in the pcp, sitting at the top end of the company's long-term 25% to 30% range, despite increased pressure from costs because of continued input inflation.


Analysts look past near-term disappointment

Near term, UBS estimates Hansen's earnings per share (EPS) and free cash flow (FCF) will fall -18% and - 16% in FY24, respectively, and -15% and -36% in FY25. But the broker expects the acquisition will boost earnings from FY26 onwards. For FY26 to FY28, UBS forecasts EPS will increase 5% to 16% and FCF will improve 8% to 15%.

UBS has a Buy rating on the stock and a 12-month target of $6.50, downgraded from $6.75. "Hansen is continuing to deliver to a higher level of organic revenue growth & cash flow generation, supporting our investment case," the investment bank wrote in a research note.

powercloud is a market leading product that should benefit from the significant utility software upgrades resulting from the German government-mandated smart meter rollout. The powercloud business, though not yet profitable, has been operating on EBITDA margins of between 30% to 50% in recent years.

Ord Minnett is equally positive with a Buy rating and a $6.80 target price, but patience is required, this broker acknowledges.

The losses and investment required on the powercloud acquisition are driving EPS downgrades of -13% to -20% by FY25. Ord Minnett expects the acquisition to add around 8% to EPS from FY26 onwards. FY24 earnings guidance excluding the powercloud acquisition remains unchanged at 5% to 7% revenue growth and an EBITDA margin of 30%.

"We back the company to execute on the integration [of powercloud] over time. Hansen's track record of acquisitions is outstanding, where the company has successfully executed and integrated more than 25 deals over its history," Ord Minnett notes.

Shaw and Partners is also positive, with a $6.90 price target. Post the interim update and subsequent share price punishment, Shaw has reiterated its Buy rating.

While the update on powercloud highlights that FY24 and FY25 cash burn will be higher than forecast, the actual cash outflow for the purchase of EUR17m ($28m) was lower than this broker expected.

Shaw has increased its revenue forecasts by 1% to 4% but reduced FY24 and FY25 cash EBITDA forecasts by -16% and -14% respectively. In FY24, powercloud is expected to contribute revenue of $16m to $18m and a negative EBITDA of -$7m to -$8m. Combined revenue growth is expected to reach between 11% to 13% with an underlying EBITDA margin of 26%.

“Powercloud is a quality business and will generate positive shareholder returns over the medium-term … We expect the business will be refocused to drive cash profitability in FY26,” says Shaw.

Morgan Stanley is also upbeat with a $6.40 price target and Overweight rating on the basis that Hansen has a long track record of integrating M&A, cutting costs and improving EBITDA margins of the software businesses it acquires.

The core Hansen business is trading strongly, this broker highlights, with first half FCF strong and the balance sheet debt free.

Positive enthusiasm is equally palpable at Goldman Sachs with the broker zooming in on Hansen's favourable exposure to structural changes in the energy market. “Hansen has a strong track record of driving margin expansion in acquired companies and the price paid relative to revenue is low,” writes Goldman Sachs.

However, because powercloud will pressure earnings near term, this broker has a Neutral rating on Hansen shares in combination with a $5.20 price target.

FNArena's consensus price target, which combines UBS, Morgan Stanley, Ord Minnett and Shaw and Partners, but not Goldman Sachs (not monitored daily), sits at $6.65, suggesting Hansen shares look undervalued to the tune of -38.50%.

But as virtiually all analysts have suggested post H1 release and delivering a negative surprise regarding the powercloud purchase, shareholders may need patience before that gap will be closed.

*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*

SMALL CAPS

# February Small Cap Winners & Losers

By Tim Boreham, Editor, The New Criterion

Profit season brings out the best and worst in small caps – and sometimes both at once

While inconsistent, the just-concluded profit reporting season has provided succour to investors in the small-cap minnows who believe the sector has been unjustly marked down.

It's always hard to be definitive about such a sprawling milieu of thousands of stocks, but in the main the small 'uns look to be benefiting from tapering inflation and wage pressures and resilient consumer sentiment.

According to broker Wilsons, the ASX small-ordinaries index has returned 5.4% over the last five years, compared with 9.7% for the ASX 200 index. Globally, the small caps discount relative to larger stocks is at a record high.

"Small caps generally underperform large caps in the lead-up to an economic slowdown and this cycle has been no exception, with both global and Australian small caps underperforming significantly since 2021," the broker says.

As for the reporting season, the small caps winners' list was a case of revenge of the tech stocks, with Bravura Solutions ((BVS)), and Audinate Group ((AD8)) enjoying the best share reactions.

Clubhouse champ Bravura provides management software for the wealth management sector. The company reported a -$1.7m interim loss, but upgraded full-year guidance to earnings before interest tax depreciation and amortisation (ebitda) of $18-22m compared with the previous forecast of $10-15m.

The company's "re-set and re-energise" strategy, including -$65m of cost cutting, also buoyed investors who pushed the shares up 30% post results.


Shares in online retailer Kogan Group ((KGN)) climbed 24% after the online retailer reported a turnaround from a -$23.8m loss to an $8.7m profit, whilst declaring its first dividend since 2021 (7.5c per share).

Audinate provides AV software and hardware that enables customers to dispose of cumbersome equipment. Audinate shares soared 20% after the company turned a previous -$400,000 loss into a $4.7m net profit and sent out strong positive vibes about the rest of the year.

Fourth placegetter Imdex Limited ((IMD)) enables drilling contractors and resource companies to find, define and mine orebodies with precision and at speed.

The company reported ebitda of $71m, up 13% albeit with reported net profit slipping -26% to $16.8m. But that was enough for the shares to spurt 17%.

Elsewhere, the reporting jamboree revealed plenty of other gems but in many cases they took some digging to find.

A recession bellwether, trucker Lindsay Australia ((LAU)) reported “resilient” demand for its refrigerated haulage .

Lindsay reported a 7.5% profit boost to a record $18.07m, on revenue of $418m. Softness in rural haulage aside, management expects full-year ebitda to increase 13% from last year’s record, to $102-108m.

Specialising in marine propulsion and stabilisation systems, the Perth based Veem ((VEE)) propelled itself to a decent result: a 92% net profit surge to $$3.5m, with revenue lifting 37% to $37.5m.

Veem services the global yacht sector, which is not being troubled by the cost of living crisis.

That’s not the case with chicken processor Inghams Group ((ING)), which is both a winner and a loser from stretched household budgets. Chooks are a cheaper source of protein than red meat, but out-of-home consumption is suffering as folk consume their birds at home.

Inghams’ net profit was up a none-too-paltry 268% to $63m, on revenue of $1624m (up 9%). Still, the company couldn’t ‘pullet’ off investor wise and the stock tumbled 17%.

Sentiment in the biotech sector has been crook for some time and contract drug manufacturer IDT Australia ((IDT)) has struggled.

IDT has a history dating back to the1960s and has reinvited itself more times than the late David Bowie in his androgynous era.

IDT has deployed its approved facility to prepare medical cannabis products, while it is also tapping demand for psychedelic drugs for research purposes.

On the road to redemption, IDT disclosed half year revenue of $5.8m, 137% higher and narrowed its loss by one third, to -$3.86m.

IDT’s circa $30m market cap is backed by the $18m plus valuation of its freehold property, plant and equipment in eastern Melbourne.

The reporting season also revealed the cracks in the office property market – and as a rule we will join the working-from-homers by staying away.

But we’ll make an exception for the well-established services office provider Servcorp ((SRV)), which has 151,000 square metres of space across 40 cities in 20 countries.

Servcorp reported an underlying pre-tax profit of $28.3m, 25% higher and is sticking to a full-year number of $50-55m.

After shrinking its space during the pandemic, Servcorp is expanding, having invested -$60m over the last year to add 15 more floors.

Allowing for Servcorp’s ample cash reserves of $108m, the company trades on a skinny earnings multiple of 6.7 times and yields around 7%.

While discretionary consumer stocks generally did better than expected, the small cap retailers were all over the shop – literally.

Beacon Lighting ((BLX)) shone, as did the similarly housing-exposed furniture maker Nick Scali ((NCK)). Sofa, so good.

Shaver Shop Group ((SSG)) benefited from consumers looking for DIY options to shave their hairdressing bills.

Baby Bunting Group ((BBN)) proved a cot case while plus-sized clothier City Chic Collective ((CCX)) is shrinking in all the wrong places, such as the bottom line.

A vendor of smelly candles, diffusers and mood rings, Dusk Group ((DSK)) posted a -38% profit decline and said trading was likely to remain challenging for the rest of the year.

The shares were snuffed out by -14%.

The 'biggest losers' list consisted of heroes turned villains – if only temporarily. Exemplars were Corporate Travel Management ((CTD)), down -19% and medical imaging dazzler Pro Medicus ((PME)), down -14%.

Kettle and coffee machine maker Breville Group ((BRG)) was punished for weak sales and the stock went off the boil by -12%.

Traffic camera operator Acusensus ((ACE)) had a 'zero to hero' month, with its shares soaring 15% after the company emerged as preferred bidder for a  Washington State speed camera tender.

But this week was not so ACE: the company missed out on a Western Europe contract and the stock slunk -30%. Still, allowing for a five-for-one share split last year – not bad given the poor sentiment towards small caps.

A quiet achiever, engineer Duratec ((DUR)) provides services aimed at prolonging the life of assets, across defence (its biggest client sector), aged care, mining, energy and utilities.

Interim earnings came in at $12.2m, 56% higher on revenue of $293m, 28% higher. This effort was 'rewarded' with a -16% sell-off, which goes to show the devil often is in the entrails of a result.

On a cautionary note, small caps are a square peg that can't be corralled into a round hole.

They can't be viewed as an amorphous blob, but given they are less scrutinised there are greater rewards for diligent investors than plonking more in yawn-inducing Telstra or Commonwealth Bank.

WEEKLY REPORTS

# Weekly Ratings, Targets, Forecast Changes - 23-02-24

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 February 19 to Friday February 23, 2024*
*Total Upgrades: 20*
*Total Downgrades: 27*
*Net Ratings Breakdown: Buy 55.83%; Hold 35.25%; Sell 8.92%*

In the third week of the reporting season ending Friday February 23, 2024, there were twenty rating upgrades and twenty-seven downgrades to ASX-listed companies by brokers covered daily by FNArena.

As mentioned last week, this article should ideally be read in conjunction with FNArena’s daily Corporate Results Monitor (Corporate Results Monitor - FNArena.com), which provides a summary of broker research on all companies that have reported results to-date.

In a similar pattern to last week, the tables below show percentage downgrades by brokers to average earnings forecasts were broadly similar to upgrades, though positive percentage adjustments to 12-month target prices were greater than negative changes.

Reliance Worldwide's first half results beat broker expectations last week and the company received three ratings upgrades, while a2 Milk Co and HMC Capital also beat analysts’ forecasts but received two ratings downgrades apiece after recent share price strength.

Valuation was also considered an issue by Morgans and Citi when downgrading The Lottery Corp to Hold following in-line results.

Average target prices for HMC Capital, Reliance Worldwide and a2 Milk Co increased by 29%, 22% and 13%, respectively, as can be seen in the table below.

UBS labeled HMC Capital’s result a "low quality 41% beat" due to non-cash gains, derivative gains on its HealthCo Healthcare & Wellness REIT investment, and lower tax. Nonetheless, the broker reminded investors management has the ambition to transition HMC Capital to a global diversified alternative asset manager.

Shares in HMC have climbed by over 60% in the last four months. HMC Capital primarily manages real estate assets, particularly convenience-based assets via the ASX-listed HomeCo Daily Needs and the unlisted Last Mile Logistics Fund.

More recently HMC has moved into Healthcare assets via the listed HealthCo Healthcare & Wellness REIT and the unlisted Health & Life Sciences Fund.

Reliance Worldwide reported a resilient first half result, suggested Ord Minnett, given volume declines experienced in each of its three key geographies. Management aggressively tackled the cost base, driving strong margin performance in the Americas, explained the analyst.

Cost reduction initiatives will continue into second half, with the EMEA region in focus. As end-markets will potentially stabilise later this year, and new product initiatives are underway, the broker suggested Reliance is well-placed for an eventual upturn in the cycle.

For a2 Milk Co, Morgans felt interest income tailwinds on large cash balance in the first half would result in material upgrades to consensus forecasts. The transition to the new GB standards for a2 Milk's China label has vastly outperformed the broker's expectations held a year ago.

Management upgraded FY24 guidance slightly and made some upbeat outlook commentary, noted Morgans. It's felt earnings will accelerate in both FY25 and FY26.

Other significant average broker target price moves, which occurred after the release of financial results, were for Bega Cheese, Universal Store, WiseTech Global, ARB Corp, Ventia Services Group, and Lovisa Holdings.

The appearance of retailers Universal Store and Lovisa in this grouping is indicative of the 8% rally so far this year for the ASX Consumer Discretionary sector. Exceptions last week within this sector included a -15% average target price fall for the Reject Shop and a -28% decline in the average earnings forecast for Baby Bunting.

Baby Bunting's trading update, which accompanied the release of first half financials, indicated a deterioration in sales. Citi downgraded to Neutral from Buy and suggested the turnaround story will occur at a slower pace and prove more difficult to achieve than initially envisaged.

Profits for the Reject Shop were materially reduced as a result of shrinkage (shoplifting). Earnings fell by -$4m and would have been flat without the subterfuge, which had a -75bps impact on gross margins.

Management only became aware of the situation at stocktake time, post period's end.

More positively, Morgans noted the company outperformed most companies under the broker's coverage in retail, with 2.3% like-for-like sales growth as customers gravitated towards well-priced everyday essentials.

The Reject Shop appears in both the negative change to target price and negative change to earnings tables below, as do Corporate Travel Management, APM Human Services International, and Lendlease.

Corporate Travel Management lowered FY24 earnings guidance by -15.4% after delivering underlying earnings which fell short of consensus expectations, largely due to underperformance of the company's UK Bridging contract due to immigration issues and timing delays.

While Citi acknowledged the majority of the downgrade was out of management's control, the broker's rating was lowered to Neutral from Buy on overall uncertainty, including a lack of clarity around the UK contract.

APM Human Services International reports interim results this Wednesday, but last week Morgan Stanley conceded it was wrong on its Overweight rating and downgraded to Equal-weight and slashed its target to $1.22 from $2.60.

The analyst not only underestimated the impacts from low unemployment rates, but also the complexity of APM's operations across multiple jurisdictions, with various programs and nuances.

Bell Potter (target $1.50) upgraded to Buy from Hold when APM confirmed (after recent media speculation) it had received and rejected a proposal of $1.60 per share in cash from CVC Asia Pacific Ltd.

Management believes the long-term value of the business is worth considerably more, and the broker concurred, noting revenue growth into FY25 via new contract wins and traction from the health business.

Lendlease Group's December-half result proved a massive miss, with Citi noting core earnings fell -70% short of consensus forecasts and -67% below the analyst's forecast, due to weakness across the business, particularly in the development segment.

While management expects an earnings recovery, the broker is concerned by ongoing pressure on core earnings and execution risk. Cit's rating was downgraded to Neutral from Buy and the target reduced to $6.90 from $9.40.

Iress received the largest percentage upgrade to average earnings forecasts in the FNArena database last week, though it should be noted the percentage gain was exaggerated by small numbers involved. FY23 results were in line with management's guidance, and broadly in line with forecasts, with all divisions (excluding Super) displaying half-on-half earnings growth.

Morgans noted Iress has executed on the early stage of its business turnaround strategy via cost-out and de-gearing, yet downgraded its rating to Hold from Buy after recent share price outperformance and because of an opaque outlook for 'base' free cash flow generation. On the other hand, Buy-rated Ord Minnett suggested the share price appears undervalued and is expecting a strong recovery in the core business this year.

Cobram Estate Olives was second on the earnings upgrade table after enjoying much stronger output pricing in Australia in the first half than Shaw and Partners anticipated. The period saw the company gain market share domestically, with Australian packaged oil sales up 41% year-on-year.

The broker (Buy) noted sales are expected to be similar in the second half, but further price increases are likely to be offset by volume constraints.

For further commentary on companies mentioned (and not mentioned) that feature in the tables below, please refer to FNArena's daily Corporate Results Monitor.

Total Buy ratings in the database comprise 55.83% of the total, versus 35.25% on Neutral/Hold, while Sell ratings account for the remaining 8.92%.

**Upgrade**

**AUCKLAND INTERNATIONAL AIRPORT LIMITED ((AIA)) Upgrade to Buy from Neutral by Citi** .B/H/S: 2/2/0

Auckland International Airport reported a better-than-expected interim profit, 5.5% ahead of consensus and slightly beating Citi's forecast too, but management left FY24 guidance unchanged.

Citi explains management is worried about the pace of growth in H2. Citi, however, is undeterred and suspects there's upside potential to guidance.

While the property business continues to see strong growth, the broker adds some -NZ$7.6bn of capex spend over the next decade sets Auckland International up well to generate solid longer-term returns for shareholders.

Upgrade to Buy from Neutral. Target price increases to NZ$9.50 from NZ$9.03.

**EAGERS AUTOMOTIVE LIMITED ((APE)) Upgrade to Buy from Hold by Bell Potter** .B/H/S: 4/3/0

The 2023 results from Eagers Automotive were slightly ahead of Bell Potter's forecasts. No specific guidance was provided although the company expects revenue growth of around $1bn in 2024 that implies a figure around $11bn.

While modestly upgrading underlying operating pre-tax forecasts, the broker downgrades EPS estimates because of higher expected interest expense. Rating is upgraded to Buy from Hold and the target reduced to $15.20 from $15.65.

**APM HUMAN SERVICES INTERNATIONAL LIMITED ((APM)) Upgrade to Buy from Hold by Bell Potter** .B/H/S: 2/2/0

APM Human Services International has confirmed discussions regarding a proposal from CVC Asia-Pacific of $1.60 cash. The offer has been rejected as too cheap.

Bell Potter points out new contracts and traction in the health business should drive growth in revenue into FY25 even if FY24 is difficult, and as private equity usually has a 3-5 year turnaround plan this may prompt a higher offer or other interest.

First half results will be reported in February 28 and there was no mention in the company's statement regarding dividends or fundraising. Rating is upgraded to Buy from Hold and the $1.50 target is unchanged.

See also APM downgrade.

**ARB CORPORATION LIMITED ((ARB)) Upgrade to Accumulate from Hold by Ord Minnett** .B/H/S: 2/2/1

ARB Corp's 12.3% increase in first half underlying net profit was ahead of Ord Minnett's forecast. This was driven by gross profit margin improvement, lower input and freight costs.

The broker finds the outlook promising amid accelerating aftermarket sales in Australia and a return to growth in the export division. Gross margins are expected to remain at current levels in the near term.

Rating is upgraded to Accumulate from Hold and the target lifted to $41 from $36.

**BEGA CHEESE LIMITED ((BGA)) Upgrade to Hold from Lighten by Ord Minnett** .B/H/S: 1/2/0

Following Bega Cheese's 1H results, Ord Minnett upgrades its rating to Hold from Lighten and increases its target to $3.70 from $3.00. Normalised earnings (EBITDA) rose by 3% to $76.5m compared to the analysts' forecast for $62.7m.

The broker notes the financial performance of the Branded segment improved, offset by Bulk which experienced soft market conditions. The outlook for Bulk is improving, according to the company, following a recent rally for commodity prices.

A fully franked interim dividend of 4.0cps was declared. FY24 guidance for normalised EBITDA of $160-170m was maintained.

**CORPORATE TRAVEL MANAGEMENT LIMITED ((CTD)) Upgrade to Accumulate from Hold by Ord Minnett** .B/H/S: 5/2/0

February 21 will be remembered as the day Corporate Travel Management delivered its first major downgrade to guidance since listing in 2011, Ord Minnett posits.

The downgrade, the broker explains, relates to management's too rosy assumption business travel volumes would gradually normalise post covid. And then there's also overestimation of the materiality of the UK procurement contract.

Business travel volumes are most likely to settle around 75% of pre-covid levels on management's updated projections. Given the heavy sell-off that has ensued, Ord Minnett upgrades to Accumulate from Hold.

Everything has a price, the broker argues (justifying the upgrade), even if confidence has taken a big blow. Corporate Travel Management should still be well-positioned to deal with structural headwinds.

The broker suggests investors should buy on weakness. New target of $17.16 (was $18.19).

See also CTD downgrade.

**IMDEX LIMITED ((IMD)) Upgrade to Hold from Sell by Bell Potter** .B/H/S: 3/1/0

First half results beat Bell Potter's expectations. Imdex expects product demand in the second half will remain steady and completion of an organisation redesign should drive a reduction in the cost base for the second half.

The broker upgrades to Hold from Sell as near-term earnings margins are proving resilient and the mix towards higher-margin sensor and SaaS sales is materialising faster than previously expected. Target is raised to $1.75 from $1.50.

**INGHAMS GROUP LIMITED ((ING)) Upgrade to Outperform from Neutral by Macquarie** .B/H/S: 3/2/0

Inghams Group posted a first half result that was in line with guidance. Selling price growth of 8.5% more than offset the cost pressures, Macquarie notes. Moreover, efficiency programs that are set to come online should provide opportunity for margin expansion.

Management has signalled the recent installation of de-boning machines is ahead of schedule and under budget and the broker asserts the improvements could also reduce labour costs and drive productivity benefits.

Amid relatively stable top-line growth Macquarie envisages upside risks to margins in the medium term and upgrades to Outperform from Neutral. Target is raised to $4.20 from $4.10.

**LOVISA HOLDINGS LIMITED ((LOV)) Upgrade to Buy from Neutral by Citi** .B/H/S: 4/3/0

Elsewhere conclusions are being drawn the Lovisa Holdings share price is looking bloated in the short term, but not at Citi. The broker counters the retailer has just released another strong result and there is further upside short term.

Gross margin and like-for-like sales represent that upside potential. Ongoing store rollout should secure long term upside. Citi upgrades to Buy from Neutral.

The broker suggests the CEO has done an "exceptional job" turning Lovisa into a global retailer.

**MCMILLAN SHAKESPEARE LIMITED ((MMS)) Upgrade to Accumulate from Hold by Ord Minnett** .B/H/S: 4/0/0

McMillan Shakespeare's first half earnings result was 7% ahead of Ord Minnett, with the performance of the novated leasing business the standout contributor. EV sales continue to climb, leading to an increase in total novated lease sales of 25.7% year on year.

The broker also considers the performance of the Group Remuneration Services segment a standout, with revenue up 29.2% year on year.

Due to the company's strong operational momentum, and attractive valuation, Ord Minnett upgrades to Accumulate from a Hold. Target rises to $21.10 from $20.50.

**NUIX LIMITED ((NXL)) Upgrade to Overweight from Equal-weight by Morgan Stanley** .B/H/S: 2/0/0

Morgan Stanley assesses Nuix remains a turnaround story although recent updates have been stronger than expected and amid positive industry feedback this provides more confidence. Legacy legal issues have also been progressively dealt with.

Investor sentiment remains mixed, but the broker suspects the thesis can now be revisited, noting the strategic re-launch is gaining momentum. While expecting share price volatility, an improved risk/return outlook is still envisaged.

Rating is upgraded to Overweight from Equal-weight and the target lifted to $2.50 from $1.25. Industry view is Attractive.

**RELIANCE WORLDWIDE CORP. LIMITED ((RWC)) Upgrade to Buy from Neutral by Citi and Upgrade to Accumulate from Hold by Ord Minnett and Upgrade to Add from Hold by Morgans**.B/H/S: 5/1/0

A solid first half result from Reliance Worldwide has left Citi optimistic on US operations looking ahead. The company reported adjusted earnings of $125m, noting a 17% tax rate was a material driver.

As per the broker, sales from US and the APAC region were largely in line, while earnings were ahead, but EMEA proved a drag, delivering a -3% miss at the earnings line.

Citi extrapolates that the US segment demonstarted strong margin expansion, and with the environment improving the broker is optimistic about where margins could land as volume growth returns.

The rating is upgraded to Buy from Neutral and the target price increases to $5.45 from $3.90.

Reliance Worldwide reported a resilient first half result, Ord Minnett suggests, given the volume declines experienced in each of its three key geographies. Given subdued volumes, management aggressively tackled its cost base which has driven strong margin performance in the Americas.

Cost reduction initiatives will continue into second half, with EMEA in focus. With end-markets potentially stabilising later this year, and new product initiatives underway, Reliance is well-placed for an eventual upturn in the cycle, the broker suggests.

Upgrade to Accumulate from Hold. Target rises to $5.10 from $4.10.

Reliance Worldwide's 1H underlying earnings (EBITDA) beat forecast by Morgans and consensus by 5% and 4%, respectively, while profit was a bigger beat due to a lower-than-expected tax rate.

Despite a subdued trading environment in the Americas, earnings there jumped by 19%, highlights the analyst. Cost reduction initiatives kept the earnings margin decline to a modest -10bps in the EMEA and APAC regions, even though volumes were lower.

Management maintained FY24 guidance.

The broker's target jumps to $5.25 from $4.20 due to earnings forecasts upgrades and an increased valuation multiple. It's felt Reliance is well placed to prosper when trading conditions improve, and the rating is upgraded to Add from Hold.

**SCENTRE GROUP ((SCG)) Upgrade to Neutral from Underperform by Macquarie** .B/H/S: 2/3/0

Scentre Group delivered 2023 results that were largely in line with Macquarie's forecasts while guidance is ahead of expectations. FY24 FFO guidance is 21.75-22.25c per security, 2.3% ahead of the broker's forecast at the mid point.

Hence, Macquarie is becoming more positive on the stock and upgrades to Neutral from Underperform. Although work needs to be done on converting subordinated notes, the broker believes the business is closer to action on these. Target rises 11% to $3.03.

**SIMS LIMITED ((SGM)) Upgrade to Neutral from Sell by Citi** .B/H/S: 1/2/1

Lower scrap prices in the US domestic market are affecting supply, Citi observes. Sims' earnings from North America and UK Metals in the first half were affected as a result. No interim dividend was announced and EBIT fell short of expectations.

The company aims to shift its North American focus towards the domestic market because of weaker prices. The broker upgrades to Neutral from Sell, reducing estimates for FY24 and FY25 EBIT by -36% and -8%, respectively. Target is lowered to $13.50 from $14.30.

**SUPER RETAIL GROUP LIMITED ((SUL)) Upgrade to Add from Hold by Morgans** .B/H/S: 2/1/3

Following a review of 1H results, where sales increased by 3% (despite cycling tough comparisons), Morgans suggests Super Retail is outperforming competition across most of its retail operations. Note: results were pre-released on January 15.

To illustrate this point, the analysts note profit (PBT) only fell by -5% (slightly above the guidance range), compared to the -20% decline for JB Hi-Fi ((JBH)) over the same period. It's felt Super Retail will continue to deliver strong returns.

The broker's rating is upgraded to Add from Hold and the $17.50 target is unchanged.

**TABCORP HOLDINGS LIMITED ((TAH)) Upgrade to Outperform from Neutral by Macquarie** .B/H/S: 4/1/0

Tabcorp Holdings' busy December-half result proved a solid miss on consensus and Macquarie's forecasts, underlying earnings (EBITDA) falling and the company booking a -$732m wagering and media impairment.

Management pointed to deteriorating revenue and volumes in early June half trade, and has revised operating cost and D&A guidance.

The broker believes volumes are still rebasing post the demerger and sees signs of early success in repositioning the wagering and media business, the company winning market share.

Cost were clunky but the broker suggests this could yield operating leverage as volumes rebound (most likely in FY25, says the broker).

EPS forecasts fall -6% in FY24 and -7% in FY25, Macquarie noting its forecasts are at the conservative end of the market.

Outperform rating retained, the broker being "more constructive" on the company as its rebasing settles. Should a rerate not eventuate, Macquarie considers the company to be an attractive M&A prospect given its licences and media rights. Target price falls to 85c from 90c.

**REJECT SHOP LIMITED ((TRS)) Upgrade to Buy from Accumulate by Ord Minnett** .B/H/S: 2/1/0

Ord Minnett was disappointed with Reject Shop's first half result as underlying net profit was below forecasts. The broker believes the situation will improve and more than likely become a "one-off".

Total sales growth, including net new stores, increased 4.8% during the first seven weeks of the second half with comparable sales growth of 3.2%.

The broker downgrades FY24 earnings by -34% to reflect the higher shrinkage cost while FY25 earnings estimates are down -7%.

Following weakness in the share price, the rating is upgraded to Buy from Accumulate and the target reduced to $5.80 from $6.20.

See also TRS downgrade.

**WHITEHAVEN COAL LIMITED ((WHC)) Upgrade to Hold from Sell by Bell Potter** .B/H/S: 3/3/0

Whitehaven Coal's December-half earnings outpaced Bell Potter's forecasts, while net profit after tax disappointed.

The company closed the half with net cash of $1.5bn and no dividend was declared to reflect lower coal prices and the Blackwater and Daunia purchases (which have ended the company's buy-back until the deal is finalised mid 2027).

Unit costs moved towards the high end of guidance and the company surprised with a 7cps full franked interim dividend, observes the broker.

Management reiterated guidance but advised capital expenditure should be less than guided and flagged an opportunity to sell 20% in Blackwater, possibly into a joint venture with steel producers, says the broker.

EPS forecasts rise 4% in FY24; 4% in FY25; and 4% in FY26.

Rating is upgraded to Hold from Sell to reflect a recent share price retreat. Target price is steady at $7.65.

**Downgrade**

**A2 MILK COMPANY LIMITED ((A2M)) Downgrade to Neutral from Buy by Citi and Downgrade to Hold from Add by Morgans**.B/H/S: 2/4/0

Citi considers a2 Milk Co to be doing a commendable job executing in a challenging market.

The broker expects the medium to long-term outlook to remain challenging, primarily a result of birth rate pressures that have seen the company push out medium-term revenue targets.

This, coupled with recent strong share price performance, underpins a lowered rating on the stock from Citi.

More positively, new English label product development could drive market share gains, and the supply chain partnership with Yashili could see broader collaboration down the track.

The rating is downgraded to Neutral from Buy and the target price increases to $5.75 from $4.81.

Morgans believes interest income tailwinds on a2 Milk Co's large cash balance in the 1H will result in material upgrades to consensus forecasts. It's felt the transition to the new GB standards for a2's China label has vastly outperformed expectations held a year ago.

Management upgraded FY24 guidance slightly and made some upbeat outlook commentary, according to the broker.

The analyst anticipates earnings will accelerate in FY25 and FY26.

The broker lifts its target to $6.05 from $5.40 and lowers its rating to Hold from Add after a 33% year-to-date share price rally.

**APM HUMAN SERVICES INTERNATIONAL LIMITED ((APM)) Downgrade to Equal-weight from Overweight by Morgan Stanley** .B/H/S: 2/2/0

Morgan Stanley concedes it was wrong on its Overweight rating for APM Human Services International and downgrades to Equal-weight. The target is also slashed to $1.22 from $2.60. Industry view: In-Line.

The broker underestimated the complexity of APM, which operates across multiple jurisdictions, with various programs and nuances, as well as the impacts from low unemployment rates.

Given recent speculation around interest from private equity, the analysts believe the stock will trade according to potential deal probabilities as opposed to fundamentals.

See also APM upgrade.

**BABY BUNTING GROUP LIMITED ((BBN)) Downgrade to Neutral from Buy by Citi** .B/H/S: 2/3/0

The deterioration in sales as reported through Baby Bunting's trading update, which accompanied the release of H1 financials, has made Citi analysts more cautious.

Maybe this turnaround story will occur at a slower pace, and prove more difficult to achieve than initially thought? The broker has thus downgraded to Neutral from Buy.

To turn more positive, Citi analysts state they need more insight around how much investment will be required, the expected returns and associated timing.

In line with tough conditions, Citi has also scaled back the anticipated new stores rollout, to zero. Target price falls to $1.70 from $2.15.

**COBRAM ESTATE OLIVES LIMITED ((CBO)) Downgrade to Hold from Buy by Bell Potter** .B/H/S: 2/1/0

First half underlying EBITDA was ahead of Bell Potter's expectations. Revenue was up 53%. Cobram Estate Olives expects the Australian harvest will be down year-on-year - an off-year - while the sale value per litre of the crop is expected to be materially higher.

Bell Potter upgrades estimates by 17% for FY24 and 11% for FY25, to reflect higher oil values and a faster selling through of inventory. In light of the recent share price rally, the rating is downgraded to Hold from Buy. Target is lifted to $1.80 from $1.70.

**COSOL LIMITED ((COS)) Downgrade to Hold from Buy by Bell Potter** .B/H/S: 1/1/0

First half earnings from Cosol were slightly below Bell Potter's forecast. The company has indicated the second half has commenced well and expects continued growth in revenue and earnings over the rest of FY24, emphasising the skew to the second half.

Bell Potter downgrades revenue forecasts by -2% for FY24 and FY25, largely driven by a modest lowering of

Asia-Pacific forecasts that are only partly offset by increases in North America. Rating is downgraded to Hold from Buy and the target lowered to $1.05 from $1.08.

**CORPORATE TRAVEL MANAGEMENT LIMITED ((CTD)) Downgrade to Neutral from Buy by Citi** .B/H/S: 5/2/0

On Citi's assessment, Corporate Travel Management released a "messy" result, although the majority of the downgrade was out of management's control, the broker concedes.

Nevertheless, Citi analysts now also believe there's too much uncertainty, also because of a lack of clarity around a certain UK contract.

Simply put, the analysts lack confidence in forecasting earnings and thus see no other choice than to downgrade to Neutral from Buy. Extra note: management's five-year targets appear impressive to the broker, if achieved.

Price target tumbles to $17.55 from 22.55.

See also CTD upgrade.

**CLINUVEL PHARMACEUTICALS LIMITED ((CUV)) Downgrade to Hold from Add by Morgans** .B/H/S: 1/2/0

A combination of weak revenue growth, a large increase in the cost base and turnover at board level prompts Morgans to downgrade its rating for Clinuvel Pharmaceuticals to Hold from Add. The target is cut to $16 from $22.

Revenues of $32.3m in the 1H fell short of forecasts by the broker and consensus for $35m due to single-digit growth in the EU and low growth in the US.

A bigger surprise for the analysts was the 28% growth in expenses as employee costs and share-based payments (non cash) increased by 32% and 47%, respectively.

As a result of these disappointments, profit fell by -4% to $10.9m when the broker and consensus were expecting $14m and $13.9m, respectively.

As the cash balance at the end of the half was $175m, Morgans suggests some return to shareholders may be in prospect, but management didn’t discuss any capital management plans.

**GOODMAN GROUP ((GMG)) Downgrade to Hold from Add by Morgans** .B/H/S: 3/2/1

Goodman Group's 1H EPS beat the consensus forecast by 13%, with a standout performance by the development division, highlights Morgans. A greater proportion of these developments were undertaken on balance sheet (higher margin), explains the broker.

Management increased FY24 growth guidance to 11% from 9%, continuing an upgrade trend, notes the analyst.

Data centre projects now stand at 37% of work in progress, points out the broker, as the group continues to benefit from the structural demand drivers of the digital economy.

While Morgans raises its target to $29 from $24.50, the rating is downgraded to Hold from Add on valuation grounds.

**HMC CAPITAL LIMITED ((HMC)) Downgrade to Hold from Buy by Bell Potter and Downgrade to Hold from Add by Morgans**.B/H/S: 0/5/0

The first half results from HMC Capital were ahead of Bell Potter's estimates, driven by higher investment income. FY24 pre-tax EPS guidance is no less than $0.33 with a distribution of $0.12 reaffirmed.

The broker envisages an "interesting" path for the company over time as new pillars are in an early phase and as it looks towards $20bn in FUM as a target for the medium term.

As the stock has rallied since Bell Potter initiated in November the rating is downgraded to Hold from Buy. Target is raised to $ 7.05 from $5.85.

HMC Capital's 1H operating earnings increased by 100% on the previous corresponding period due to a large increase in management fees, while investment income also rose strongly, explains Morgans.

Growth in the platform, particularly from unlisted funds and private equity, resulted in a return on equity (ROE) greater than 20%, observes the analyst.

Management guided to EPS of no less than 33cpu for FY24 and kept dividend guidance at 12cpu.

The target rises to $7.25 from $5.62 and the rating is downgraded to Hold from Add given HMC Capital's share price has increased by 45% over the past year.

**INSIGNIA FINANCIAL LIMITED ((IFL)) Downgrade to Sell from Neutral by Citi** .B/H/S: 1/0/3

Citi had its suspicion and Insignia Financial truly delivered; a better-than-expected financial release to say goodbye to the CEO. There's an important detail: delayed platform margin squeeze is the key driver.

EPS estimate for FY24 moves 5% higher, but increases for subsequent years are only 1% because of the squeeze deferral. Citi finds the stocks looks inexpensive, but also thinks investors might need to be patient.

The arrival of a new CEO brings along its own set of uncertainties and risks. Citi downgrades to Sell from Neutral with a slight rise in price target; to $2.35 from $2.15 target.

**ILUKA RESOURCES LIMITED ((ILU)) Downgrade to Neutral from Outperform by Macquarie** .B/H/S: 1/3/1

Despite re-stocking potential, Macquarie highlights that a persistently weak Chinese property market presents a key risk for zircon demand in 2024-25.

Iluka Resources' capex estimates for the Eneabba phase 3 rare-earths project have increased again, while funding discussions with the government are underway.

Given project funding and execution risks at Eneabba phase 3, and on valuation, Macquarie downgrades to Neutral from Outperform. Target falls to $7.60 from $8.90.

**IRESS LIMITED ((IRE)) Downgrade to Hold from Add by Morgans** .B/H/S: 2/2/0

Morgans notes Iress has executed on the early stage of its business turnaround strategy via cost-out and de-gearing.

FY23 results were in line with management guidance, with all divisions (excluding Super) displaying half-on-half earnings (EBITDA) growth, highlights Morgans.

Management upgraded underlying FY24 earnings guidance by circa 1% and upgraded the FY24 underlying exit run-rate by around 6%

The $8.60 target is unchanged. The rating is downgraded to Hold from Add after recent share price outperformance and because of an opaque outlook for 'base' free cash flow generation, in the broker's opinion.

**JUDO CAPITAL HOLDINGS LIMITED ((JDO)) Downgrade to Underperform from Neutral by Macquarie** .B/H/S: 1/2/2

Macquarie suspects Judo Capital will now take longer than previously anticipated to achieve returns above the cost of capital.

The business has been a beneficiary of lower interest rates and cheaper funding but, as deposit costs rise and the TFF benefits roll off, margins are likely to normalise.

The broker considers the company's response to a more challenging revenue outlook by targeting higher-margin business lending is sensible, yet points out there is no such thing as a "free lunch".

Given the large variability in potential margin outcomes, the stock is expected to trade at a discount to net tangible assets and the rating is downgraded to Underperform from Neutral. Target is lowered to $1.00 from $1.05.

**LENDLEASE GROUP ((LLC)) Downgrade to Neutral from Buy by Citi** .B/H/S: 2/2/0

Citi downgrades its rating for Lendlease Group to Neutral from Buy following yesterday's release of 1H results.

While management expects an earnings recovery, the broker is concerned by ongoing pressure on core earnings and execution risk. The target is reduced to $6.90 from $9.40.

A potential key catalyst for the stock price may occur at the company's investor day in May, suggests the broker.

A summary of Citi's research released yesterday follows.

At a glance, Lendlease Group's December-half result proved a massive miss, core earnings falling -70% short of consensus forecasts and -67% below Citi's forecast, the company experiencing weakness across the business, particularly in the development segment.

Management cut guidance-12%, suggesting a -23% discount to consensus' EPS forecasts, reflecting lower shareholder's equity and return on equity.

Funds under management were steady. Gearing breached the company's 10% to 20% target range, hitting 22.9%.

**LIONTOWN RESOURCES LIMITED ((LTR)) Downgrade to Sell from Neutral by Citi** .B/H/S: 2/2/1

While Citi maintains a positive view on Liontown Resources, the broker has lowered its rating to Sell following a share price rally over the last month.

The stock is trading above the broker's target price, and Citi expects this valuation is factoring in a price of US$1,650 per tonne of SC6 spodeumene concentrate, compared to spot pricing of US$850 per tonne and the broker's long-term price of US$1,600 per tonne.

A funding update is expected from the company in the March quarter, following the termination of the company's eight lender debt facility.

The rating is downgraded to Sell from Neutral and the target price of $1.00 is retained.

**MACQUARIE GROUP LIMITED ((MQG)) Downgrade to Hold from Add by Morgans** .B/H/S: 1/4/0

Morgans lowers its FY24 and FY25 EPS forecasts by -7% and -2%, respectively, following Macquarie Group's 2024 investor day, which tempered outlook expectations largely because of lower transaction activity.

The divisions impacted by lower activity are Macquarie Capital and Macquarie Asset Management, where management noted year-to-date earnings were "substantially down" on the previous corresponding period.

The analyst feels shares of Macquarie Group are trading at fair value and downgrades the rating to Hold from Add. The target rises to $189.40 from $182.80 due to a valuation roll-forward.

**QUBE HOLDINGS LIMITED ((QUB)) Downgrade to Accumulate from Buy by Ord Minnett** .B/H/S: 2/2/0

The first half net profit from Qube Holdings was ahead of Ord Minnett's expectations. FY24 profit and earnings per share are upgraded in line with guidance for growth of 5-10%.

A lift in Patrick volumes is expected to normalise during the second half and into FY25, given a higher base of infrastructure revenues and improving returns per lift.

Ord Minnett assesses the results demonstrate the quality of the company's earnings and scale across a diverse range of services and geographies. Rating is reduced to Accumulate from Buy and the target lifted to $3.59 from $3.34.

**SMARTGROUP CORPORATION LIMITED ((SIQ)) Downgrade to Neutral from Outperform by Macquarie** .B/H/S: 2/3/0

Macquarie observes Smartgroup Corp benefited from EV novated demand in 2023, producing a result that was in line with expectations. Novated volumes were up 26% and yields up 9% as the business benefited from supply chain renegotiations, increased EV volume and improved proportions of new car leases.

As the stock has traded to the broker's target, the rating is downgraded to Neutral from Outperform. Macquarie suspects there is little potential for positive earnings surprises in the near term. Target is raised to $9.51 from $9.47.

**SSR MINING INC ((SSR)) Downgrade to Neutral from Buy by UBS** .B/H/S: 0/1/0

Search & rescue activities have been temporarily suspended following the incident at the Copler mine to focus on stabilisation of the heap leach area.

SSR Mining has been notified by the Turkish government the environmental permit has been revoked and the operation will remain suspended until further notice

UBS has removed Turkey from its valuation and also adjusted for recent guidance. Target falls to $7.70 from $20.20, downgrade to Neutral from Buy.

**STRIKE ENERGY LIMITED ((STX)) Downgrade to Neutral from Outperform by Macquarie** .B/H/S: 1/2/0

Macquarie downgrades Strike Energy to Neutral from Outperform and cuts its target price -45% to 22c from 40c following the South Erregulla-3 production test last week which flowed water instead of gas, with the company assuming it intersected gas-water contact.

A brutal reminder, Macquarie suggests, that paying up for level 2 contingent (2C) resources is risky.

The broker opines its investment case "now appears broken".

**SOLVAR LIMITED ((SVR)) Downgrade to Hold from Buy by Bell Potter** .B/H/S: 0/1/0

According to Bell Potter, Solvar's first half results are reflective of the extent of weakness within its New Zealand operations. The company reported first half net profits of $13.2m, down -48.7% year-on-year, while revenue lifted 5.9% to $109.7m.

Bell Potter highlights the bad debt charge increased 36% to $19.8m, representing 4.2% of the total loan book, but notes much of this relates to weak conditions in New Zealand.

Despite the results being largely as expected by the broker, Bell Potter explains there is little to get more excited about the prospects of the company.

The rating is downgraded to Hold from Buy and the target price decreases to $1.07 from $1.09.

**LOTTERY CORPORATION LIMITED ((TLC)) Downgrade to Neutral from Buy by Citi and Downgrade to Hold from Add by Morgans**.B/H/S: 1/5/0

The Lottery Corp reported 1H24 EBIT of $347m, a tiny beat on Citi's $345m forecast but also 4% above consensus. There were several items that caused disappointment.

The broker comments the result was driven by lower than expected opex but management's guidance implies much higher costs in 2H24.

The lotteries VC margin expanded, but the broker had higher expectations. Citi reduces earnings forecasts by -2% in FY24 and by -6% thereafter with more moderate margin expansion to blame.

Citi pulls back its rating to Neutral from Buy and lowers its price target to $5.50 from $5.60.

Following 1H results in line with forecasts by Morgans and consensus, the broker downgrades its rating for Lottery Corp to Hold from Add after recent share price outperformance. The target is unchanged at $5.40.

Group earnings (EBITDA) fell by -3% year-on-year, with Lotteries revenue declining by -2%, while Keno ended flat on the previous vcorresponding period.

A fully-franked interim dividend of 8cps was declared.

**REJECT SHOP LIMITED ((TRS)) Downgrade to Equal-weight from Overweight by Morgan Stanley** .B/H/S: 2/1/0

First half sales and gross profit were largely in line with Morgan Stanley's estimates. Yet, in terms of the outlook, Reject Shop indicated  total sales growth of 4.8% in the first seven weeks of the second half and expects gross margins of less than 40% in FY24.

Even factoring in a recovery in FY25-26 Morgan Stanley cuts estimates for EPS by -23-26%. While "liking" comparables and the costs of doing business in the half, the broker remains concerned about sales growth, gross margins and labour costs.

Rating is downgraded to Equal-weight from Overweight. Target is reduced to $4.75 from $6.40. Industry view is In-Line.

See also TRS upgrade.

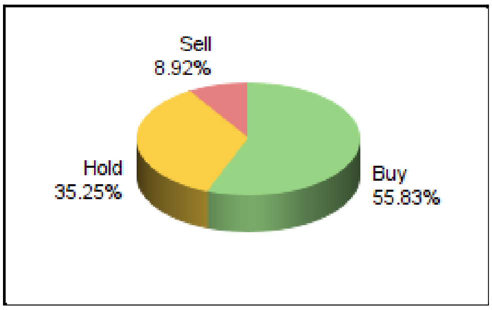
**WOOLWORTHS GROUP LIMITED ((WOW)) Downgrade to Neutral from Buy by UBS** .B/H/S: 2/2/2

Following a result from Woolworths in line with guidance, UBS forecasts Australian Food earnings growth of 1.5% in 2024, down from 15% in 2023, with ongoing gross margin expansion and increasing productivity initiatives to offset lower sales growth.

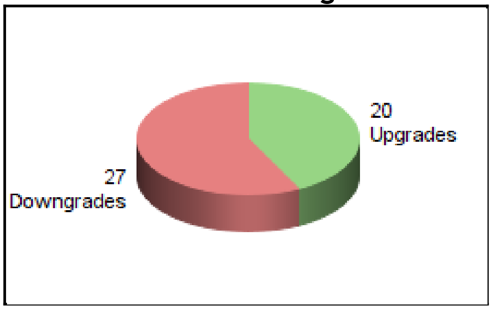
NZ Food and Big W are more challenged than expected, but improvement is forecast over multiple years, albeit earnings upside is now lowered and execution risk remains.

Despite the broker's confidence in the Australian Food division, other challenges make share price outperformance less likely, hence UBS downgrades to Neutral from Buy. Target falls to $36.00 from $40.50.

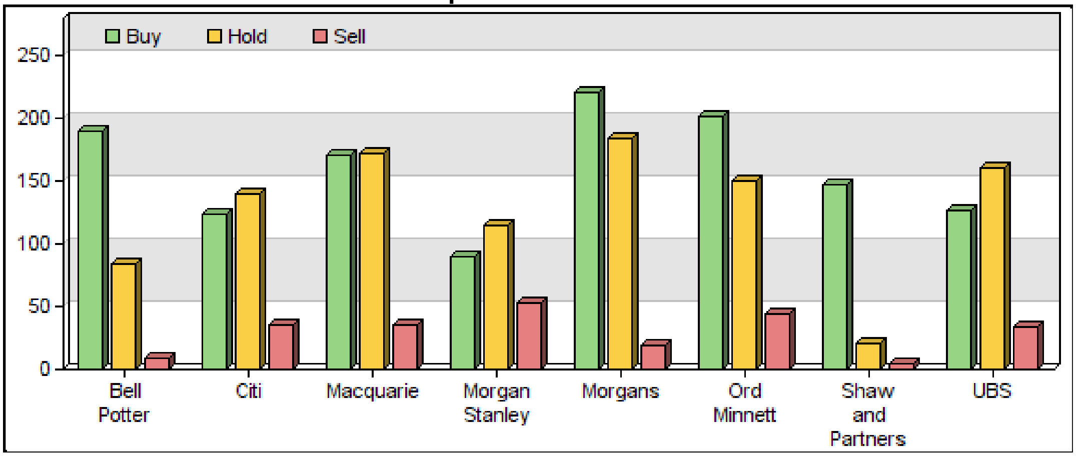
## Total Recommendations




## Recommendation Changes




## Broker Recommendation Breakup




# Broker Rating

| Order | Company | New Rating | Old Rating | Broker |
|---|---|---|---|---|
| Upgrade | | | | |
| 1 | APM HUMAN SERVICES INTERNATIONAL LIMITED | Buy | Neutral | Bell Potter |
| 2 | ARB CORPORATION LIMITED | Buy | Neutral | Ord Minnett |
| 3 | AUCKLAND INTERNATIONAL AIRPORT LIMITED | Buy | Neutral | Citi |
| 4 | BEGA CHEESE LIMITED | Neutral | Sell | Ord Minnett |
| 5 | CORPORATE TRAVEL MANAGEMENT LIMITED | Buy | Neutral | Ord Minnett |
| 6 | EAGERS AUTOMOTIVE LIMITED | Buy | Neutral | Bell Potter |
| 7 | IMDEX LIMITED | Neutral | Sell | Bell Potter |
| 8 | INGHAMS GROUP LIMITED | Buy | Neutral | Macquarie |
| 9 | LOVISA HOLDINGS LIMITED | Buy | Neutral | Citi |
| 10 | MCMILLAN SHAKESPEARE LIMITED | Buy | Neutral | Ord Minnett |
| 11 | NUIX LIMITED | Buy | Neutral | Morgan Stanley |
| 12 | REJECT SHOP LIMITED | Buy | Buy | Ord Minnett |
| 13 | RELIANCE WORLDWIDE CORP. LIMITED | Buy | Neutral | Morgans |
| 14 | RELIANCE WORLDWIDE CORP. LIMITED | Buy | Neutral | Citi |
| 15 | RELIANCE WORLDWIDE CORP. LIMITED | Buy | Neutral | Ord Minnett |
| 16 | SCENTRE GROUP | Neutral | Sell | Macquarie |
| 17 | SIMS LIMITED | Neutral | Sell | Citi |
| 18 | SUPER RETAIL GROUP LIMITED | Buy | Neutral | Morgans |
| 19 | TABCORP HOLDINGS LIMITED | Buy | Neutral | Macquarie |
| 20 | WHITEHAVEN COAL LIMITED | Neutral | Sell | Bell Potter |
| Downgrade | | | | |
| 21 | A2 MILK COMPANY LIMITED | Neutral | Buy | Morgans |
| 22 | A2 MILK COMPANY LIMITED | Neutral | Buy | Citi |
| 23 | APM HUMAN SERVICES INTERNATIONAL LIMITED | Neutral | Buy | Morgan Stanley |
| 24 | BABY BUNTING GROUP LIMITED | Neutral | Buy | Citi |
| 25 | CLINUVEL PHARMACEUTICALS LIMITED | Neutral | Buy | Morgans |
| 26 | COBRAM ESTATE OLIVES LIMITED | Neutral | Buy | Bell Potter |
| 27 | CORPORATE TRAVEL MANAGEMENT LIMITED | Neutral | Buy | Citi |
| 28 | COSOL LIMITED | Neutral | Buy | Bell Potter |
| 29 | GOODMAN GROUP | Neutral | Buy | Morgans |
| 30 | HMC CAPITAL LIMITED | Neutral | Buy | Morgans |

| | | | | |
|---|---|---|---|---|
| 31 | HMC CAPITAL LIMITED | Neutral | Buy | Bell Potter |
| 32 | ILUKA RESOURCES LIMITED | Neutral | Buy | Macquarie |
| 33 | INSIGNIA FINANCIAL LIMITED | Sell | Neutral | Citi |
| 34 | IRESS LIMITED | Neutral | Buy | Morgans |
| 35 | JUDO CAPITAL HOLDINGS LIMITED | Sell | Neutral | Macquarie |
| 36 | LENDLEASE GROUP | Neutral | Buy | Citi |
| 37 | LIONTOWN RESOURCES LIMITED | Sell | Neutral | Citi |
| 38 | LOTTERY CORPORATION LIMITED | Neutral | Buy | Morgans |
| 39 | LOTTERY CORPORATION LIMITED | Neutral | Buy | Citi |
| 40 | MACQUARIE GROUP LIMITED | Neutral | Buy | Morgans |
| 41 | QUBE HOLDINGS LIMITED | Buy | Buy | Ord Minnett |
| 42 | REJECT SHOP LIMITED | Neutral | Buy | Morgan Stanley |
| 43 | SMARTGROUP CORPORATION LIMITED | Neutral | Buy | Macquarie |
| 44 | SOLVAR LIMITED | Neutral | Buy | Bell Potter |
| 45 | SSR MINING INC | Neutral | N/A | UBS |
| 46 | STRIKE ENERGY LIMITED | Neutral | Buy | Macquarie |
| 47 | WOOLWORTHS GROUP LIMITED | Neutral | Buy | UBS |

# Target Price

## Positive Change Covered by at least 3 Brokers

| Order | Symbol | Company | New Target | Previous Target | Change | Recs |
|---|---|---|---|---|---|---|
| 1 | HMC | HMC CAPITAL LIMITED | 6.922 | 5.356 | 29.24% | 5 |
| 2 | BGA | BEGA CHEESE LIMITED | 4.350 | 3.527 | 23.33% | 3 |
| 3 | RWC | RELIANCE WORLDWIDE CORP. LIMITED | 5.083 | 4.158 | 22.25% | 6 |
| 4 | UNI | UNIVERSAL STORE HOLDINGS LIMITED | 5.160 | 4.306 | 19.83% | 5 |
| 5 | WTC | WISETECH GLOBAL LIMITED | 89.986 | 76.386 | 17.80% | 7 |
| 6 | ARB | ARB CORPORATION LIMITED | 37.500 | 31.846 | 17.75% | 5 |
| 7 | VNT | VENTIA SERVICES GROUP LIMITED | 4.017 | 3.467 | 15.86% | 3 |
| 8 | A2M | A2 MILK COMPANY LIMITED | 6.080 | 5.392 | 12.76% | 6 |
| 9 | LOV | LOVISA HOLDINGS LIMITED | 26.083 | 23.243 | 12.22% | 7 |
| 10 | NWL | NETWEALTH GROUP LIMITED | 18.017 | 16.233 | 10.99% | 6 |

## Negative Change Covered by at least 3 Brokers

| Order | Symbol | Company | New Target | Previous Target | Change | Recs |
|---|---|---|---|---|---|---|
| 1 | CTD | CORPORATE TRAVEL MANAGEMENT LIMITED | 18.766 | 22.849 | -17.87% | 7 |
| 2 | APM | APM HUMAN SERVICES INTERNATIONAL LIMITED | 1.598 | 1.943 | -17.76% | 4 |
| 3 | TRS | REJECT SHOP LIMITED | 5.317 | 6.283 | -15.37% | 3 |
| 4 | STX | STRIKE ENERGY LIMITED | 0.393 | 0.453 | -13.25% | 3 |
| 5 | CUV | CLINUVEL PHARMACEUTICALS LIMITED | 18.750 | 21.333 | -12.11% | 3 |
| 6 | DMP | DOMINO'S PIZZA ENTERPRISES LIMITED | 50.417 | 56.183 | -10.26% | 6 |
| 7 | CRN | CORONADO GLOBAL RESOURCES INC | 1.850 | 2.030 | -8.87% | 5 |
| 8 | TAH | TABCORP HOLDINGS LIMITED | 0.994 | 1.074 | -7.45% | 5 |
| 9 | QAN | QANTAS AIRWAYS LIMITED | 6.692 | 7.183 | -6.84% | 6 |
| 10 | LLC | LENDLEASE GROUP | 9.313 | 9.996 | -6.83% | 4 |

# Earnings Forecast

## Positive Change Covered by at least 3 Brokers

| Order | Symbol | Company | New EF | Previous EF | Change | Recs |
|---|---|---|---|---|---|---|
| 1 | IRE | IRESS LIMITED | 26.175 | 1.450 | 1705.17% | 4 |
| 2 | CBO | COBRAM ESTATE OLIVES LIMITED | 3.200 | 1.633 | 95.96% | 3 |
| 3 | CRN | CORONADO GLOBAL RESOURCES INC | 28.381 | 17.597 | 61.28% | 5 |
| 4 | VEA | VIVA ENERGY GROUP LIMITED | 30.025 | 20.750 | 44.70% | 4 |
| 5 | GQG | GQG PARTNERS INC | 19.502 | 14.381 | 35.61% | 5 |
| 6 | TAH | TABCORP HOLDINGS LIMITED | 3.020 | 2.280 | 32.46% | 5 |
| 7 | MAF | MA FINANCIAL GROUP LIMITED | 35.533 | 28.600 | 24.24% | 3 |
| 8 | QBE | QBE INSURANCE GROUP LIMITED | 191.987 | 158.298 | 21.28% | 6 |
| 9 | BGA | BEGA CHEESE LIMITED | 10.267 | 8.600 | 19.38% | 3 |
| 10 | TYR | TYRO PAYMENTS LIMITED | 2.033 | 1.720 | 18.20% | 6 |

### Negative Change Covered by at least 3 Brokers

| Order | Symbol | Company | New EF | Previous EF | Change | Recs |
|---|---|---|---|---|---|---|
| 1 | HLS | HEALIUS LIMITED | 1.480 | 2.640 | -43.94% | 5 |
| 2 | TRS | REJECT SHOP LIMITED | 19.767 | 32.150 | -38.52% | 3 |
| 3 | SGM | SIMS LIMITED | 23.475 | 37.000 | -36.55% | 4 |
| 4 | BBN | BABY BUNTING GROUP LIMITED | 8.660 | 11.960 | -27.59% | 5 |
| 5 | LLC | LENDLEASE GROUP | 59.660 | 81.480 | -26.78% | 4 |
| 6 | RRL | REGIS RESOURCES LIMITED | 3.333 | 4.500 | -25.93% | 6 |
| 7 | ILU | ILUKA RESOURCES LIMITED | 52.560 | 67.480 | -22.11% | 5 |
| 8 | CTD | CORPORATE TRAVEL MANAGEMENT LIMITED | 85.886 | 105.943 | -18.93% | 7 |
| 9 | PLS | PILBARA MINERALS LIMITED | 11.767 | 14.420 | -18.40% | 6 |
| 10 | APM | APM HUMAN SERVICES INTERNATIONAL LIMITED | 11.325 | 13.650 | -17.03% | 4 |

**Technical limitations**

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WEEKLY REPORTS

# Uranium Week: No Sanctions On Russian Imports

While 500 more sanctions have now been placed on Russia, uranium imports are not included.

**-No sanctions of Russian uranium exports**
**-Congress yet to make a decision**
**-Spot price suffers from lack of buyers**
**-Paladin Energy reverses an impairment**

By Greg Peel

Following the death of Aleksey Navalny, the US government has levied additional sanctions on over 500 Russian individuals and businesses.

This latest round of sanctions targets Russia's financial system, its military supply complex, and other "entities and individuals, including those engaged in sanctions evasion and circumvention, and those bolstering Russia's future energy and metals and mining production", uranium industry consultant TradeTech reports.

The sanctions, however, stop short of targeting Russia's nuclear fuel or reactor technology exports. While Rosatom is named in the revised sanctions protocol, and this represents the sixth time the state-owned nuclear technology company has faced sanctions, the latest restrictions are aimed at the company's units "supporting Russia's development of the Arctic region, future business development, and an enterprise of Russia's nuclear weapons complex".

The US House Foreign Affairs Committee was scheduled to hold hearings last week on possible sanctions to be imposed on Rosatom and Russian uranium imports. However, having refused to put a new Ukraine/Israel aid package, passed by the Senate, to the House, Speaker Mike Johnson then called a two-week recess, which meant Congress will have two days to negotiate to avoid a government shutdown.

The hearing on Russian imports is expected to rescheduled in the coming weeks.

<u>The Market</u>

A long weekend in both the US and Canada last week helped to reduce activity in the uranium spot market, and hotter than expected US inflation data kept buyers at bay, TradeTech notes.

While to date sellers have been stubbornly holding out for higher prices, as the spot price has wavered above US$100/lb sellers have become more anxious. Now the buyers have the upper hand.

TradeTech's weekly spot price indicator fell -US$7.00 to US$95.00/lb.

Yet underlying market fundamentals, which today are characterised by increasing policy support on the demand side and under-supply on the supply side, remain largely unaffected by the discrete events that drive week-to-week variations in the price, TradeTech notes.

Although buyers were less active in the uranium spot market this week, long-term uranium demand remains strong.

TradeTech's term price indicators remain at US$103/lb (mid-term) and US$72/lb (long).

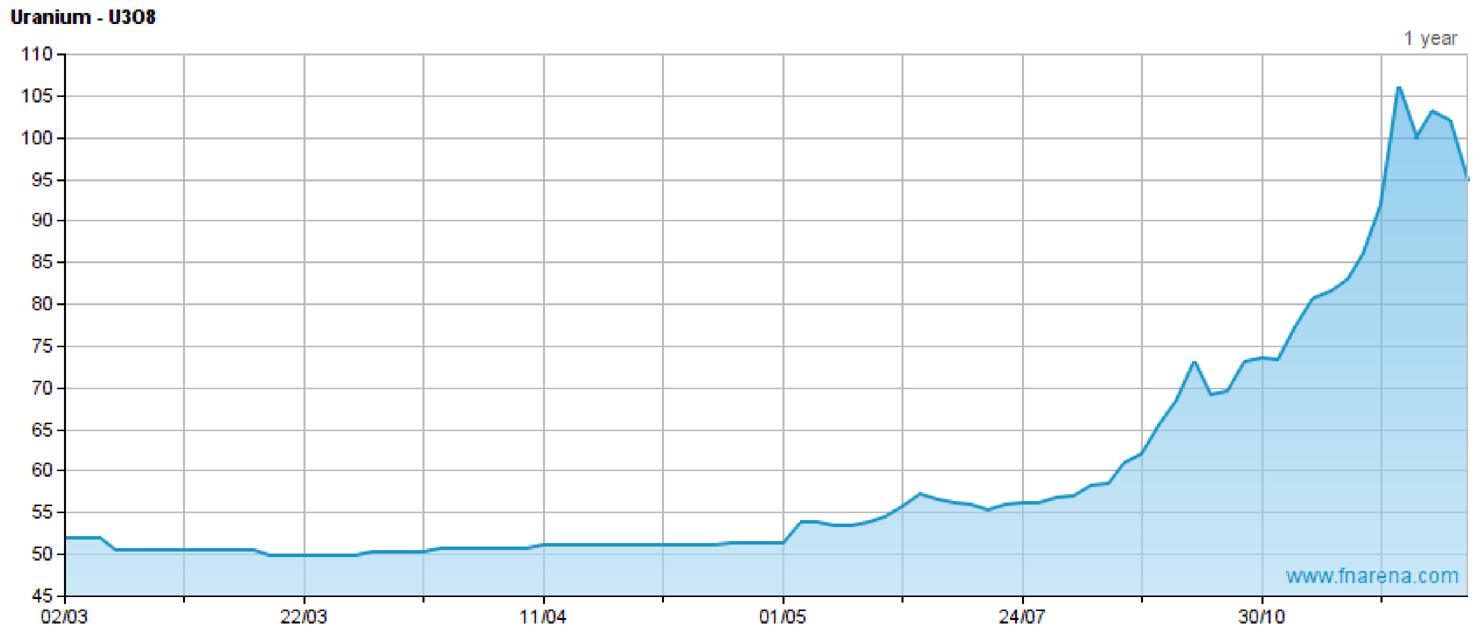
<u>Paladin Energy</u>

Australian-listed Paladin Energy ((PDN)) reported its first half financial results this week. Paladin is still in spending mode ahead of the restart of its Langer Heinrich uranium mine in Namibia in the September quarter, but the result was boosted by the reversal of an impairment originally taken against difficult economic conditions and a weak uranium price, which no longer apply.

There are four brokers monitored daily by FNArena and all have a Buy or equivalent ratings on the stock. Their consensus target suggests 27% share price upside.

**Uranium companies listed on the ASX:**

| ASX CODE | DATE | LAST PRICE | WEEKLY % MOVE | 52WK HIGH | 52WK LOW | P/E | CONSENSUS TARGET | UPSIDE/DOWNSIDE |
|---|---|---|---|---|---|---|---|---|
| 1AE | 26/02/2024 | 0.1200 | ▼-14.29% | $0.19 | $0.05 | | | |
| AGE | 26/02/2024 | 0.0600 | ▼-10.77% | $0.08 | $0.03 | | $0.100 | ▲66.7% |
| BKY | 26/02/2024 | 0.2800 | ▼- 1.72% | $0.80 | $0.26 | | | |
| BMN | 26/02/2024 | 3.0400 | ▼-10.00% | $3.99 | $1.19 | | $7.040 | ▲131.6% |
| BOE | 26/02/2024 | 4.7500 | ▼- 8.43% | $6.12 | $2.02 | 162.9 | $5.720 | ▲20.4% |
| DYL | 26/02/2024 | 1.2600 | ▼-14.24% | $1.76 | $0.48 | | $1.640 | ▲30.2% |
| EL8 | 26/02/2024 | 0.4800 | ▼-17.86% | $0.68 | $0.27 | | | |
| ERA | 26/02/2024 | 0.0500 | ▼-15.25% | $0.23 | $0.03 | | | |
| LOT | 26/02/2024 | 0.3200 | ▲ 1.56% | $0.38 | $0.15 | | $0.610 | ▲90.6% |
| NXG | 26/02/2024 | 10.7100 | ▼-10.06% | $12.99 | $5.11 | | | |
| PDN | 26/02/2024 | 1.1700 | ▼- 8.84% | $1.46 | $0.52 | 372.1 | $1.513 | ▲29.3% |
| PEN | 26/02/2024 | 0.1100 | ▼- 8.33% | $0.20 | $0.08 | | $0.340 | ▲209.1% |
| SLX | 26/02/2024 | 4.5400 | ▼- 7.22% | $5.78 | $2.92 | | $7.600 | ▲67.4% |

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WEEKLY REPORTS

# The Short Report - 29 Feb 2024

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

**Summary:**

By Greg Peel

Week Ending February 22, 2024.

Last week began with the ASX200 following Wall Street on a post-CPI bounce. There was a bit of an RBA minutes-related wobble before recovering, and the index has gone nowhere ever since.

Last week was the biggest week in the result season. But again, the table below shows very little movement in short positions.

Of note over recent days has been a solid bounce in lithium prices in China, suggesting restocking following the New Year break. A solid bounce, that is, off the depths to which prices had plunged in prior months.

The share prices of lithium miners have been on a rapid move back up as well, from the depths to which they had plunged, and still, at least till last week, remain among the most shorted stocks on the ASX.

We will see whether the shorters can maintain their resolve next week.

We might also note the uranium price has now come off its peak of over US$100/lb, and developer Deep Yellow has ticked up into the 10%-plus shorted club.

**Weekly short positions as a percentage of market cap:**

**10%+**

PLS 21.2
SYR 17.0
CXO 11.6
IEL 11.1
DYL 10.0

In: DYL Out: SYA

**9.0-9.9%**

CHN, SYA, GMD

**In: SYA Out: DYL**

**8.0-8.9%**

FLT, WBT

No changes

**7.0-7.9%**

ACL, LTR, LYC

In: ACL

**6.0-6.9%**

SHV, BOQ, A2M, APX, HVN

Out: ACL

**5.0-5.9%**

BGL, IMU, IDX, LIC, MIN, OBL, NAN, SFR, CXL, VUL

In: IDX

Movers & Shakers

Nothing this week.

**ASX20 Short Positions (%)**

| Code | Last Week | Week Before | Code | Last Week | Week Before |
|---|---|---|---|---|---|
| ALL | 0.6 | 0.5 | NEM | 1.4 | 1.2 |
| ANZ | 0.4 | 0.4 | RIO | 2.5 | 2.6 |
| BHP | 0.4 | 0.4 | S32 | 0.8 | 0.8 |
| CBA | 1.4 | 1.4 | STO | 1.0 | 1.1 |
| COL | 0.5 | 0.7 | TCL | 0.4 | 0.3 |
| CSL | 0.4 | 0.4 | TLS | 0.3 | 0.3 |
| FMG | 0.8 | 0.8 | WBC | 1.2 | 1.3 |
| GMG | 0.3 | 0.3 | WDS | 0.9 | 0.9 |
| MQG | 0.9 | 1.0 | WES | 1.0 | 0.9 |
| NAB | 0.8 | 0.8 | WOW | 0.2 | 0.1 |

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 - 01-03-24

## Broker Rating Changes (Post Thursday Last Week)

**Upgrade**

**BRAVURA SOLUTIONS LIMITED ((BVS)) Upgrade to Overweight from Market Weight by Wilsons.**B/H/S: 0/0/0

New leadership at Bravura Solutions has delivered a more upbeat result for the 1H24 according to Wilsons.

Revenue growth beat the broker's forecast by 3% with a 7% rise. Wealth Management and Funds Administration achieved 8% and 5% revenue growth respectively.

Some $40m of cost out savings in FY24 are expected, as the business is "re-set", including a -20% decline in the employee count.

Management reconfirmed FY24 revenue guidance of circa $249m, in line with FY23 and Wilsons increases EPS forecasts for FY24 and FY25.

The stock is upgraded to Overweight from Market Weight with an accompanying lift in the target price to $1.51 from $0.69.

**CAR GROUP LIMITED ((CAR)) Upgrade to Buy from Neutral by Goldman Sachs.**B/H/S: 0/0/0

After reviewing 1H results for the classifieds market segment on the ASX, Goldman Sachs notes management at CAR Group and REA Group are accelerating growth investment.

The broker points out these two companies have the strongest 2024 revenue outlook, by contrast to Domain Holdings Australia and Seek where opex guidance is unchanged and lowered, respectively.

CAR Group grew market share in the 1H and the analysts are increasingly confident in earnings momentum both domestically and globally.

Goldmans rating is upgraded to Buy from Neutral and the target increased by 19% to $39.40.

**RELIANCE WORLDWIDE CORP. LIMITED ((RWC)) Upgrade to Overweight from Neutral by Jarden.**B/H/S: 0/0/0

A better than expected first half result from Reliance Worldwide, with adjusted earnings a 3% beat to market forecasts.

Guidance was broadly retained, but Jarden points out risk balance has shifted from downside in European operations to upside in US operations. Some risk remains in Europe, but the broker found the manufacturing shift and improved cash flows encouraging.

The company also improved its leverage to both the US and Australian markets, successfully transferring its manufacturing footprint to the US. The broker considers Reliance Worldwide better placed to handle near-term uncertainty.

The rating is upgraded to Overweight from Neutral and the target price increases to $5.30 from $4.10.

**Downgrade**

**ARN MEDIA LIMITED ((A1N)) Downgrade to Market Weight from Overweight by Wilsons**.B/H/S: 0/0/0

The 2023 results from ARN Media continue to highlight a tough advertising market, Wilsons asserts, with the attempted takeover of Southern Cross Media ((SXL)) remaining the focus over the next few months.

Audio revenue was in line with the broker's estimates and group EBIT slightly weaker. Estimates for 2024 are downgraded slightly because of revenue timing while small upgrades are made to FY25-26 forecasts.

Wilsons downgrades to Market Weight from Overweight and lowers the target to $0.92 from $1.24.

**CORPORATE TRAVEL MANAGEMENT LIMITED ((CTD)) Downgrade to Market Weight from Overweight by Wilsons**.B/H/S: 0/0/0

Corporate Travel Management's H1 performance missed Wilsons' forecasts by a mile, or two, with the UK Bridging Contract but one reason why.

Conditions overall seem to have improved in H2, but management still revised FY24 guidance downwards, by a few miles.

The company also disclosed more details about its 5-year plan, which the broker welcomes. The objective is to double EBITDA between FY24 to FY29.

Wilsons believes the heavy disappointment this season now means time is needed to rebuild investors' confidence. The broker downgrades its rating to Market Weight from Overweight, also inspired by the share price, and reduces its price target to $15.25 (was $21.31).

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

National Storage REIT's interim earnings met Moelis' expectations, rising 6% over the previous corresponding period.

There was a slight reduction in occupancy, down -0.7% over the 6-month period to 84.1%, notes the analyst, as well as an additional 13 sites have been added, totaling $124m.

Management reconfirmed FY24 guidance of 11.3cps and there are no major changes to the broker's forecasts.

The rating is downgraded to Hold from Buy and the target price is lowered to $2.38 from $2.41.

**PROPEL FUNERAL PARTNERS LIMITED ((PFP)) Downgrade to Hold from Buy by Moelis**.B/H/S: 0/0/0

Propel Funeral Partners reported strong 1H24 results including 17.4% growth in total funeral volumes, highlights Moelis.

Management confirmed FY24 revenue and EBITDA guidance and the broker is expecting 2% growth in organic death volumes, compared to a -9.8% contraction in the 1H24 and then returning to 2% annual growth from FY25 onwards.

The target price is raised to $5.64 from $5.40 and the rating downgraded to Hold from Buy due to valuation.

| Order | Company | New Rating | Old Rating | Broker |
|---|---|---|---|---|
| Upgrade | | | | |
| 1 | BRAVURA SOLUTIONS LIMITED | Buy | Neutral | Wilsons |
| 2 | CAR GROUP LIMITED | Buy | Neutral | Goldman Sachs |
| 3 | RELIANCE WORLDWIDE CORP. LIMITED | Buy | Neutral | Jarden |
| Downgrade | | | | |
| 4 | ARN MEDIA LIMITED | Neutral | Buy | Wilsons |
| 5 | CORPORATE TRAVEL MANAGEMENT LIMITED | Neutral | Buy | Wilsons |
| 6 | NATIONAL STORAGE REIT | Neutral | Buy | Moelis |
| 7 | PROPEL FUNERAL PARTNERS LIMITED | Neutral | Buy | Moelis |

# Price Target Changes (Post Thursday Last Week)

| Company | | Last Price | Broker | New Target | Old Target | Change |
|---|---|---|---|---|---|---|
| A1N | ARN Media | $0.85 | Wilsons | 0.92 | 1.24 | -25.81% |

| | | | | | | |
|---|---|---|---|---|---|---|
| ALD | Ampol | $39.40 | Goldman Sachs | 36.80 | 37.10 | -0.81% |
| ARB | ARB Corp | $41.44 | Wilsons | 45.69 | 35.30 | 29.43% |
| ASG | Autosports Group | $2.33 | Wilsons | 3.85 | 3.78 | 1.85% |
| AUB | AUB Group | $30.22 | Goldman Sachs | 32.50 | 32.00 | 1.56% |
| | | | Jarden | 32.95 | 32.50 | 1.38% |
| BBN | Baby Bunting | $1.58 | Wilsons | 2.00 | 2.10 | -4.76% |
| BEN | Bendigo & Adelaide Bank | $9.68 | Goldman Sachs | 9.74 | 9.57 | 1.78% |
| | | | Jarden | 9.40 | 9.50 | -1.05% |
| BLD | Boral | $5.99 | Jarden | 5.80 | 5.35 | 8.41% |
| BSL | BlueScope Steel | $22.84 | Goldman Sachs | 25.50 | 26.40 | -3.41% |
| | | | Jarden | 24.60 | 26.40 | -6.82% |
| BVS | Bravura Solutions | $1.24 | Wilsons | 1.51 | 0.69 | 118.84% |
| CAR | CAR Group | $36.76 | Goldman Sachs | 39.40 | 33.00 | 19.39% |
| CDA | Codan | $10.23 | Canaccord Genuity | 10.83 | 6.18 | 75.24% |
| | | | Moelis | 10.22 | 8.52 | 19.95% |
| CNI | Centuria Capital | $1.62 | Jarden | 1.80 | 1.60 | 12.50% |
| CRN | Coronado Global Resources | $1.36 | Goldman Sachs | 2.08 | 1.85 | 12.43% |
| CTD | Corporate Travel Management | $15.86 | Wilsons | 15.25 | 21.31 | -28.44% |
| EHL | Emeco Holdings | $0.67 | Canaccord Genuity | 0.99 | 0.97 | 2.06% |
| | | | Jarden | 0.95 | 1.10 | -13.64% |
| EVS | EnviroSuite | $0.06 | Moelis | 0.10 | 0.12 | -16.67% |
| | | | Wilsons | 0.11 | 0.13 | -15.38% |
| FCL | Fineos Corp | $1.66 | Moelis | 2.21 | 2.57 | -14.01% |
| GDI | GDI Property | $0.61 | Moelis | 1.00 | 1.09 | -8.26% |
| GPT | GPT Group | $4.35 | Jarden | 4.70 | 4.40 | 6.82% |
| GQG | GQG Partners | $2.19 | Goldman Sachs | 2.40 | N/A | - |
| HMC | HMC Capital | $7.01 | Jarden | 7.00 | 6.00 | 16.67% |
| HUB | Hub24 | $39.04 | Moelis | 41.99 | 38.93 | 7.86% |
| | | | Wilsons | 42.63 | 40.00 | 6.58% |
| IDX | Integral Diagnostics | $2.21 | Wilsons | 2.12 | 2.00 | 6.00% |
| IGO | IGO | $7.94 | Jarden | 9.65 | 9.61 | 0.42% |
| ILU | Iluka Resources | $6.85 | Canaccord Genuity | 7.50 | 7.00 | 7.14% |
| IMD | Imdex | $2.12 | Jarden | 2.00 | 2.05 | -2.44% |
| INA | Ingenia Communities | $4.84 | Goldman Sachs | 4.40 | 4.30 | 2.33% |
| | | | Jarden | 5.45 | 4.70 | 15.96% |
| | | | Moelis | 4.93 | 4.18 | 17.94% |
| IPH | IPH | $6.33 | Petra Capital | 10.50 | 10.70 | -1.87% |
| IRE | Iress | $7.85 | Wilsons | 8.00 | 8.16 | -1.96% |
| JDO | Judo Capital | $1.25 | Goldman Sachs | 1.69 | 1.63 | 3.68% |
| KMD | KMD Brands | $0.49 | Canaccord Genuity | 0.57 | 0.68 | -16.18% |
| MAH | Macmahon | $0.19 | Canaccord Genuity | 0.28 | 0.25 | 12.00% |
| | | | Jarden | 0.26 | 0.24 | 8.33% |
| MGH | Maas Group | $4.82 | Wilsons | 4.67 | 4.44 | 5.18% |
| MMS | McMillan Shakespeare | $21.90 | Canaccord Genuity | 21.80 | 19.60 | 11.22% |
| MP1 | Megaport | $14.47 | Goldman Sachs | 14.85 | 12.90 | 15.12% |
| NDO | Nido Education | $0.96 | Moelis | 1.36 | 1.40 | -2.86% |
| | | | Wilsons | 1.45 | 1.41 | 2.84% |
| NHC | New Hope | $4.70 | Goldman Sachs | 3.50 | 3.60 | -2.78% |
| NSR | National Storage REIT | $2.26 | Moelis | 2.38 | 2.41 | -1.24% |
| NWL | Netwealth Group | $19.15 | Jarden | 15.55 | 15.00 | 3.67% |
| | | | Wilsons | 20.50 | 18.40 | 11.41% |
| OML | oOh!media | $1.85 | Goldman Sachs | 1.62 | 1.59 | 1.89% |
| ORA | Orora | $2.68 | Jarden | 3.20 | 3.30 | -3.03% |
| PFP | Propel Funeral Partners | $5.81 | Moelis | 5.64 | 5.40 | 4.44% |
| PRN | Perenti | $0.91 | Canaccord Genuity | 1.25 | 1.20 | 4.17% |
| | | | Moelis | 1.25 | 1.35 | -7.41% |
| PWR | Peter Warren Automotive | $2.22 | Moelis | 2.60 | 2.76 | -5.80% |
| QBE | QBE Insurance | $17.29 | Goldman Sachs | 18.65 | 18.52 | 0.70% |
| QIP | Qantm Intellectual Property | $1.33 | Petra Capital | 1.76 | 1.57 | 12.10% |
| REA | REA Group | $194.11 | Goldman Sachs | 201.00 | 204.00 | -1.47% |
| RED | Red 5 | $0.33 | Petra Capital | 0.42 | 0.40 | 5.00% |
| RWC | Reliance Worldwide | $5.48 | Goldman Sachs | 5.00 | 4.70 | 6.38% |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | Jarden | 5.30 | 4.10 | 29.27% |
| SGF | SG Fleet | $2.83 | Canaccord Genuity | 3.58 | 3.43 | 4.37% |
| SGM | Sims | $12.24 | Goldman Sachs | 14.00 | 16.20 | -13.58% |
| SHL | Sonic Healthcare | $29.85 | Jarden | 28.88 | 31.20 | -7.44% |
| SHM | Shriro | $0.80 | Petra Capital | 0.90 | 1.44 | -37.50% |
| SIQ | Smartgroup Corp | $10.97 | Canaccord Genuity | 10.65 | 10.20 | 4.41% |
| STX | Strike Energy | $0.22 | Wilsons | 0.34 | 0.53 | -35.85% |
| THL | Tourism Holdings Rentals | $3.24 | Wilsons | 4.05 | 5.06 | -19.96% |
| WBC | Westpac | $26.35 | Goldman Sachs | 23.46 | 22.85 | 2.67% |
| | | | Jarden | 23.50 | 23.00 | 2.17% |
| WDS | Woodside Energy | $30.36 | Goldman Sachs | 32.40 | N/A | - |
| Company | | Last Price | Broker | New Target | Old Target | Change |

# More Highlights

# EHL EMECO HOLDINGS LIMITED

**Mining Sector Contracting - Overnight Price: $0.64**

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

Emeco Holdings posted a first half result that was in line with expectations. Canaccord Genuity now expects EBITDA growth in FY24 of 12% while expenditure on growth will decline in FY25.

Specific guidance was not provided yet management noted it is comfortable with the consensus view for EBITDA of $280m.

The broker expects rental earnings will improve in the second half given the production outlook for bulks and gold. Buy rating unchanged. Target edges up to $0.99 from $0.97.

This report was published on February 21, 2024.

Target price is **$0.99** Current Price is **$0.64** Difference: **$0.35**
If **EHL** meets the Canaccord Genuity target it will return approximately **55%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

**Forecast for FY24:**

> Canaccord Genuity forecasts a full year **FY24** dividend of **1.80** cents and EPS of **13.40** cents.
> At the last closing share price the estimated dividend yield is **2.81%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **4.78**.

**Forecast for FY25:**

> Canaccord Genuity forecasts a full year **FY25** dividend of **4.40** cents and EPS of **14.60** cents.
> At the last closing share price the estimated dividend yield is **6.88%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **4.38**.

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

# IPH IPH LIMITED

**Legal - Overnight Price: $6.33**

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

Petra Capital assesses that IPH reported a slight miss on the 1H24 EBITDA results due to a softer Asian performance.

Canada performed well and there is an ongoing turnaround in the A&NZ operations.

Adjusting for the update, the broker lowered EPS forecasts by -3.2% for FY24 and -1.4% for FY25 due to slightly reduced growth estimates from Asia.

A Buy rating is retained and the target is lowered to $10.50 from $10.80.

This report was published on February 23, 2024.

Target price is **$10.50** Current Price is **$6.33** Difference: **$4.17**
If **IPH** meets the Petra Capital target it will return approximately **66%** (excluding dividends, fees and charges).
Current consensus price target is **$8.91**, suggesting upside of **40.8%**(ex-dividends)
The company's fiscal year ends in June.

**Forecast for FY24:**

Petra Capital forecasts a full year **FY24** dividend of **34.00** cents and EPS of **43.60** cents.
At the last closing share price the estimated dividend yield is **5.37%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **14.52**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **45.4**, implying annual growth of **58.6%**.
Current consensus DPS estimate is **34.8**, implying a prospective dividend yield of **5.5%**.
Current consensus EPS estimate suggests the PER is **13.9**.

**Forecast for FY25:**

Petra Capital forecasts a full year **FY25** dividend of **36.50** cents and EPS of **48.20** cents.
At the last closing share price the estimated dividend yield is **5.77%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **13.13**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **48.9**, implying annual growth of **7.7%**.
Current consensus DPS estimate is **37.2**, implying a prospective dividend yield of **5.9%**.
Current consensus EPS estimate suggests the PER is **12.9**.

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

# NDO NIDO EDUCATION LIMITED

**Childcare - Overnight Price: $0.98**

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

Nido Education's maiden results release as a listed company have slightly exceeded prospectus guidance at the earnings line, but Canaccord Genuity notes all focus is on the year ahead. Pre-AASB earnings came in at $0.3m, and average occupancy 75.4%.

With 24 of the company's 52 centres acquired alongside its public listing in October, Canaccord Genuity points out these result are not the most meaningful, given limited contribution.

The company provided no guidance for the coming year, but confirmed it is progressing in line with prospectus target of earnings of $28m. Canaccord Genuity sits 2% higher.

The Buy rating and target price of $1.30 are retained.

This report was published on February 21, 2024.

Target price is **$1.30** Current Price is **$0.98** Difference: **$0.315**
If **NDO** meets the Canaccord Genuity target it will return approximately **32%** (excluding dividends, fees and

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

**Forecast for FY24:**

> Canaccord Genuity forecasts a full year **FY24** dividend of **3.20** cents and EPS of **6.70** cents.
> At the last closing share price the estimated dividend yield is **3.25%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **14.70**.

**Forecast for FY25:**

> Canaccord Genuity forecasts a full year **FY25** dividend of **3.40** cents and EPS of **7.10** cents.
> At the last closing share price the estimated dividend yield is **3.45%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **13.87**.

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

# ORA ORORA LIMITED

**Paper & Packaging - Overnight Price: $2.65**

Goldman Sachs rates ((ORA)) as Buy (1) -

Orora's 1H earnings (EBIT) were in line with forecasts by Goldman Sachs and consensus, despite lower-than-expected revenues, which imply strong margin outcomes. Profit missed the broker's estimate on higher interest and tax expenses than anticipated.

North American earnings beat the broker's forecast by 2%, with a strong margin of around 5%, while Australian earnings missed the consensus estimate by -1%, with volume growth for Cans offsetting softness for Glass.

Management reiterated guidance for FY24 earnings (excluding the Saverglass contribution) to exceed FY23's earnings. Guidance was also confirmed for ongoing margin accretion due to account profitability and a focus on costs.

The Buy rating and and $3.50 target are maintained.

This report was published on February 20, 2024.

Target price is **$3.50** Current Price is **$2.65** Difference: **$0.85**
If **ORA** meets the Goldman Sachs target it will return approximately **32%** (excluding dividends, fees and charges).
Current consensus price target is **$3.03**, suggesting upside of **14.2%**(ex-dividends)
The company's fiscal year ends in June.

**Forecast for FY24:**

> Goldman Sachs forecasts a full year **FY24** dividend of **14.00** cents and EPS of **20.00** cents.
> At the last closing share price the estimated dividend yield is **5.28%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **13.25**.
>
> How do these forecasts compare to market consensus projections?
>
> Current consensus EPS estimate is **17.7**, implying annual growth of **-13.6%**.
> Current consensus DPS estimate is **11.9**, implying a prospective dividend yield of **4.5%**.
> Current consensus EPS estimate suggests the PER is **15.0**.

**Forecast for FY25:**

> Goldman Sachs forecasts a full year **FY25** dividend of **15.00** cents and EPS of **21.00** cents.
> At the last closing share price the estimated dividend yield is **5.66%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **12.62**.
>
> How do these forecasts compare to market consensus projections?
>
> Current consensus EPS estimate is **20.5**, implying annual growth of **15.8%**.

Current consensus DPS estimate is **14.0**, implying a prospective dividend yield of **5.3%**.
Current consensus EPS estimate suggests the PER is **12.9**.

Market Sentiment: **0.6**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

# QIP QANTM INTELLECTUAL PROPERTY LIMITED

**Legal - Overnight Price: $1.15**

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

Qantm Intellectual Property's pre-guided December-half result appears to have pleased Petra Capital, revenue and earnings all rising strongly on the previous corresponding period, thanks to "respectable" performances across divisions.

The broker observes strong operating cash generation and low capital expenditure drove an increase in the company's dividend to 4.9c from 2.8c the previous year (an 80% payout ratio). The broker forecasts an FY24 dividend yield of 6.3% and FY25 yield of 7.2%.

Net debt fell -33.4% year on year. Buy rating retained. Target price is $1.76 (it was $1.57 in December).

This report was published on February 21, 2024.

Target price is **$1.76** Current Price is **$1.15** Difference: **$0.61**
If **QIP** meets the Petra Capital target it will return approximately **53%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

**Forecast for FY24:**

Petra Capital forecasts a full year **FY24** dividend of **6.10** cents and EPS of **12.80** cents.
At the last closing share price the estimated dividend yield is **5.30%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.98**.

**Forecast for FY25:**

Petra Capital forecasts a full year **FY25** dividend of **7.50** cents and EPS of **13.40** cents.
At the last closing share price the estimated dividend yield is **6.52%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.58**.

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

# RTR RUMBLE RESOURCES LIMITED

**Mining - Overnight Price: $0.07**

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

Overweight rating retained as Rumble Resources announced further significant high-grade Zn-Pb sulphide mineralisation has been intersected along strike of the "exciting" new Mato Prospect discovery at Earaheedy.

Wilsons welcomes the news and highlights Earaheedy is one of the largest zinc sulphide discoveries globally in the past decade.

The broker points at the results of the DMS/Ore Sorting test work as the next key catalyst for the stock. Wilsons sees a possibility the economic potential of the resource might be significantly enlarged. Target 40c.

This report was published on February 22, 2024.

Target price is **$0.40** Current Price is **$0.07** Difference: **$0.331**
If **RTR** meets the Wilsons target it will return approximately **480%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

**Forecast for FY23:**

Wilsons forecasts a full year **FY23** dividend of **0.00** cents and EPS of **minus 0.60** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 11.50**.

**Forecast for FY24:**

Wilsons forecasts a full year **FY24** dividend of **0.00** cents and EPS of **minus 0.40** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 17.25**.

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

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