+11,00.00

WEEK 51

FNArena
FINANCIAL NEWS, ANALYSIS & DATA

STORIES TO READ FROM FNArena

Friday, 20 December 2024

Pro Medicus, A Global Software Super Star

Ask FNArena: High Multiples About To Collapse?

Diagnostic Imaging Radiates Opportunity

CONTENTS

AUSTRALIA

1. The Market In Numbers - 14 Dec 2024
2. Pro Medicus, A Global Software Super Star

BOOK REVIEWS

3. Book Excerpt: Our Robotics Future

COMMODITIES

4. Material Matters: Whitehaven, Evolution, Iluka, Santos & More

ESG FOCUS

5. ESG Focus: Agriculture, Food & Sustainability

RUDI'S VIEWS

6. Ask FNArena: CSL, Charter Hall & Dexus
7. Ask FNArena: High Multiples About To Collapse?
8. Rudi's View: Banks, WiseTech, Redox & Integral Diagnostics

SMALL CAPS

9. Alliance Aviation Cleared For Dividend Takeoff
10. Goldman's Contrarian View On Telco Challengers
11. Diagnostic Imaging Radiates Opportunity

WEEKLY REPORTS

12. Weekly Ratings, Targets, Forecast Changes - 13-12-24
13. Uranium Week: Outlook For 2025
14. The Short Report - 19 Dec 2024
15. In Brief: Dicker Data, Light & Wonder, Codan
16. In Case You Missed It - BC Extra Upgrades & Downgrades -

FNArena
Financial News, Data & Analysis

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

Your editor:
Rudi Filapek-Vandyck

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

© FNArena 2024. All Rights Reserved. No portion of this website may be reproduced, copied or in any way re-used without written permission from FNArena. All subscribers should read our terms and conditions.

© FNArena 2024. All Rights Reserved. No portion of this website may be reproduced, copied or in any way re-used without written permission from FNArena. All subscribers should read our terms and conditions.

AUSTRALIA

The Market In Numbers - 14 Dec 2024

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

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

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

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

Australia & NZ

Index	14 Dec 2024	Week To Date	Month To Date (Dec)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
NZ50	12754.260	-0.43%	-2.39%	2.66%	8.36%	8.85%
All Ordinaries	8550.30	-1.60%	-1.71%	0.14%	9.21%	6.69%
S&P ASX 200	8296.00	-1.48%	-1.66%	0.32%	9.29%	6.80%
S&P ASX 300	8224.90	-1.52%	-1.70%	0.19%	9.14%	6.70%
Communication Services	1661.30	-1.78%	-1.79%	4.29%	4.60%	10.66%
Consumer Discretionary	3982.00	-0.72%	1.00%	3.73%	22.89%	13.40%
Consumer Staples	11786.90	0.08%	0.66%	-5.44%	-4.25%	-4.78%
Energy	8483.60	-0.35%	-1.37%	-7.07%	-20.14%	-15.43%
Financials	8757.00	-2.03%	-2.56%	6.52%	30.34%	14.36%
Health Care	44818.20	-1.76%	-2.02%	1.69%	5.85%	1.27%
Industrials	7538.90	-1.98%	-1.68%	1.24%	9.80%	10.68%
Info Technology	2755.50	-5.73%	-3.89%	1.40%	50.34%	17.68%
Materials	16917.60	0.01%	0.16%	-7.64%	-13.20%	0.23%
Real Estate	3853.40	-2.14%	-4.73%	-4.89%	15.11%	8.14%
Utilities	8838.40	-1.52%	-2.76%	-1.61%	8.05%	-4.81%
A-REITs	1760.30	-2.03%	-4.66%	-4.75%	17.17%	8.37%
All Technology Index	3854.60	-4.32%	-2.76%	10.96%	43.08%	22.84%
Banks	3675.00	-1.72%	-2.63%	6.81%	32.22%	15.02%
Gold Index	9070.60	0.50%	1.59%	4.01%	23.11%	23.29%
Metals & Mining	5503.50	0.21%	0.52%	-8.15%	-14.89%	-0.85%

The World

Index	14 Dec 2024	Week To Date	Month To Date (Dec)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
FTSE100	8300.33	-0.10%	0.16%	0.77%	7.33%	1.67%
DAX30	20405.92	0.10%	3.97%	5.59%	21.81%	11.90%
Hang Seng	19971.24	0.53%	2.82%	-5.50%	17.15%	12.71%
Nikkei 225	39470.44	0.97%	3.30%	4.09%	17.95%	-0.28%
DJIA	43828.06	-1.82%	-2.41%	3.54%	16.29%	12.04%
S&P500	6051.09	-0.64%	0.31%	5.01%	26.86%	10.82%
Nasdaq Comp	19926.72	0.34%	3.69%	9.55%	32.74%	12.37%

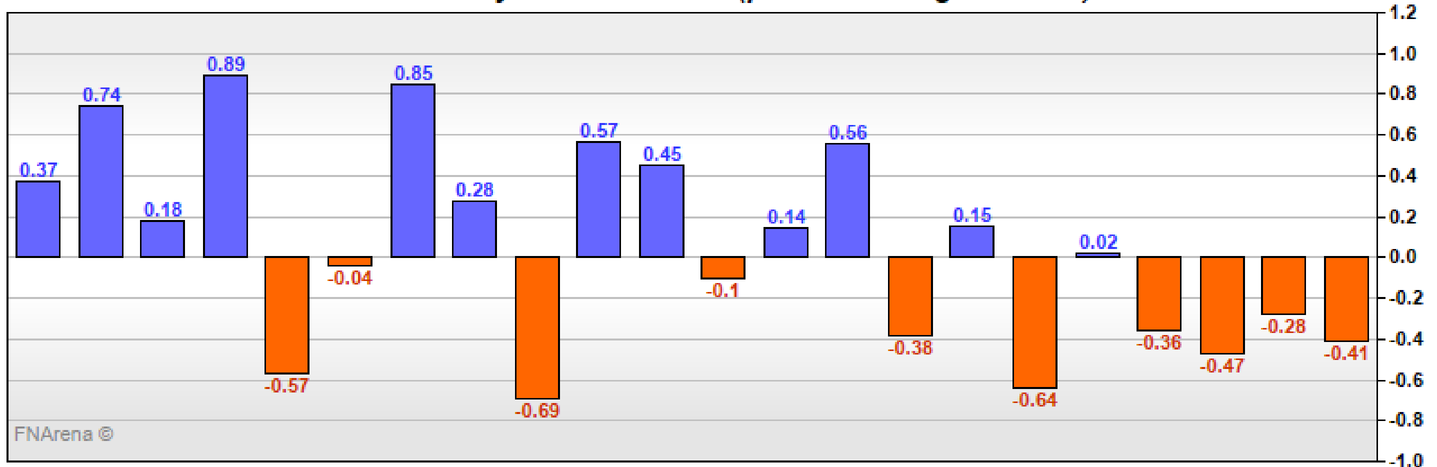
Metals & Minerals

Index	14 Dec 2024	Week To Date	Month To Date (Dec)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
Gold (oz)	2703.96	1.86%	1.58%	0.84%	32.26%	15.66%
Silver (oz)	31.57	-0.81%	2.91%	-1.06%	29.50%	7.94%
Copper (lb)	4.2405	0.90%	2.64%	-7.79%	11.36%	-2.15%
Aluminium (lb)	1.1728	-1.48%	0.46%	-1.16%	20.62%	4.30%
Nickel (lb)	7.2799	1.34%	0.37%	-5.07%	-2.11%	-6.41%
Zinc (lb)	1.3852	-1.09%	0.88%	-0.06%	23.17%	4.46%
Uranium (lb) weekly	76.75	-0.65%	-0.97%	-6.40%	-10.76%	-7.81%
Iron Ore (t)	105.49	-0.75%	2.07%	13.45%	-23.69%	-0.96%

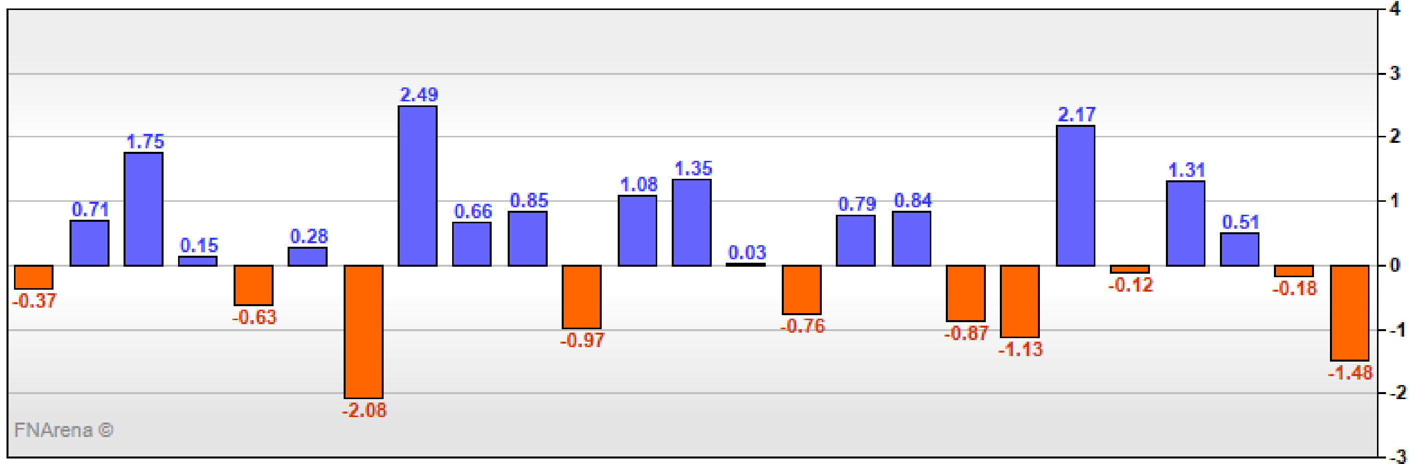
Energy

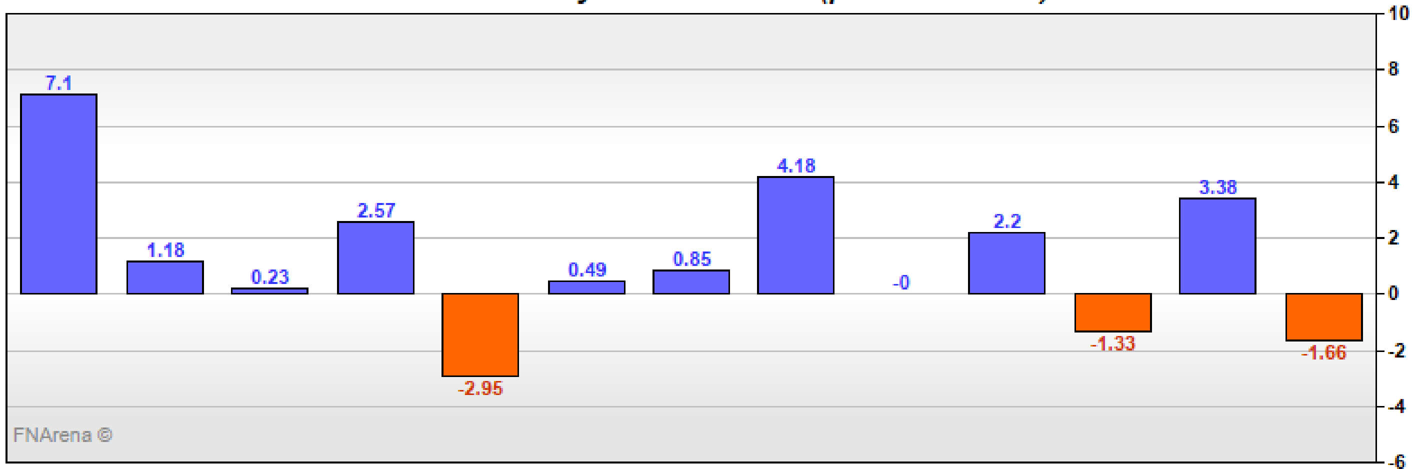
Index	14 Dec 2024	Week To Date	Month To Date (Dec)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
West Texas Crude	70.13	2.42%	1.81%	2.17%	-4.99%	-14.33%
Brent Crude	73.51	1.81%	1.14%	2.75%	-7.25%	-13.96%

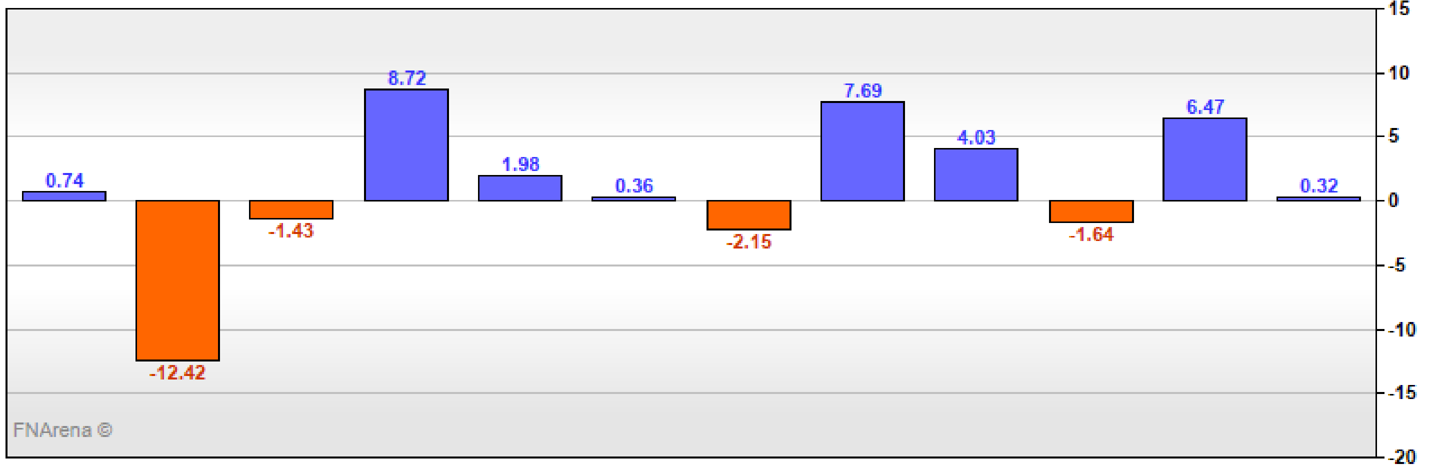
ASX200 Daily Movement in % (past 22 trading sessions)



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.

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

FNArena welcomes comments and suggestions at info@fnarena.com

AUSTRALIA

Pro Medicus, A Global Software Super Star

Pro Medicus' growth story is far from over. How should investors deal with the valuation challenge of one of Australia's premium growth companies?

-The Pro Medicus services offering
-Future growth prospects
-What makes the Pro Medicus moat so strong?
-Analysts' thoughts on Pro Medicus

By Danielle Ecuyer

The Pro Medicus conundrum for investors

Pro Medicus ((PME)) may be one of Australia's top export stories and a winner for investors with the share price up 170% over the last year, but it's the valuation that seemingly remains an eternal challenge.

Arguably, the latter comment looks laughable when observing FNArena's consensus FY25 price-to-earnings multiple of 250x. Even looking out to FY26, as the current fiscal year is halfway through, the price-to-earnings ratio only shrinks to 170x.

If you're left scratching your head in disbelief, you are not Robinson Crusoe, as even the die-hard momentum followers are probably choking on their espressos.

So, what gives? What makes Pro Medicus so different to other healthcare services providers?

Arguably, this is the nub of the issue: is Pro Medicus a technology, growth or healthcare company?

Morgan Stanley has taken the challenge head-on, initiating coverage with a new approach on how investors could consider assessing the company, with Goldman Sachs not far behind.

Both brokers proclaim Pro Medicus is a long-term technology growth story with network effects and structural tailwinds. Investors better not compare it to Healius, Pacific Smiles, Ramsay Health Care or Genetic Signatures and the like.

What does Pro Medicus do?

Founded in 1983, the company has evolved into an industry leader in the US radiology imaging software industry with its Visage product and service offering.

Visage offers radiologists streaming technology, permitting immediate access to images with easy viewing and the ability to manipulate the images without waiting for a heavy file to load.

Advanced visualisation of images is referred to as Picture, Archive, and Communication System or PACS, otherwise known as digital imaging software. A PACS system facilitates the transport of private patient medical imaging information, obviating the need for manual file storage and transportation.

Simply put, patient images can be stored, accessed, assessed, and manipulated for immediate use by radiologists and healthcare professionals.

The PACS systems can be on-premise within a healthcare facility via hardware, including servers and workstations, or run remotely via cloud computing services. Pro Medicus offers both.

Pro Medicus' Visage product comes in three sub-products, as explained by Morgan Stanley:

-Visage 7 is a single integrated desktop system that can achieve functions formerly requiring multiple independent systems across 3D and 4D visual functionality.

-Visage 7 Open Archive is a flexible, powerful, and scalable system for storing and managing medical images. It is designed to work well with various other systems and technologies and can be employed on different brands

and types of equipment.

-Visage 7 Workflow simplifies the process of organising and managing imaging tasks, helping users work more efficiently within the same platform.

Looking to the future

Morgan Stanley estimates the total addressable cloud-based PACS market for radiology at around US$1.6bn and cloud-based PACS for cardiology at US$0.4bn, with a high probability for the US$2.2bn on-premise PACS market to be disrupted over time.

The total addressable market is currently worth US$4.2bn today, and projected to grow at an 8% compound average growth rate to 2030 to an estimated value of US$6.5bn.

Including cardiology, which Pro Medicus is now offering, the scope for cloud-based PACS to grow lifts to around 10-12% on a compound annual basis.

The implications for Pro Medicus are broad reaching, with multiple growth drivers.

Recent major contract wins, such as Trinity Health and Langone Health, suggest the company's technology offers a leading competitive edge.

In the latter case, Citi highlighted recently the contract upgrade included an extension and a willingness to take on Visage's two sub-products, Archive and Worklist. The broker explains most recent contract wins have included all three products or a "full-stack" for Visage.

Trinity Healthcare is referred to as an IDN or integrated delivery network, jargon for an organisation that owns and operates a network of healthcare facilities such as hospitals, physician groups, clinics, ambulatory surgery centres, and imaging centres. The goal of an IDN is to provide coordinated and comprehensive care to patients by integrating various healthcare services under one umbrella.

Pro Medicus' recent US$330m Trinity Health contract set a new record for the company. Trinity is a top 5 US IDN, which has the potential to underpin network effects across other IDNs, representing over 40% of the total addressable market for Pro Medicus, according to Goldman Sachs.

This broker believes Visage has over 8% market share of US radiology volumes, and out of the top 25 IDNs, only four are using Visage.

Key competitive advantages

Morgan Stanley's discussions with industry sources suggest Visage is around 60-70% faster than legacy PACS, allowing for greater efficiency and volumes growing two to three times faster than the system. Over the last three years, sales of full-stack PACS solutions like Visage have increased, alongside a 30-40% price increase. Contract renewals have averaged 6-8% higher prices.

Goldman Sachs highlights speed and cloud capabilities as two clear advantages for Visage, which influence customer PACS selection relative to competitors.

The cost benefits for healthcare organisations are a key strategic advantage, as radiologists are among the top ten paid professionals in the US, while using cloud storage for radiology reduces storage overload.

The Pro Medicus sales model is based on exam volumes with a minimum five-year contract. There is a per-user' rate charge underwritten by minimum volumes in the contract, support fees including installation, upgrades, training, and a 5% fee for customer data migration onto the Pro Medicus platform as a one-off.

Citi estimates Pro Medicus can grow market share to over 20% by the end of the decade from 7% in FY24, generating a compound annual EPS growth rate of 24% per annum.

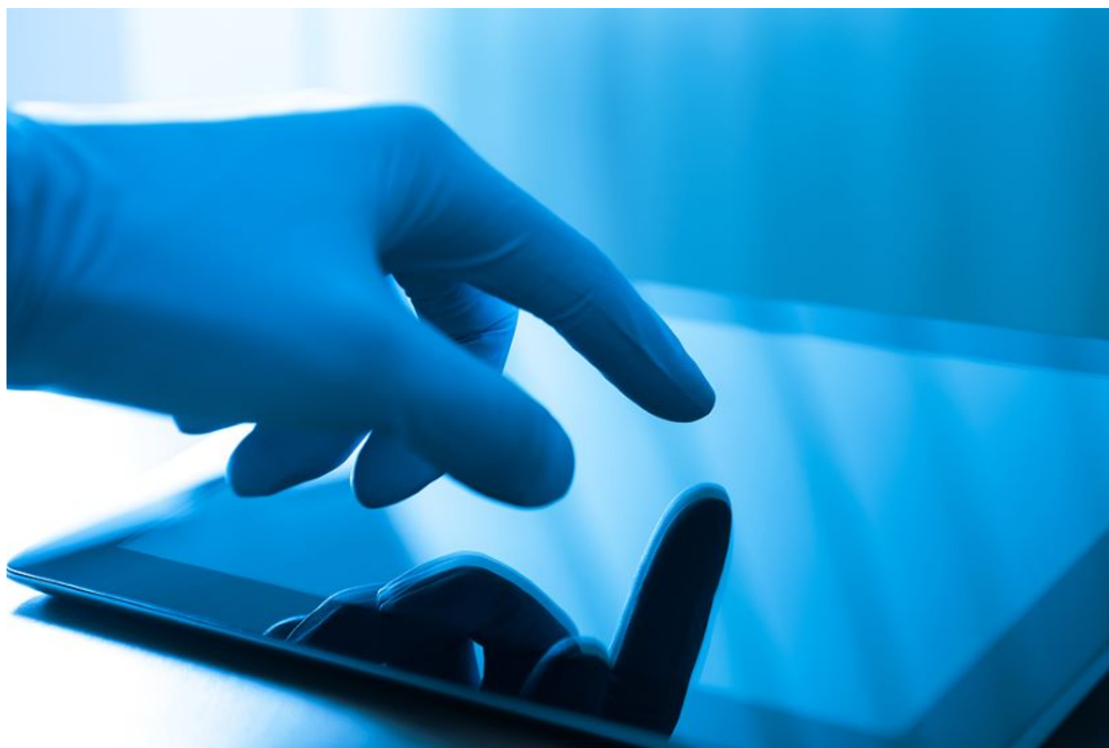
Macquarie estimates 15% market share by FY30, advancing to 30% by FY34, while Goldman Sachs projects market share exceeding 30% in the longer term.

Morgan Stanley highlights FY24 total revenue of US$115m, equating to around 3% of the US$4bn total addressable market, and estimates FY30 revenue of US$430m, or around 7% of the US$6.5bn total addressable market by FY30.

The latter broker forecasts 14% market share by FY30 and annual contract price uplifts of 8% per annum. The bull case assumes 17% market share and 10% annual pricing increases.

As part of the company's strategic focus, Pro Medicus spends around 25% of R&D on adjacent products, including AI and cardiology. The company is positioning for longer-term opportunities in AI application

solutions, including screening for breast cancer detection, bone mineral density, aortic calcification, and body composition, developed with academic clients.



Valuing Pro Medicus, software or healthcare?

Growth levers for Pro Medicus are multi-faceted, including contract renewals, upgrades to full-stack Visage with a 30-40% price uplift, including transition from on-prem to cloud, market share gains, and larger organisational wins like Trinity Health. Adjacent products in cardiology and AI offerings are additional growth levers.

Pro Medicus has very low churn rates and is highly profitable, with earnings margins of 75%. Morgan Stanley expects customer revenue volumes to grow at 7% per annum against the industry's 2-3% annually.

Looking through the lens of a software technology company, Morgan Stanley explains both Pro Medicus and WiseTech Global ((WTC)) had Lifetime Value to Customer Acquisition Cost ratios of over 300x-plus at the end of FY24. Compared to the global software average of around 5x, this is extremely elevated and shows for every dollar spent on acquiring a customer there is a $300 return.

Goldmans Sachs points to the "best in class margins", stressing Pro Medicus generates over 70% for the Rule of 40, translated as the combined total of the revenue growth rate and profit margin is significantly higher than the benchmark of 40% for software companies.

Among those brokers monitored daily by FNArena, Morgan Stanley's initiation of coverage stands out with a Buy-equivalent rating and a $300 target price.

The key argument is Pro Medicus shares characteristics with WiseTech, including a sticky software-as-a-service model, strong competitive advantages, and scalability, with customer volumes growing 4-7x faster than the system.

Although Pro Medicus' end markets are healthcare-related, Morgan Stanley argues the service offering should be assessed through a software lens.

Considering both a discounted cash flow model and a sum-of-the-parts model, Morgan Stanley estimates a valuation between $250-$360 per share, using the bull case assumptions, and adopts the midpoint $300 as its maiden target price.

Goldman Sachs believes MedTech companies like Pro Medicus are increasingly a safe haven amid an uncertain regulatory outlook in the US healthcare sector. This broker's target price is set at $278, with a Stay Buy rating.

Wilsons is also Buy-equivalent rated with a $275 target price. This broker believes the Trinity Health contract will serve as a luminary reference site, showcasing Pro Medicus as a leader in radiology and able to displace legacy PACS systems.

Given the average FNArena target price is $200.92 for daily monitored brokers, it is hardly surprising ratings

include three Holds and two Sells with considerably lower target prices as not everyone is on par with Morgan Stanley's methodology, including Citi at $100 and Ord Minnett at $140.

Morgans agrees Pro Medicus is one of the highest-quality businesses on the ASX but, like Citi and Ord Minnett and others, the analyst cannot shake off the valuation hurdle. That challenge may not disappear anytime soon.

The author's SMSF owns Pro Medicus shares.

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

BOOK REVIEWS

Book Excerpt: Our Robotics Future

Book Excerpt from *Our Robotics Future by Elad Inbar*, available at Amazon: https://a.co/d/cx2s84k

Introduction

Recently, my company, RobotLAB, showcased its innovations at the International Association of Amusement Parks and Attractions (IAAPA) in Orlando. Amid the buzz of 47,000 attendees exploring cutting-edge technologies, a recurring challenge echoed from the conversations I had: finding and retaining reliable entry-level workers is becoming almost impossible.

Business owners and managers shared stories that were strikingly similar. After struggling to find workers, many new hires wouldn't even complete their first shift, while others who stayed often lacked the dedication necessary to satisfy customers. It became clear that the service sector is facing a labor crisis, one that traditional solutions like higher wages or improved hiring practices alone cannot solve.

The pandemic has played a pivotal role in reshaping this landscape. Once upon a time, service jobs were stepping stones for ambitious workers. High school graduates would take up restaurant or retail roles during college, gaining experience and moving up the career ladder. That world is gone, replaced by a new reality where young people are turning to online ventures, gig work, or alternative income streams instead of traditional service jobs.

This shift has left industries in dire straits, but it has also opened the door to a transformative solution: robotics.

Robotics to the Rescue

Amid this labor crisis, a new generation of workers has emerged not human, but robotic. From delivering packages and cleaning floors to cooking meals and offering customer service, robots are stepping in to fill the gaps left by labor shortages.

Unlike their human counterparts, robots don't need breaks, vacations, or overtime pay. They execute repetitive tasks with unwavering precision and consistency, powered by advancements in artificial intelligence (AI). This technology enables them to process real-time data, adapt to changing environments, and perform tasks that were once thought to require human intuition.

Consider the following:

-Delivery Robots: Navigating bustling city streets or sprawling campuses, these robots autonomously deliver meals, groceries, or parcels to customers' doorsteps.

-Cleaning Robots: Equipped with sophisticated mapping technologies, cleaning robots ensure every corner of a space is spotless, outperforming human cleaners in speed and consistency.

-Humanoid Robots: While still in their infancy, humanoid robots hold the promise of seamlessly integrating into environments designed for humans, tackling complex tasks like caregiving, customer interactions, and education.

Robots are not here to replace humans entirely but to enhance productivity, alleviate labor shortages, and free up human workers for higher-value tasks. The integration of robotics is not just a stopgap it is a leap forward, redefining how industries operate and creating opportunities for innovation on an unprecedented scale.

A Glimpse into the Future

As this book unfolds, you'll explore how robotics is transforming industries across the globe. From agriculture and healthcare to education and hospitality, robots are becoming indispensable partners in our daily lives. And we're only at the beginning.

With advancements in artificial intelligence, robotics is poised to enter what many are calling the "robotics decade," a time when automation will permeate every aspect of society. The International Federation of Robotics estimates there are currently 30 million robots in use worldwide, a figure that could balloon to billions in the years ahead.

This book offers not just a glimpse of what's happening now but a vision of what's to come. Robotics and AI are not merely tools; they are the foundation of a new era of human progress. So, let's embark on this journey together.

The future is here are you ready?

Book Excerpt from *Our Robotics Future by Elad Inbar*, available at Amazon: https://a.co/d/cx2s84k

Technical limitations

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

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

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

COMMODITIES

Material Matters: Whitehaven, Evolution, Iluka, Santos & More

A glance through the latest expert views and predictions about commodities: iron ore; coal; base metals; critical minerals; gold; LNG.

-Iron ore price supported
-Coal range-trading
-Base metals and US tariffs
-Lithium bottomed
-Gold risks priced in
-Muted oil price outlook

By Greg Peel

Iron Ore

Over the last month we have seen Australian and Brazilian iron ore exports and Chinese imports remain high, Barrenjoey notes, which has maintained elevated port stocks in China. Chinese steel exports reached an all-time high as Chinese steel production also lifted, which has supported the iron ore price; while steel inventories reached a five-year low, which has also driven a lift in Chinese steel production.

China has accelerated issuance of local government special bonds since August, in a bid to support its infrastructure sector to cushion headwinds from the weaker property sector. Barrenjoey sees the iron ore price being supported by elevated steel production levels, but this should abate as we approach year-end and the seasonally slower winter period.

A resurgence in steel production post winter has Barrenjoey forecasting higher prices in March-June 2025 than consensus, with US$110/t forecast for 2025 versus consensus of US$99/t.

Likely demand softness nonetheless keeps Citi neutral on bulks pricing. This broker has downgraded its 0-3 month price forecast for iron ore to US$100/t from US$110/t. Citi's expectation for steel-intensive policy action in 2025 is low despite comments regarding more proactive fiscal policy and moderately loose monetary policy.

December is a seasonally strong quarter for iron ore prices as steel mills in China restock ahead of Chinese New Year, notes Citi. However, with high port inventories and steel mills' focus on profitability and capital management, price action has been muted.

Metals demand is intertwined with China's stimulus measures. The recent Politburo meeting has set a more aggressive stimulus tone, Morgan Stanley notes, signalling additional easing in late December or, at the latest, ahead of the National Peoples' Conference in March.

But magnitude and implementation remain uncertain. Morgan Stanley's economist still expects these initiatives to stabilise growth but remain insufficient in prompting a meaningful inflection in demand.

Among industrial commodities, iron ore is likely to come increasingly into focus in 2025 as Rio Tinto's ((RIO)) Simandou --the largest project to be commissioned since Vale's S11D in 2016-- is scheduled to start production late in the year. Morgan Stanley expects this mine to expand market surplus progressively, limiting prospects of price squeezes going forward.

That said, the spot price is close to cost support, presenting little downside on the brokers' base case, unless China's steel production undershoots.

Iron ore is a good place to hide, Morgan Stanley suggests. Despite higher-than-normal iron ore inventories, steel inventories in China remain lower than 2019 levels creating an iron ore restock opportunity. Iron ore has

also shown cost support in the US$90s, capping downside.

BHP Group ((BHP)) becomes Morgan Stanley's preferred diversified. The broker sees limited disappointment operationally, and the recent copper site visit and Samarco situation are now well understood by the market. The BHP share price is implying an iron ore price of US$88/t versus Rio at US$95/t, on Morgan Stanley's calculations.

The broker likes Mineral Resources ((MIN)), implying US$65.40/t, and while acknowledging corporate governance disappointment, Morgan Stanley sees opportunity for operational delivery at Onslow and a fully repaired balance sheet supporting the stock.

Fortescue ((FMG)) remains Equal-Weight, with its shares implying US$102/t.

Coal

Hard coking coal is expected to range-trade around US$210-$220/t and Citi believes Indian met coal demand will see an improvement in Q1 2025 as steel output lifts and the broker sees a pick-up in infrastructure spending. Thermal coal is expected to average around US$140/t in the first quarter aided by seasonal winter restocking before normalising to US$130/t in the second quarter.

The met coal price has shown resilience through a weak demand period around US$200/t levels, Morgan Stanley notes. However, the market continues to wait for the price to move, which has suffered from lagged impacts of the Indian elections and Mongolian supply.

Morgan Stanley likes Whitehaven Coal ((WHC)), rating Overweight, mainly on account of stock-specific rather than macro factors. The last quarterly report, which pushed the stock up 5% on the day, showed good operating performance can help the miner perform well in a stable coal price environment, the broker suggests.

Base Metals

The US and global growth outlook is likely to be further challenged by higher US tariffs on Chinese goods imports during the first quarter of 2025, Citi notes, with the potential for higher and/or additional tit-for-tat tariffs. In the face of higher tariffs and resulting weakening in exports, Citi economists see Chinese GDP growth slowing to 4.2% in 2025 from 5.0% in 2024.

US tariff hikes, a restrictive developed market monetary environment, China growth headwinds and easing EV policy support delay a broader recovery in global manufacturing beyond 2025, Citi suggests.

Citi's base metals price forecasts for 2025/26 are generally lower as the broker pushes out the cyclical recovery: copper down -15%/-9% in 2025/26; aluminium down -4% in 2025/26; nickel down -3% in 2025 but up 6% in 2026; zinc down -5%/-4% in 2025/26, 2025/26 alumina up 31%/13% and manganese down -23%/-5%. From

current prices Citi sees the greatest 12-month upside for uranium and NdPr and the greatest downside for alumina.

Morgan Stanley likes copper, while neutral on aluminium. The broker downgrades Sandfire Resources ((SFR)) to Underweight from Equal-weight with the current stock price seen ignoring short mine lives of six-seven years.

Morgan Staley moves South32 ((S32)) to Overweight with the stock offering a forecast FY25 operating cash flow yield of 18% and free cash flow yield of 7.4%, suggesting the Worsley impacts are priced in with upside risk of a positive decision, and even if Mozal shuts down there is around a 3% offset from spot alumina sales.

Critical Minerals

The lithium price has bottomed, Morgan Stanley believes, with supply cuts into 2025 improving the supply/demand imbalance. A catalyst from the demand side is required, however, to add upside, but the broker thinks equities have corrected enough for patient investors to re-enter.

Morgan Stanley moves Pilbara Minerals ((PLS)) to Overweight from Equal-weight with Mineral Resources still the broker's preferred exposure. IGO Ltd ((IGO)) remains Underweight, although the broker still sees acquisition risk.

Macquarie's sum-of-the-parts valuation analysis for Iluka Resources ((ILU)) indicates potential value trapped in three key divisions of mineral sands, its rare earths project and Deterra Royalties ((DRR)).

Macquarie assumes the Eneabba rare earth stockpile to have a value of $0.6bn, which is largely in line with Iluka's assessment at NdPr prices of US$82/kg. The combined net present value of $2.8bn represents around 30% upside to Iluka's current market capitalisation.

When Eneabba is included, the majority of which would be ascribed to the non-rare earth components in phase 1 and 2, the upside exceeds 70%. In addition to stockpile monetisation, Macquarie believes the stockpile could also be worth more in another's hands without compromising the ex-China rare earths supply chain strategy.

In lithium, Macquarie notes the 50/50 merger between Piedmont Lithium ((PLL)) and Sayona Mining ((SYA)) is progressing, with Piedmont trading at a premium. The broker expects the gap to close in the near term.

Still on lithium M&A, Macquarie notes in October, Rio Tinto announced an agreement to acquire 100% of Arcadium Lithium ((LTM)) for US$5.85 per share cash. The broker notes Arcadium's share price has remained below the takeover price.

At the annual Rio strategy day, the company highlighted a more diversified portfolio over the medium to longer term with the bolt-on lithium unit a key contributor. The company was also confident the takeover would secure all key approvals in spite of Chinalco's shareholding in Rio.

Macquarie expects further clarity on the regulatory approval process in late January with the new US administration.

Gold

As the path of US rate cuts and the US dollar continues to evolve (falling inflation versus Trump's potential to reverse inflation's fall), Morgan Stanley sees equities having largely priced the expected near-term strength in gold, prompting the broker to stay on hold.

Morgan Stanley prefers Evolution Mining ((EVN)), which it rates as Equal-weight, on its copper exposure and high free cash flow generation. The broker upgrades Northern Star Resources ((NST)) to Equal-weight from Underweight but the stock remains less preferred.

LNG

In the year ahead, Morgan Stanley sees a muted oil price outlook, but some tightness and volatility in LNG, which best suits Woodside Energy's ((WDS)) product mix. Santos ((STO)) is the broker's key Overweight in Australian exploration & production. Beach Energy ((BPT)) and Origin Energy ((ORG)) are least preferred.

Morgan Stanley marks to market for commodity prices and high frequency data, which generally sees lower price targets and earnings estimates, tracking consensus trends. The broker's 2025 forecasts for Woodside's earnings and dividend are -16% below consensus, and its target price for Origin is -15% below.

Looking ahead to 2025, Morgan Stanley awaits Karoon Energy's ((KAR)) strategy update on February 5, Woodside's Louisiana LNG final investment decision in the first quarter, Beach Energy's Waitsia 2 first gas in the second quarter, and Santos' Barossa first gas in the third quarter.

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.

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

ESG FOCUS

ESG Focus: Agriculture, Food & Sustainability

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:
https://fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/

The latest ESG in focus details some of the solutions for global food production and sustainable protein sources.

-Climate change impacts on global food production
-Water infrastructure and aquaculture
-Addressing the global challenges of obesity

By Danielle Ecuyer

Insurance for crop production

Consultants Pollination Group detail how farmers worldwide are experiencing the "full force of climate change". The United Nations Food and Agriculture Organisation estimates US$3.8trn of crops and livestock have been lost to climate disasters over the last thirty years, equaling more than -5% of annual global agricultural GDP.

Pollination Group explains small landholders (measuring ten hectares or less) produce 46% of the world's food, including barley and coffee, on which large food producers rely heavily.

Smaller farmers in particular are financially vulnerable, with only 3% of sub-Saharan Africa's farmers holding insurance. These farmers face higher risks of losses when managing extreme weather events.

To address the problem, organisations, including the UN Development Programme, are implementing partnerships with entities such as the Bill and Melinda Gates Foundation to embed financial resilience into the objectives of the countries they work with.

In Uganda, Pollination highlights, the government has started an agricultural insurance scheme offering a 50% subsidy on insurance premiums for small landholders, who comprise 80% of the country's farming population, and an 80% subsidy on premiums for high-risk areas such as semi-desert locations.

Private capital investment opportunities

Federated Hermes examines the role of impact investing in utilising private capital to help address major sustainability issues, including air, water, and soil pollution. According to the latest UN Sustainable Development Goals Progress report, only 17% of targets are on track, while almost 50% show minimal or slight progress, and 30% have stalled or even regressed.

While there is progress on decarbonisation and electrification, Federated Hermes points to opportunities in the water sector. There is a *"global imbalance between water supply and demand coupled with climate effects such as droughts and regulatory drivers around water pollution"*.

As an ecosystem, water represents a "huge" global total addressable market, valued at US$800bn, with global water infrastructure requiring capex of -US$12.7trn over the decade.

Morgan Stanley continues its series on Sustainability within the context of the UN's 17 Sustainable Development Goals. The latest update addresses the growing global demand for protein and malnutrition.

To improve access to nutritious food and *"sustainable food production systems*", aquaculture is presented as a potential solution. At current consumption levels, aquaculture represents approximately 2% of global calories for humans, while oceans contribute around 50% of the planet's biological production.

Morgan Stanley cites challenges, as detailed in the *Animal Welfare* journal this year. An estimated 87% of stock for food or animal feed in 2019 came from wild-caught fish, with around 50% of all caught fish processed into fishmeal or fish oil.

Approximately 70% of fishmeal and 73% of fish oil are used in aquaculture to feed farmed fish or crustaceans.

Environmentalists are raising concerns about the stress placed on ocean ecosystems, arguing an increase in the proportion of fish used for fish feed could instead be used for human consumption. Small pelagic fish from West Africa, such as herring, mackerel, and anchovies, could provide protein for 33 million people.

Another issue is the use of antibiotics in fish farming, as rising antimicrobial resistance has been flagged by the WHO as a top health threat. The World Bank estimates it could increase incremental healthcare costs by US$1trn by 2050.

To address sustainability issues in aquaculture, Atlantic Sapphire, the "largest land-based aquaculture company in the world", aims to raise 220,000 tons of salmon on land previously used to grow 10,000 tons of tomatoes.

The company seeks to reduce operational costs and boost production, as land-based aquaculture has historically faced challenges such as high mortality rates and issues with harvest volumes and weights. Land-based operations in continuously purified water limit the need for chemicals and reduce impacts on biodiversity.

Tackling the obesity challenge

Morgan Stanley's coverage of Sustainable Development Goals also explores obesity as part of "Good Health and Wellbeing".

The broker estimates the global market for obesity medication will reach US$105bn by 2030, with a potential bull case scenario exceeding US$140bn. Over one billion people currently live with obesity, and this figure is expected to grow to over 1.5bn by 2035.

In the US, the Centers for Disease Control and Prevention report obesity has stabilised at slightly over 40% of the American population, while severe obesity impacts 10% of adults.

Under the UN Sustainable Goals, the aim is to achieve a one-third reduction in the risk of early death from cardiovascular disease, cancer, diabetes, and chronic lung disease for people aged 30-69 years by 2030.

Selected countries have successfully moderated or stabilised obesity rates. For example, France's sugar tax led to a decline in soft drink purchases, while 27 studies across 11 geographies concluded higher soft drink taxes reduced consumption.

In Switzerland, school intervention programs promote increased exercise and healthier food choices.

Morgan Stanley concludes a multi-stakeholder engagement strategy, including changes to the food system and behavioural changes, will be required to address obesity.

Grant Thornton's *Agribusiness, Food and Beverage Dealtracker* report for 2024 analyses M&A and equity market activity for 2024. The consultants highlight increasing activity and focus in Australia's mid-market space on businesses that are tech-enabled, innovative, ESG, and sustainability-focused. Such businesses continue to attract "significant interest".

Cameron Bacon, Grant Thornton: *"While Australian deal volumes have slowed reflecting inflationary concerns, domestic mergers and acquisitions in the Agribusiness, Food & Beverage sector have shown a shift toward the mid-market suggesting a real opportunity for those businesses able to be agile and stay on the front foot when it comes to ESG and sustainability".*

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:
https://fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/

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

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

RUDI'S VIEWS

Ask FNArena: CSL, Charter Hall & Dexus

Earlier this month we asked investors to send in their questions. Today, we answer two questions received.

By Rudi Filapek-Vandyck, Editor

First... A number of subscribers has grabbed the opportunity to express their appreciation with the work we do here at FNArena.

Thank you all, multiple times over. Not everyone necessarily realises at times the team at FNArena quasi literally moves mountains, especially during the peak of reporting seasons.

It feels great to see your appreciation popping up in messages and emails, and we'll use it as extra-motivation to do even better in 2025.

Question One: has CSL ((CSL)) become too big for its own good?

Short answer: absolutely not. Despite the oft repeated narrative that small caps offer so much more opportunity, most small caps have found it incredibly challenging to beat the performances achieved by local large caps such as WiseTech Global ((WTC)), Goodman Group ((GMG)), Car Group ((CAR)), REA Group ((REA)), Xero ((XRO)), Aristocrat Leisure ((ALL)) and Macquarie Group ((MQG)).

I am not only referring to recent share price performances. The growth achieved by ASX-listed quality, large-cap businesses is simply astonishing, and ongoing.

Up until not that long ago, CSL was part of this selection too, but the overall environment has unexpectedly become a lot more challenging for Australia's premier biotech. The share price has essentially traded sideways in a range roughly stretching from $230 at the bottom and $313 on the upside, but mostly around the $270-$280 level.

In a very simplistic explanation: the company is going through a period when everything that can go wrong, mostly does. Some of it is self-inflicted, like the underperforming acquisition of Vifor, many other factors are outside of management's control.

Healthcare as a percentage of the S&P500 index in the US has now shrunk to its size during the dot com era, which is more than two decades ago. The latest headwind stems from general vaccines skepsis attached to the upcoming Trump administration.

As so often is the case, those who concentrate on and only take guidance from the share price do not see a future ahead for the company. Those who watch fundamentals already know FY24 financials were a step up from the three years prior, and FY25 should deliver further improvement.

Management is forecasting double-digit growth. The key to understand is this growth stems largely from the fact plasma-collection continues to grow solidly and management is working on returning the operational margin back to pre-covid level.

The combination of those two factors should see CSL growing at double-digit pace for multiple years to come. Note: dividends have continued growing, except in FY21.

So why is the share price not performing? How long is a piece of string?

We don't always know what is the share market's next obsession, but what history does show us is if EPS and

DPS continue growing, as they are, the share price will eventually follow. This is exactly why I am not wavering from my positive view on CSL.

One added observation: the post-covid years have pulled down just about every financial metric for this company, from return on capital employed, to return on equity, free cash flow, net profit margin, et cetera. To a large extent, this explains the de-rating that has taken place over the years past.

Yet again, the negative trend in most of these financial metrics has stopped deteriorating in FY24. I am keeping my fingers crossed that further improvements in FY25 will once again put upward momentum underneath the share price and we can all start concentrating on the share price's trajectory towards $500.

As we can all relate from experiences in our personal lives, these periods eventually exhaust themselves from delivering more negative news. Another company that is currently going through a similar experience is Woolworths Group ((WOW)).

Both CSL and Woolworths shares remain tightly held in the FNArena-Vested Equities All-Weather Model Portfolio.

Question Two: Can I have short and medium term views on Charter Hall ((CHC)) and Dexus ((DXS)).

Part of the investment thesis for holding REITs is that bond yields are still likely to trend lower over the year ahead, even though that trajectory won't be smooth and straightforward, and it'll be more of a US-centric phenomenon with the RBA still on hold and maybe only delivering two rate cuts next year.

There's also still the possibility US president Trump's stimulus policy achieves the exact opposite, but we'll have to wait and see.

A large part of the bond-inspired recovery has already occurred throughout the months past. This is why Charter Hall shares are no longer trading around $10, but nearer to $15 nowadays.

If we take a positive view, there can be further upside to the magnitude of 25%, as expressed by Morgan Stanley's $18.50 price target, but things must turn around operationally for this to become a real possibility.

Plus general sentiment needs to believe any turnaround will be sustainable.

Contrary to the halcion years leading up to FY21, the overall environment is a lot more challenging for what still is only a medium-sized property developer and manager as is Charter Hall. The market capitalisation is below $7bn.

While this is many times over larger than Centuria Capital Group's ((CNI)) $1.5bn, while HMC Capital's ((HMC)) has grown to $4.6bn, the local sector leader Goodman Group's market cap now exceeds $70bn.

Smaller is by definition not necessarily better when times are tough and Charter Hall's strategy via asset recycling and funds management is facing more headwinds through higher bond yields and downward pressure on real estate valuations, in particular offices and shopping malls, but industrial developments are also confronting less demand, if we exclude data centres.

Bottom line: better times will announce themselves. If not in February, when Charter Hall releases its interim financials, then surely by August or this time next year, by which the RBA most likely will have delivered its rate cuts and the experienced and entrepreneurial management at Charter Hall is cycling easier comparables with better momentum underpinning the sector overall.

In the meantime: just be aware that anything happening in bond markets can and probably will have an outsized impact on the share price, but these things don't tend to have a lasting impact. Unless one believes we are approaching a repeat of the high inflation times that lambasted societies throughout the 1960s and 1970s, which is certainly not my vision for the future.

Dexus is of a similar size as is Charter Hall, and both are officially part of the local REITs sector, but the differences are pronounced. Dexus' core existence consists of owning and managing office buildings and that sector is going through a nasty and enduring bear market. It's tough out there if you're in Dexus' situation.

Which is why management is diversifying into other segments. History tells us these are elongated processes

and in the meantime bearish sentiment towards office properties will continue to keep most investors at bay.

I cannot tell you when offices will be back *en vogue*, that's not my expertise. The best forecast I can make is today's shareholders might have to be patient for longer. Dividends have been cut already, and might have found a base around current level. That suggests 5.5% yield, which provides support to the downside.

If I had to choose, I'd opt for Charter Hall instead. As reported previously, the above-mentioned All-Weather Portfolio owns HomeCo Daily Needs REIT ((HDN)) instead and its shares have equally fallen recently to circa $1.15. I blame US bond yields for that.

More questions and answers to follow in the days ahead.

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

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

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

FNArena Subscription

A subscription to FNArena (6 or 12 months) comes with an archive of Special Reports (20 since 2006); examples below.

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

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

RUDI'S VIEWS

Ask FNArena: High Multiples About To Collapse?

Earlier this month we asked investors to send in their questions. Today, we answer another question received.

Question: Are outperformers including Pro Medicus ((PME)) and WiseTech Global ((WTC)) at risk of collapsing? Some 'experts' have been warning these share prices could fall by as much as -50% due to elevated multiples?

By Rudi Filapek-Vandyck, Editor

Years and years of market observations on top of my own research and analysis have taught me one very important lesson: there's no one size fits all when it comes to investing and putting a valuation on companies and their equities.

The second important lesson I'd like to add is that rules and principles change over time, and most people don't like change.

From the moment I started to research the highest quality and better performing stocks on the ASX, I ran into the everyday dilemma investors face: according to the commonly quoted general rules we should all be looking for lowly valued stocks and ignore the ones on high multiples, because buying "cheaply" is the ideal starting point for long-term returns.

Except this isn't the case.

What actually happens in share markets is more reliable, better quality businesses are rewarded with a premium valuation and they still outperform their lower priced peers who might enjoy their moment every now and then, but overall offer a much shakier track record because they don't have a moat, are much more dependent on the economic cycle, or rather pay out a meaty dividend instead of investing in future growth avenues.

You don't have to take my words for it, but I invite you to compare the long-term track records of the likes of TechnologyOne ((TNE)), Hub24 ((HUB)), Aristocrat Leisure ((ALL)), Xero ((XRO)), REA Group ((REA)), Car Group ((CAR)), et cetera with companies that are trading on much cheaper valuations such as Aurizon Holdings ((AZJ)), Helius ((HLS)), Lendlease ((LLC)), Ramsay Health Care ((RHC)), and many, many others.

Do those 'cheaper' alternatives catch a favourable wind every now and then? They most certainly do. But they're not fit for a marathon, which, in my view, is what investing is all about.

The key hurdle for any investor who considers venturing into the higher quality segment of the Australian share market is almost without exception the higher valuations on display; either vis a vis peers in the same sector, or in comparison to peers offshore, or simply because of a sizable premium versus the rest of the market.

Unless you simply decide to close your eyes and follow market momentum during the good times, you're never going to overcome this hurdle, except when you accept that markets have profoundly changed post GFC, including on how to value businesses that grow irrespective of the economic cycle, with capital-light requirements, recurring revenues, extremely high margins and cornucopias overflowing with cash.

To your average dyed-in-the-wool value investor it is nothing short of heresy to suggest a company trading on PEs as high as 100x can be a much better investment than their preferred hostage to the cycle trading on a single-digit multiple, but that's exactly the experience from the past decade and a half.

One of the success stories from that period, WiseTech Global, listed on 11 April 2016 and has seen its share price multiply by more than 30x times tor a total return of 3275%. Very important detail: the average PE multiple this stock has traded on is circa 75x.

Note: not seven, not five, but SEVENTY-FIVE! Current multiples are 108x on FY25 consensus forecasts and 75x on FY26 forecasts.

This is also the key reason as to why so many have been calling out 'the greatest bubble of all time' and the 'everything bubble'. I think those alarmist calls are misguided and wrong. For starters, modern day businesses are a far cry from their predecessors from the old economy past; they are a far superior breed, as also expressed through various key financial metrics.

Hanging on to old-fashioned valuation methods is most likely not the best way to deal with the changing environment, especially when a megatrend like Gen.Ai comes along. We could all study the teachings from Aswath Damodaran, here's a link (https://pages.stern.nyu.edu/~adamodar/), but I find the analysts covered as part of the service FNArena provides equally represent most valuable input.

At the very least, their assessments and valuation inputs have been much more practical and useful than those bubble-critics on the sidelines who liked to challenge investor's sanity for owning shares when the WiseTech Global share price was around $90 (it has been above $140 since) or when TechnologyOne shares were trading around $12 (above $30 today).

Having said all of the above, as investors we also must acknowledge this year's outperformers including Goodman Group ((GMG)), Pro Medicus, TechnologyOne, and others have enjoyed an exceptionally favourable environment in which not only the US market supported continuous investor interest, but frequent positive operational surprises have provided ongoing fuel for additional share price rallies.

At some point, one must assume, things will become less straightforward and those share prices might yet again become more volatile. One observation to add is that higher PE multiples certainly attract more volatility, as has happened to all the companies mentioned at some stage in the past.

How to deal with this 'risk' is largely a personal choice. If you're confident in the longer-term uptrend that is supporting the outlook for the companies you own, you may elect to simply let volatility run its process. Yes, at times it can be stomach-churning, and those bubble-critics on the sideline will make you feel extra-bad about it, but such is life in the share market, no?

For what it's worth, the FNArena-Vested Equities All-Weather Model Portfolio, which owns most of the names mentioned, tends to keep exposure to single stocks between 2.5%-7.5%. Small adjustments are made to prevent that misfortune in one or two holdings torpedoes the overall performance of the Portfolio.

One of the most valuable lessons I learned from the decade past is that it's seldom a great idea to sell out completely of these great businesses, unless valuations have gone genuinely wacky, or the outlook has dramatically deteriorated. Even then, how many times has everyone among us thought Pro Medicus is now really flying too close to the sun, only to be proven wrong, yet again?

Morgan Stanley has just initiated coverage with a market-beating price target of $300. Not that that is a 100% watertight guarantee, far from, but I tend to give it more credence than those forecasting a fall of -50% imminently.

By all means, take some profits every now and then, if that makes you sleep better at night and stay comfortable and relaxed with what you own. But also keep in mind that share price weakness, on occasion, is simply par for the course. If we'd demand 100% sunshine every day or else, we'd never leave home for a holiday.

I have a long-standing view that every expert who is interviewed on TV should wear a badge stating 'value-investor', or 'daytrader', or 'Quality-Growth', et cetera.

That way investors would have a much easier task with assessing the views and opinions expressed. Most value investors have a specific talent. Forecasting the direction of markets or appreciating the valuation of growth stocks are not included.

Make sure you listen to the voices that make you a better investor, or at least those that are genuinely trying

to. There's so much noise flying around and only so much our human brain and emotions can deal with. And don't be afraid of change. Life *is* change.

Keep learning and educating yourself.

See also: https://fnarena.com/index.php/2024/12/16/ask-fnarena-csl-charter-hall-dexus/

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

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

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

FNArena Subscription

A subscription to FNArena (6 or 12 months) comes with an archive of Special Reports (20 since 2006); examples below.

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

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

RUDI'S VIEWS

Rudi's View: Banks, WiseTech, Redox & Integral Diagnostics

Today's update includes:

-A Conflict In Waiting?
-Banks And Super Funds
-A Comeback For Value?
-The Ongoing AI Promise
-Two New Additions
-More WiseTech Global dirt?
-FNArena Talks
-Bell Potter's Best Picks
-Best Buys & Conviction Calls

By Rudi Filapek-Vandyck, Editor

A Conflict In Waiting?

Ronald Temple, Chief Market Strategist **Lazard**:

"If President Trump implements tariffs and immigration controls, I would expect the FOMC to stop easing policy until it can assess the impact of such policies on inflation.

"This decision would likely lead to increased tension with the White House."

Note: Jay Powell's current term ends in May 2026.

Banks And Super Funds

A quick update put together by **strategists at Morgan Stanley** points firmly in the direction of superannuation funds in Australia to explain the 2024 enigma of expensive bank share prices that seemingly keep rallying higher come hail, rain or sunshine.

Net buying of bank shares by Australia's superannuation sector has, in the words of the report, "heavily influenced sector performance and arguably pushed sector valuation to extremes".

September data released by the ABS reveal the local superannuation sector has increased its ownership of Australian banks to 29.7% from 27.9% in September 2023.

Net purchasing has remained elevated throughout the calendar year past while most other investors, including offshore institutions and local households, have been selling.

Apart from super funds, Morgan Stanley also sees net buying from passive/ETF flows this year as having provided support to bank share prices, irrespective of valuations, which are pretty much universally seen as "expensive" (and that's the mild version for putting it).

The report also highlights the issue is increasingly attracting the attention from the RBA --worried about potential stability risk-- and the Council of Financial Regulators.

The latter Council is the main coordinating body for Australia's financial regulators, bringing together the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC), the Australian Treasury and the Reserve Bank of Australia (RBA).

APRA has a review flagged into the super funds sector and its strong desire to own the local banks for 2025.

Morgan Stanley's update concludes with: *"Given the valuation stretch in the Bank sector any fatigue in flow from what has been the dominant driver this year could be a trigger for multiple derate back to more normal valuation levels."*

A Comeback For Value?

Your typical value investor is not leaving 2024 behind with a lot of warm, fuzzy feelings and that's putting it mildly.

Investment returns in 2024 have mostly been linked to a rather narrow selection of significant outperformers, including the banks in Australia, technology and growth stocks, and the explosion in demand for data centres on the back of the AI megatrend.

Bell Potter Equity Strategist Rob Crookston remains hopeful investors can fall in love again with the cheaper-priced 'value' segment of equities, sometime in 2025.

His reasoning is based on two core beliefs: economic growth should accelerate in 2026 and bond yields will remain higher-for-longer. Value stocks tend to perform well during an economic uptrend which should boost their earnings potential, so that's one tick of approval.

Value stocks also tend to outperform when bond yields are on the rise. Crookston admits bond yields are most likely due for a fall in the year ahead, but he also believes (hopes?) that bond yields staying higher-for-longer (i.e. they won't fall as deeply as normally would have been the case) will also help value stocks performing.

An extra bonus could stem from Trump's policies. If these policies result in higher inflation, value stocks should do well, all else remaining equal.

The three sectors identified as offering the best value opportunities in Australia, are:

-Health insurers
-Travel sector
-Energy sector

Crookston specifically mentions Medibank Private ((MPL)), nib Holdings ((NHF)), Flight Centre Travel ((FLT)) and Santos ((STO)).

That other important segment on the value side of markets, commodities and mining companies, has been significantly de-rated over the past six months or so, with only a brief reprieve in October.

Strategists at Citi see no relief in sight, despite share prices looking "cheaply" priced. The in-house view keeps Citi Neutral to Bearish on the sector, with China stimulus and the potential for a trade war next year the two big unknowns.

The Ongoing AI Promise

Alina Gregory, Investment Director **Cazenove**: *"Generative AI accounts for around 3-4% of total IT spend today (across hardware, software, services, advertising and gaming), and according to analysis from Bloomberg, it could expand to 14-16% by 2032.*

"But as the technology continues to evolve, first-mover advantage may not last forever for the winners of today, and so we do have to constantly ask ourselves the question of whether these companies can live up to their high expectations.

'Time will tell whether AI will deliver on its promise, but from what we see today, it certainly looks promising."

Franklin Templeton's Global Investment Outlook 2025: *"AI --if it is truly revolutionary-- will reward investors beyond those who invested in computer chips. The next stage of returns likely resides in those industries that intelligently apply AI to their production, product development and client experience."*

Two New Additions

Two smaller cap companies have caught my attention these past few weeks and I've decided to add Integral Diagnostics ((IDX)) and Redox ((RDX)) to my curated lists on the All-Weather Stocks section of the FNArena website.

Integral Diagnostics is merging with Capitol Health and, as we explained in our story this week, this could well be the ideal starting point for multi-years of growth acceleration against a background that is made more favourable because of the next phase in MRI deregulation that is kicking in gear by mid next year.

This week's story: https://fnarena.com/index.php/2024/12/18/diagnostic-imaging-radiates-opportunity/

Redox has a short life as an ASX-listed entity (mid-2023) but its track record from thirty years prior should have every investor's attention. If management can continue delivering as a listed entity, this could well become the next addition to a select list of true All-Weathers.

A recent initiation of coverage report by Morgan Stanley sums up the key characteristics: a strong competitive position, deeply embedded at the centre of fragmented supply and demand, asset-light, with a stable and resilient earnings profile.

Redox is the largest distributor of chemicals in Australia having grown its revenues by 12% CAGR per annum over the past thirty years. Those readers who pay attention to the selections and lists included in my Rudi's View updates every Thursday might have noticed Redox was picked by the Quant team at Macquarie a few months ago (see further below).

Including Morgan Stanley, there are now three daily monitored brokers that cover the company. I'd say put both companies on your radar. I have.

More WiseTech Global dirt?

I've been informed by a credible source that investigative journalists are digging for more dirt on WiseTech Global ((WTC)) and its founder/ex-CEO Richard White.

I don't have the exact details but it's probably a fair assumption that if/when the next story breaks, it won't be positive PR for the company.

Given WiseTech Global is included in my curated list of Prime Growth Stories in the All-Weather section on the website, I feel obliged to keep FNArena subscribers informed.

FNArena Talks

My final interview for Switzer TV: https://youtube.com/watch?v=jn9Xc3cFrOc

Bell Potter's Best Picks

As has pretty much become tradition, analysts at Bell Potter have selected and published their most favoured stock picks for the year ahead. As per usual, there's plenty to take in as multiple ideas are being put forward per sectors.

-Listed Investment Companies (LICs): Australian Foundation Investment Company (AFI), Qualitas Real Estate Income Fund ((QRI)), and MFF Capital Investments ((MFF))

-Technology & Gaming: Life360 ((360)), Light & Wonder ((LNW)), and Gentrack Group ((GTK))

-Diversified Financials: Perpetual ((PPT)) and Regal Partners ((RPL))

-Real Estate: Aspen Group ((APZ)), Cedar Woods ((CWP)), and Dexus Convenience Retail REIT ((DXC))

-Retailers: JB Hi-Fi ((JBH)), Premier Investments ((PMV)), and Accent Group ((AX1))

-Industrials: GenusPlus Group ((GNP)), SRG Global ((SRG)), and Duratec ((DUR)) as well as Austal Ltd ((ASB)), Brickworks ((BKW)), and IPD Group ((IPG))

-Healthcare: PolyNovo ((PNV)), Clarity Pharmaceuticals ((CU6)), and CSL ((CSL)) as well as EBR Systems ((EBR)), Biome Australia ((BIO)), and Genetic Signatures ((GSS))

-Gold companies: Genesis Minerals ((GMD)), Gold Road Resources ((GOR)), and Santana Minerals ((SMI))

-Base Metals: AIC Mines ((A1M)) and Nickel Industries ((NIC))

-Strategic Minerals: Alpha HPA ((A4N)) and IperionX ((IPX))

-Bulks & Energy companies: Boss Energy ((BOE)), Champion Iron ((CIA)), and Fenix Resources ((FEX))

For those who like to keep track on how these lists change and perform, below is what Bell Potter's previous selection looked like:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Best Buys & Conviction Calls

RBC Capital's global list of Top Picks for investors looking for exposure towards **consumer spending** and companies leveraged to it includes two ASX-listed companies: Webjet Group ((WEB)) and Domino's Pizza Enterprises ((DMP)).

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

****

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

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

-Qualitas ((QAL))
-Universal Store Holdings ((UNI))
-SiteMinder ((SDR))

-Temple & Webster ((TPW))
-Nick Scali ((NCK))
-EVT Ltd ((EVT))

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

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

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

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

****

Macquarie's selection of **best fundamental picks among quality mid-cap companies** on the ASX:

-AUB Group ((AUB))
-Breville Group ((BRG))
-Ebos Group ((EBO))
-Flight Centre ((FLT))
-Fisher & Paykel Healthcare ((FPH))
-Integral Diagnostics ((IDX))
-Lovisa Holdings ((LOV))
-Nick Scali ((NCK))
-Megaport ((MP1))
-Monash IVF ((MVF))
-Propel Funeral Partners ((PFP))
-Pinnacle Investment Management ((PNI))
-Qualitas ((QAL))
-Reliance Worldwide ((RWC))
-Ventia Services ((VNT))

****

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

<u>CORE BLUE CHIP</u>

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

<u>VALUE (INCOME)</u>

-Dexus Convenience Retail REIT ((DXC))

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

SMALL CAPS

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

GROWTH

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

****

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

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

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

Crestone's selection of **sustainable dividend growers** consists of 22 names, with equally no changes made since

the prior revision. Historically, the stock pickers remind investors, companies that grow dividends consistently can offer superior long-term return for those who own them.

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

****

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

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

****

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

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

****

Wilsons' Australian Equity Focus Portfolio:

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

****

Wilsons Highest Conviction investment ideas:

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

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

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

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

****

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

****

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

In Resources:

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

In Financials:

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

Industrials:

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

The list of **Least Preferred exposures**:

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

****

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

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

Plus:

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

****

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

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

-Macquarie Group ((MQG))

-Suncorp Group ((SUN))

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

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

-James Hardie ((JHX))

-Orica ((ORI))

-Coles Group ((COL))

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

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

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

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

****

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

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

****

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

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

****

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

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

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

-Suncorp Group ((SUN))
-Telstra ((TLS))
-National Australia Bank ((NAB))
-Westpac Bank ((WBC))
-ANZ Bank ((ANZ))
-BHP Group ((BHP))
-CommBank ((CBA))
-Premier Investments ((PMV))
-Coles Group ((COL))
-Viva Energy ((VEA))
-Atlas Arteria ((ALX))
-Aurizon Holdings ((AZJ))
-APA Group ((APA))
-GPT Group ((GPT))
-Deterra Royalties ((DRR))
-Metcash ((MTS))
-Amotiv ((AOV))
-Charter Hall Retail REIT ((CQR))
-Amcor ((AMC))

****

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

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

****

Macquarie's ASX Quality Compounders:

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

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

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

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

****

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

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

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

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

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

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

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

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

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

****

Barrenjoey's Top Picks:

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

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

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

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

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

FNArena Subscription

A subscription to FNArena (6 or 12 months) comes with an archive of Special Reports (20 since 2006); examples below.

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

Alliance Aviation Cleared For Dividend Takeoff

Improving cash flows at Alliance Aviation are set to reduce debt and reintroduce a dividend.

-Flight activity remains strong for Alliance Aviation
-As fleet expansion nears completion, free cash flows are set to rise
-Lower debt forecast, resumption of final dividend in FY26

By Mark Woodruff

Alliance Aviation ((AQZ)) has significant earnings upside potential driven by a slower fleet expansion, combined with full deployment and increased utilisation of its E190 fleet.

Analysts at Wilsons anticipate improving cash flows will reduce debt levels and enable the reinstatement of a final dividend in FY26.

A leading provider of contract and ad hoc charter services for Australia's mining, energy, tourism, and government sectors, Alliance also supplies wet leasing services to Qantas Airways ((QAN)) and Virgin Australia.

Wet leasing allows these companies to adjust fleet size to meet fluctuating demand or cover temporary disruptions.

Alliance is also the market leader in the fly-in, fly-out (FIFO) air charter market, with services delivered under multi-year contracts to some of Australia's leading mining operators.

By the end of FY27, the company will be operating a fleet of 92 aircraft consisting of 38 Fokker 70 and Fokker 100 aircraft, and 52 Embraer E190s, noted Morgans, following another record result in FY24, released in late-August.

At the time, Ord Minnett welcomed the $150m expansion of Alliance's debt facility, which offers sufficient headroom to fund the acquisition of the remaining 20 Embraer jets through FY26.

Morgans expects ongoing earnings growth momentum into FY25, supported by the deployment of additional E190 aircraft and increased utilisation, expressing confidence in the founder-led management team's strong execution track record.

Certainly, Ord Minnett feels the acquisition and rollout to around 90 active jets by the end of FY26 will solidify Alliance as a major player in the domestic aviation market, with a focus on the wet leasing and FIFO contract segments.

In a scenario pitched by Morgans, FIFO contract revenue will continue to increase organically from existing clients as well as from potential new client wins in Western Australia and Queensland.

Wilsons latest thoughts

Current industry feedback and data sources suggest to Wilsons flight activity remains strong for Alliance.

This broker sees an opportunity for management to focus on optimising metrics for free cash flow (FCF) generation and return on capital employed (ROCE) as the company's fleet expansion nears completion.

Adjusted cash conversion will return to historical levels of around 75% from around 30-40% over FY23 and FY24, predicts Wilsons, as the inventory build associated with the fleet expansion and new maintenance facilities eases.

Following FY24 results, Morgans felt a strong second half of FY24 augured well for another year of decent earnings growth in FY25.

The analysts highlighted FCF generation and deleveraging were still the key for a share price re-rating, which makes subsequent analysis by Wilsons even more interesting.

Free cash flow and return on capital employed

Wilsons' latest research update points out Alliance's FCF has been significantly negative for four years and is expected to remain so through FY25 and FY26, driven by fleet expansion investment, before turning positive in FY27 as the expansion completes.

The broker forecasts net debt will peak at the end of FY26 at $460m and estimates a 5% dividend yield for shareholders (based on the current share price), with remaining FCF available for debt reduction at a rate of $50m per annum.

Apart for raising earnings-per-aircraft, management's ability to optimise the asset base, particularly inventory and capex, will be critical to lift return on capital employed (ROCE) up by a few percentage points, explain the analysts.

FY24 results

Alliance reported another record result in FY24, with underlying pre-tax profit (NPBT) up 52% on the previous corresponding period, slightly ahead of the consensus forecast.

Record flying hours were driven by a significant increase in wet leasing activity which saw revenue from this source climb by 63% over the previous year, highlighted Ord Minnett.

Morgans attributed the increase in wet lease hours to additional aircraft and higher utilisation.

Contract charter activity increased by 5% over the period, supported by several major contract renewals, with Morgans noting the FIFO book was in its strongest position ever.

Outlook

Management stated at FY24 results the outlook for FY25 remained strong with additional aircraft due for deployment on wet lease services and stable FIFO charter operations.

At the time, Morgans felt the Alliance share price was unlikely to materially re-rate until nearer to FCF generation resuming in the second half of FY26.

In terms of risks, a slower rollout of new jets would jeopardise Ord Minnet's forecasts, as would a downturn in demand for FIFO services and/or less-than-expected sales of aircraft parts.

Covered daily by FNArena, both Ord Minnett and Morgans have Buy (or equivalent) ratings with both setting a $4.10 target price, representing 47% upside to the latest share price.

Outside daily coverage, Overweight-rated Wilsons has a $4.32 target.

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

Goldman's Contrarian View On Telco Challengers

Analysts are upbeat about the progress and prospects for telco challengers Superloop and Aussie Broadband but Goldman Sachs begs to differ.

-Buy ratings dominate for Superloop, Goldman Sachs on Sell
-Mostly Buys for Aussie Broadband, Goldman Sachs on Neutral
-Downgrade to Neutral for Megaport

By Greg Peel

Following completion of the National Broadband Network (NBN) roll-out last year and finalisation of its regulatory pricing framework, the outlook for the Australian Fixed Telecom market is more stable and certain, Goldman Sachs suggests. However, profitability remains challenging given rising NBN access costs and elevated competition.

This is being driven by challengers such as Vocus, Aussie Broadband ((ABB)) and Superloop ((SLC)), alongside competitors from other industries such as Energy and Banking that benefit from the more commoditised NBN product and look to reduce churn and customer acquisition cost of their primary customers.

Back in March, Superloop signed an exclusive six-year contract to provide wholesale internet services to Origin Energy ((ORG)), marking the end of its white label agreement with Aussie Broadband. The deal will see Superloop migrate Origin's 130,000 broadband customers onto its own network in the 2025 financial year.

Vocus was acquired by a Macquarie-led ((MQG)) consortium in 2021, having rejected an earlier takeover offer from AGL Energy ((AGL)).

Along with competition, technological evolution and ongoing fibre deployments across Australia are driving price compression in the fixed Enterprise market, Goldman Sachs points out. Reflecting these challenges, the recent step-up in promotional activity from AGL/Vocus, and the broker's view that Telstra ((TLS)) will re-focus on stabilising subscribers in FY26, Goldman Sachs has a cautious view on the earnings outlook for the sector.

Superloop

Late last month, Jarden and Citi both initiated coverage of Superloop with Buy ratings.

Jarden likes the challenger telcos as they continue to take market share from the incumbent operators. A positive view of the broader operating environment is shaped by three structural tailwinds: NBN Co's 'Fibre Connect' program facilitating the upgrade of some 3.1m subscribers to higher speed tiers; NBN Co's new pricing model bifurcating the customer, further facilitating a push towards higher speed tiers; and Services in Operation growth at the market level, driven by increased building activity and penetration across small businesses onto consumer grade plans which Aussie Broadband and Superloop should win, in Jarden's view.

Jarden sits 6% above Superloop's FY26 earnings ambition, with the Origin Energy contract the material balance. Consensus appears anchored to the ambition which the broker expects will be upgraded.

Origin is targeting around 600k broadband subscribers by the end of FY26, yet Jarden remains conservative on growth. This assumption still has Superloop bridging the FY26 earnings ambition in the wholesale segment alone.

In the consumer segment, Jarden expects Superloop to continue taking market share and forecasts a 14% compound annual revenue growth rate to FY33 supported by both market share gain and the consumer's shift towards higher speed tiers. Given competition intensity, Jarden expects gross margins to tighten.

Near term, Jarden prefers Superloop in the space, given earnings upside not priced in by the market.

Telco challengers have reached 19% market share in Australia, Citi notes. The key question is whether challengers can continue to take market share. One of the key differentiators is pricing and Superloop is competitively priced even amongst said challengers.

Furthermore, Superloop boasts superior latency and speed performance. Citi sees challengers taking market share from incumbents and Superloop is well placed to outperform amongst challengers. The broker's analysis of various markets abroad and the DSL (digital subscriber line) market in Australia pre-dating NBN points to market share growth for challengers.

Superloop has noted this could be around 30%. Citi thinks risk is likely to the upside.

Subsequent to these two initiations of coverage, Superloop last week announced the acquisition of Uecomm, which adds over 2,000km of high-capacity fibre assets, including 800km of owned duct, across Sydney, Melbourne, and Brisbane.

Benefits of the acquisition include improved margins from moving clients to owned infrastructure, expanded product opportunities in wholesale and business segments, and enhanced readiness for Smart Community developments, suggests Wilsons (Overweight).

Canaccord Genuity (Buy) is similarly impressed.

Also covering Superloop but not recently updating are Morgan Stanely (Overweight), UBS (Buy) and Morgans (Add).

Which is why Goldman Sachs' initiation of coverage of Superloop with a Sell rating rather swims against the tide.

While both Superloop and Aussie Broadband have delivered strong NBN share gains, are executing on similar strategies -- earnings diversification and M&A -- and have solid forward earnings growth profiles, Goldman Sachs' Sell rating on Superloop reflects both a cautious view on the sector's earnings outlook and current trading multiples that look "expensive" versus peers.

The broker estimates an FY26 enterprise value to earnings ratio of 11x for Superloop, ahead of the A&NZ telco peer median of 8x, noting Superloop's earnings come with greater customer concentration risk, and Superloop's enterprise value is similar to key peer Aussie Broadband, despite consensus FY30 earnings forecasts 32% greater than Superloop's.

Goldman Sachs' $2.10 price target for Superloop compares with other targets ranging from $1.90 (Morgans) to $2.52 (Canaccord).

<u>Aussie Broadband</u>

Jarden also initiated coverage of Aussie Broadband late last month with an Overweight rating, while Citi initiated mid-month with Buy. Note that in Jarden's five-tier rating system, Overweight is one notch behind Buy.

Only the absence of a near-term catalyst prevents Jarden from initiating with a Buy rating, such is the broker's positive view of valuation, structural tailwinds and the company's strong track record of capital management. Aussie Broadband should continue to invest for growth, both organically and via M&A, while committed to balance sheet settings consistent with its net leverage target ratio of 1.75-2.50x.

As of end-FY24, that was 0.7x, Jarden notes, providing significant headroom for investment and/or capital return to shareholders. As a result, the broker forecasts an FY25 dividend of around 8cps and expect an 18% compound annual dividend growth rate through to FY33.

Aussie's investment in Buddy Telco is a key watchpoint into the first half FY25 result, Jarden suggests, with some -$10m in opex to be invested in the brand across both FY25 and FY26

Increasing market share, with focus on expanding network infrastructure, comprehensive offerings and value proposition, underpin Cit's positive view on Aussie Broadband.

While Aussie is the fourth largest retail service provider in Australia, it is the third largest when it comes to higher speed plans, Citi notes, demand for which should increase progressively. In comparison to the majority of larger peers, Aussie Broadband's retail prices are attractive particularly considering it owns its fibre network.

Further, there are no legacy operations that may hamper the growth profile and efficiency. Customer service is what also sets Aussie apart, in the broker's view. All these factors should translate to Aussie Broadband continuing to outpace NBN market growth, Citi believes.

Not recently updating on Aussie Broadband are Ord Minnett (Buy) and Morgan Stanley (Overweight). UBS initiated coverage in September with a Neutral rating, upbeat on the stock but citing upside already priced in, while in October, Wilsons (Market Weight) noted there could be some "sticker-shock" as Origin Energy's growth rates come out.

We recall that Superloop stole Origin from Aussie Broadband.

Goldman Sachs has initiated on Aussie with a Neutral rating, which reflects general caution regarding telco challengers offset by what Goldman sees as valuation support.

Goldman Sachs' price target of $3.80 sits towards the bottom end of the range of $3.62 (Wilsons) to $4.42 (Ord Minnett).

<u>Megaport</u>

Following Megaport's ((MP1)) AGM in late November, Goldman Sachs lowered its target by -13% to $10.40, citing FY26 revenue growth guidance expected by management only to be in line with FY25. This followed significant investment in products and employee hires, with the company not yet experiencing an uptick in revenue growth, with Goldman Sachs attributing the issues to pricing challenges.

The broker nevertheless retained a Buy rating.

The guidance update sparked a rash of target downgrades from brokers, although all of Canaccord Genuity, Macquarie and Citi maintained Buy or equivalent ratings.

UBS retained Neutral, emphasising the need for tangible evidence of an improved financial outlook before incorporating higher revenue growth assumptions into forecasts. Disappointed in FY26 guidance, Ord Minnett downgraded to Hold from Accumulate while Morgans (Add) has not updated since August.

Last week, Goldman Sachs cut its target for Megaport by a further -23% to $8.00, given concerns around the lack of progress the company has made on improving its revenue and customer trends over the last 18 months, evident in the subdued FY25 guidance and FY26 expectations. Goldman downgraded to Neutral from Buy.

Goldman Sachs' new target of $8.00, while a significant cut, matches that of Ord Minnett. Megaport has long been a volatile stock in terms of share price movement, and this is also reflected in a wild range of broker targets.

Goldman Sachs and Ord Minnett are the low markers on $8.00, but targets range all the way up to Citi's $16.05.

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.

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

SMALL CAPS

Diagnostic Imaging Radiates Opportunity

Pending MRI deregulation is behind the now approved merger of Integral Diagnostics and Capitol Health, and analysts see significant opportunity.

-ACCC approves Integral Diagnostic/Capitol Health merger
-Merged company will move to number three in diagnostic imaging
-Recent private market activity implies undervaluation

By Greg Peel

The ACCC pondered for longer than expected, but has approved the merger of diagnostic imaging companies Integral Diagnostics ((IDX)) and Capitol Health (formerly CAJ, now ceased trading, pending issue of IDX shares on December 20). The one requirement was the divestment of one clinic in Melton, Victoria, from what will be a combined network of 151 clinics across Australia.

The divestment of Melton is neither here nor there, as the clinic does not hold either a full or partial MRI (magnetic resonance imaging) licence, and MRI licences are key to recent activity in the diagnostic imaging (DI) space.

From July 1, 2025, partial MRI licences will become fully funded, and unlicensed machines at a "licensed practice" will also become licensed. It is this deregulation that is assumed to have prompted both the Integral Diagnostics/Capitol Health merger and also the prior sale of Healius' ((HLS)) diagnostic imaging business, Lumus Imaging, to private equity.

Lumus was sold for an enterprise value of $965m. Based on varying broker earnings forecasts, varying PE ratios are claimed as implicit in the sale price. Ord Minnett, to take one, suggests Lumus was sold at an FY26 forecast PE of 12.6x, with Integral/Capitol trading at 8.3x.

This transaction continues to highlight the disconnect between the value ascribed to these assets by PE versus public markets, notes Ord Minnett.

Four and Five become Three

The deal will merge the fourth and fifth radiology operators to become the third largest operator by number of clinics, Bell Potter notes. The merged group will have a mix of community and comprehensive clinic sites and its market share in the lucrative MRI sector should rise by more than 100 basis points to 8.2%.

Beyond the claimed $10m in annual pre-tax cost synergies, the merger should be able to generate operating leverage, utilise a wider referral base, and develop telehealth opportunities inside former Capitol clinics, to name but a few synergies.

The next phase of MRI deregulation represents a potential key strategic rationale of the merger, Bell Potter suggests. It may lead to the merged group extending operating hours, generating additional hourly throughput across sixteen MRI machines that will convert from partial licenses to full licenses.

In the longer term, Canaccord Genuity believes top-line synergies, referring benefits and further structural costs savings, such as incorporating the higher-margin teleradiology offering across the enterprise, could drive more material margin expansion.

Strategically, Jarden sees numerous value-accretive opportunities from the pending merger.

The merger introduces significant additional scale, this broker notes, enhancing operating leverage, the merged company should capture a wider referral base from its broader metropolitan, hospital and regional clinic network, and, as mentioned, Integral intends to introduce telehealth opportunities to Capitol clinics and radiologists.

The implementation of Integral's enhanced billing accuracy system across Capitol clinics is expected to identify missed revenue opportunities from miscoding. These opportunities should all add to the $10m in cost saving initiatives identified by management.

From a structural perspective, there are some big opportunities emerging with the biggest one being the aforementioned MRI deregulation. Jarden expects the upgrade of seventeen partial MRI licenses to fully funded machines from July will generate significant revenue opportunity. It is important to note, says Jarden, this upside comes with minimal capex investment.

Finally, the Australian Government National Lung Screening Program will provide additional funding for DI scans for the early detection of lung cancer. This program will also commence on July 1, 2025.

Given the significant radiologist shortage in Australia, Macquarie expects a better ability to utilise specialists across clinics. Capitol should benefit from both Integral's teleradiology business and AI capabilities, which Macquarie expects to be rolled out across the merged group.

Re-Rate

The merged company will be the clear number three player, Ord Minnett notes, in a sector that benefits from long-term demand drivers, high barriers to entry and looming MRI deregulation. At the Lumus multiple, this broker calculates an implied value of $4.58 for Integral Diagnostics. Factoring in a control premium of some 30%, Ord Minnett sees 10x as a more realistic multiple for Integral, translating to $3.48.

Since the merger was proposed in September, Integral Diagnostics' share price has re-rated by around 15%, but remains well short of upgraded broker target prices.

Macquarie (Outperform) sees the merger providing significant earnings per share accretion, with further upside potential from revenue synergies not captured in forecasts. This broker sees further benefits from a balance-sheet perspective, given reduced leverage.

Macquarie's target rises to $3.50 from $2.90.

Jarden has actually reduced its target, simply because it had expected the merger would take effect on December 1, not December 20. But the reduction is only to $3.68 from $3.72, and Jarden retains Buy.

Bell Potter initiated coverage of Integral Diagnostics with a Buy rating, and set a target of $3.87.

Canaccord Genuity has not yet updated post ACCC approval, previously setting a Hold rating for both companies.

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.

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

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 13-12-24

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

By Mark Woodruff

Guide:

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

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

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

Summary

Period: Monday December 9 to Friday December 13, 2024
Total Upgrades: 10
Total Downgrades: 10
Net Ratings Breakdown: Buy 59.26%; Hold 32.94%; Sell 7.80%

For the week ending Friday December 13, 2024, FNArena recorded ten upgrades and ten downgrades for ASX-listed companies by brokers monitored daily.

Average target prices rose slightly more than they fell, while the opposite trend was observed for average earnings forecasts.

For the second consecutive week, changes in earnings forecasts were largely driven by companies in the Resources sector, which accounted for eight of the ten increases and seven of the ten decreases in the tables below.

New Hope Corp saw the largest increase in average target price after Citi raised targets across the A&NZ Metals and Mining sector, driven by weaker Australian dollar forecasts.

Base metal stocks experienced lowered earnings forecasts due to price revisions, despite currency tailwinds, while coal and iron ore pure plays benefited from the broker's currency adjustments.

Citi raised its target for New Hope to $5.50 from $5.00 and upgraded its rating to Buy from Neutral.

Earlier in the week, Macquarie increased its target by 48% to $6.20 and upgraded New Hope to Outperform from Neutral, reflecting an 8-10% increase in short- to medium-term thermal coal price forecasts and a 13% increase over the long-term.

This broker raised its thermal coal price forecasts for 2025-28 by 9% but reduced metallurgical coal estimates by -10% and -19% for short- and medium-term periods.

Fortunately, the majority of New Hope's production comes from thermal coal, primarily through its 100%-owned New Acland coal mine in Queensland and its 80%-owned Bengalla coal mine in New South Wales.

Next on the average target price upgrade table is Generation Development, a specialist provider of innovative tax-effective investment solutions.

Morgan Stanley initiated coverage with a $4.75 target, exceeding existing targets in the FNArena database from Ord Minnett ($3.90, Buy) and Morgans ($3.51, Hold).

The broker expects "excellent" returns for Generation Development shareholders, driven by its involvement in Managed Accounts and Investment Bonds, as detailed in
https://fnarena.com/index.php/2024/12/12/generation-development-the-next-hub24/

Conversely, the average target price for Ventia Services fell by -14% last week after the ACCC launched legal proceedings against the company and competitor Downer EDI, alleging price fixing on Department of Defence (DOD) contracts for estate maintenance and operation services.

Morgans lowered its target to $3.30 from $4.80 and downgraded its rating to Hold from Add due to uncertainty over the proceedings, noting Ventia derives approximately 75% of its revenue from the public sector, and any concerns over corporate probity could impact its 93% contract renewal rate.

Macquarie reduced its target by -9% to $4.26, applying a larger valuation discount vis a vis global peers due to increased uncertainty.

The analyst highlighted the DOD is a key client, representing about 18% of first half FY24 revenue, and suggested the department may look to diversify its work among more defence providers.

Maintaining an unchanged $4.35 target, Ord Minnett acknowledged heightened risks for future defence contracts but outlined a scenario whereby the impact could be minimal. A complete transition away from Ventia and Downer might be disruptive, as both companies currently manage all regions except Queensland, explained the analyst.

Syrah Resources follows Ventia on the target price downgrade table.

After the declaration of force majeure at the Balama Graphite Operation in Mozambique, UBS placed its rating and price target for the company under review and withdrew both temporarily.

The broker explained protests following October elections in Mozambique triggered events of default on Syrah's loans with the US International Development Finance Corporation and the US Department of Energy.

Management stated last week, "Conditions continue to deteriorate, and resolution of the Balama protest will take time due to broader unrest and disruptions across Mozambique, with the new Mozambique Government not being formed until January 2025."

Amid last week's broker upgrades and downgrades to earnings forecasts for Resources companies, Stockland and HMC Capital saw average forecast increases of 21% and 14%, respectively, while Peter Warren Automotive experienced a -17% decline.

Following a period of research restriction, Macquarie incorporated earnings and valuation accretion for Stockland from the recently completed Supalai Residential Communities Partnership and factored in anticipated RBA interest rate cuts from May next year.

Adopting a contrary stance, Citi suggested delayed timing of RBA rate cuts towards mid-2025 could result in near-term downward pressure for residential developers.

Citi's lead indicators point to slowing price growth and potential declines in Sydney due to affordability challenges, but the broker maintains Stockland as its key idea in Australian real estate, given exposure to affordable and lower-priced housing.

Regarding HMC Capital, Morgan Stanley highlighted this company had entered its harvesting phase after establishing all five targeted verticals.

The broker raised its price target to $12.98 from $10.35, incorporating the establishment of the $4bn DigiCo vehicle, which is expected to boost fee-generating assets under management by the same amount by June 2025.

Peter Warren Automotive had a challenging week after its inaugural first-half FY25 profit (PBT) guidance of $6-8m fell well below the consensus estimate of $16.6m.

Management attributed the shortfall to lower new vehicle sales and an industry-wide oversupply, but noted higher revenues in back-end, used vehicles, and finance and insurance (F&I) segments.

Citi expects continued pressure on new car margins due to oversupply, partly driven by the entry of new Chinese OEMs into the market.

In the Resources sector, Macquarie's moderately higher mid-term US dollar gold price forecast and weaker Australian dollar outlook resulted in a 21% increase in average earnings forecasts for Perseus Mining, the largest gainer last week.

On the other hand, Capricorn Metals experienced the largest earnings forecast decline of -27%, alongside a downgrade to Neutral from Outperform, following its recent share price rise.

Earnings forecasts for Capstone Copper also fell after Macquarie reduced its 2025 copper price forecast by -6% to US$3.92/lb from US$4.16/lb. The broker remains positive on the company due to its strong organic growth profile.

In the same week, Citi initiated coverage on Capstone with a Buy rating, also highlighting a standout production growth pipeline compared to ASX-listed peers and strategic asset locations harbouring a substantial resource base.

Total Buy ratings in the database comprise 59.26% of the total, versus 32.94% on Neutral/Hold, while Sell ratings account for the remaining 7.80%.

Upgrade

ATLANTIC LITHIUM LIMITED. ((A11)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 1/0/0

Macquarie upgrades Atlantic Lithium to Outperform from Neutral on valuation grounds. Target price unchanged at 30c.

Macquarie remains cautious on the short-term outlook for lithium and reduces the price forecast by -6% for 2025 for spodumene, which is -5% below consensus. Price forecasts are also lowered for 2026-2028 by -4%, -2%, and -3%, respectively.

Longer term, the broker retains a price of US$1300/t.

Macquarie highlights increased spodumene production and shipments in 2025. Updated lithium price forecasts result in a decline in EPS estimates by -9% to -10% for FY25-FY28.

BEACH ENERGY LIMITED ((BPT)) Upgrade to Neutral from Sell by Citi .B/H/S: 4/2/1

Citi raises its target for Beach Energy to $1.20 from $1.10 and upgrades to Neutral from Sell after the analyst returned from a Waitsia site visit with a capex estimate viewed as less onerous than before. Management reaffirmed capex guidance for FY25.

The broker attributes the upgraded rating to the recent share price decline.

Citi notes a headcount reduction of over -30% has already been achieved, and the business is progressing toward its less than $30/boe free cash flow (FCF) breakeven target.

CORE LITHIUM LIMITED ((CXO)) Upgrade to Neutral from Underperform by Macquarie .B/H/S: 0/1/1

Core Lithium is upgraded to Neutral from Underperform. No change to 9c target price.

Macquarie remains cautious on the short-term outlook for lithium and reduces the price forecast by -6% for 2025 for spodumene, which is -5% below consensus. Price forecasts are also lowered for 2026-2028 by -4%, -2%, and -3%, respectively.

Longer term, the broker retains a price estimate of US$1300/t.

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

Macquarie upgrades IGO Ltd to Outperform from Neutral, with the target price rising to $5.90 from $5.60 due to the company's exposure to Greenbushes. IGO Ltd is the broker's top lithium stock pick.

Macquarie remains cautious on the short-term outlook for lithium and reduces the price forecast by -6% for 2025 for spodumene, which sits below consensus by -5%. Price forecasts are also lowered for 2026-2028 by -4%, -2%, and -3%, respectively.

Longer term, the broker retains a price estimate of US$1300/t.

NEW HOPE CORPORATION LIMITED ((NHC)) Upgrade to Outperform from Neutral by Macquarie and Upgrade to Buy from Neutral by Citi .B/H/S: 3/1/0

Macquarie upgrades New Hope to Outperform from Neutral. The target price rises 48% to $6.20.

The broker upgrades thermal coal prices by 8%-10% over the short to medium term and 13% over the long term.

Macquarie lifts EPS forecasts for New Hope by 22% in FY25 and 46% in FY26.

Citi raises target prices across its coverage of the A&NZ Metals and Mining sector, driven by weaker Australian dollar forecasts.

Earnings forecasts for base metal stocks are lowered due to base metals price revisions, despite currency tailwinds, while coal and iron ore pure plays have seen earnings benefit from the currency changes, according to the analysts.

The broker sees the greatest 12-month upside in uranium and NdPr and the greatest downside in alumina and Brent oil from current prices. Citi remains neutral on bulk pricing due to likely demand softness.

The broker's target for New Hope rises to $5.50 from $5.00 and the rating is upgraded to Buy from Neutral.

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

Macquarie upgrades Piedmont Lithium to Outperform from Neutral on valuation grounds. The target price remains unchanged at 21c.

Macquarie remains cautious on the short-term outlook for lithium and reduces the price forecast by -6% for 2025 for spodumene, which is -5% below consensus. Price forecasts are also lowered for 2026-2028 by -4%, -2%, and -3%, respectively.

Longer term, the broker retains a price estimate of US$1300/t.

Macquarie highlights increased spodumene production and shipments in 2025. Updated lithium price forecasts result in a decline in EPS estimates by -9% to -10% for FY25-FY28.

PILBARA MINERALS LIMITED ((PLS)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 2/2/1

Bell Potter upgrades Pilbara Minerals to Buy from Hold, with an unchanged $2.95 target price, citing weakness in the share price.

Notably, the short position in the stock has declined to 12% from around 20% since November 2023, following the stock's removal from the MSCI Australia Index.

Pilbara maintains a strong balance sheet with $1.4bn in cash. The analyst notes lithium markets have stabilised and commodity prices have improved marginally.

Bell Potter lowers EPS forecasts by -11% in FY25 as lithium prices and forex are marked-to-market. FY26 EPS estimate remain unchanged.

Buy rated. Target remains $2.95.

RAMELIUS RESOURCES LIMITED ((RMS)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/0/0

The Macquarie Commodities Strategy team has updated the mid-term outlook for gold, forecasting an average quarterly cycle peak of US$2,800/oz in 2Q 2025.

The long-term gold price assumption is US$2,000/oz (real). Macquarie highlights that these changes result in slight EPS upgrades across the broker's sector coverage, with target prices rising by an average of 5%.

Macquarie upgrades Ramelius Resources to Outperform from Neutral due to share price weakness. Target price lifts to $2.70 from $2.60.

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

Sayona Mining is upgraded to Outperform from Neutral on valuation grounds, with spodumene production ramping up and increased shipments from North American Lithium.

Macquarie remains cautious on the short-term outlook for lithium and reduces the price forecast by -6% for 2025 for spodumene, which sits below consensus by -5%. Price forecasts are also lowered for 2026-2028 by -4%, -2%, and -3%, respectively.

Longer term, the broker retains a price estimate of US$1300/t.

The target price remains at 4c. Macquarie cuts EPS forecasts by -8% in FY25 and -2% in FY26.

Downgrade

CAPRICORN METALS LIMITED ((CMM)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 2/1/0

Macquarie downgrades Capricorn Metals to Neutral from Outperform as the stock price has achieved expectations. Target price $7.10, up 1%.

The broker's gold price forecasts are above consensus by 4% in 2025 but on average below 2026-2028 consensus forecasts by -4%.

Long term gold price remains at US$2000oz (real). The analyst's EPS forecasts lift by 6% and 10% for FY25/FY26, respectively.

DOMINO'S PIZZA ENTERPRISES LIMITED ((DMP)) Downgrade to Neutral from Buy by Citi .B/H/S: 1/4/1

Citi lowers its target for Domino's Pizza Enterprises by -11% to $33.25 after lifting the valuation discount for the European segment, and downgrades the rating to Neutral from Sell. The analyst's earnings forecasts are unchanged.

The broker expresses increased caution about trading in France, highlighting the need for improved franchise partner engagement and better consumer perception.

Recent initiatives, including new product development, have yet to materially improve sales trends, raising concerns over the planned advertising increase.

In Japan, the broker remains cautious and will assess Christmas trading (which contributes approximately 30% of market profit) before adopting a more positive outlook.

HOTEL PROPERTY INVESTMENTS LIMITED ((HPI)) Downgrade to Hold from Add by Morgans .B/H/S: 0/1/0

Morgans moves to a Hold rating on Hotel Property Investments from Add, with a target price of $3.75, aligned to the current bid price post-payment of a December distribution.

Management offered FY25 dividend guidance of 19.7c, a rise of 3.7% on the previous year, with a 3.3c distribution declared for the Nov/Dec period, and the ex-date on December 30.

1H25 results are due on February 7, 2025. Directors of Hotel Property Investments continue to state the offer from Hostplus and Charter Hall Retail REIT ((CQR)) undervalues the portfolio. As of December 12, Charter Hall owned 38.34% of Hotel Property Investments.

MOUNT GIBSON IRON LIMITED ((MGX)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 0/1/0

Mount Gibson Iron is downgraded to Neutral from Outperform by Macquarie. The target price slips -6% to 34c.

The broker remains "bearish" on iron ore relative to both spot prices and consensus over the medium term and adopts an underweight position, with price forecasts of US$80/t, US$80/t, and US$75/t for 2026-2028, which are below consensus by -12%, -9%, and -14%, respectively.

Price expectations are derived from supply growth of 130mtpa versus demand growth of around 10mtpa.

Long-term price forecasts remain at US$80/t.

Macquarie cuts EPS forecasts for Mount Gibson by -25% in FY25 and -9% in FY26.

NICKEL INDUSTRIES LIMITED ((NIC)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 4/2/0

Macquarie downgrades Nickel Industries to Neutral from Outperform. The target price declines by -9% to 95c due to lower earnings forecasts.

The broker cuts nickel price forecasts by -10% for 2025, -12% for 2026-2028, and -9% for 2030. The 2025 forecast is -3% below consensus. The long-term price of US$20,000/t remains unchanged.

Macquarie lowers EPS forecasts for Nickel Industries by -8% for 2024 and -10% for 2025.

PACIFIC SMILES GROUP LIMITED ((PSQ)) Downgrade to Equal-weight from Overweight by Morgan Stanley .B/H/S: 0/1/0

Morgan Stanley notes the board of Pacific Smiles has accepted Genesis Capital's $1.95/share offer, prompting the broker to lower its target to $1.95 and downgrade the rating to Equal-weight from Overweight.

With a high likelihood of deal completion, the broker sees limited potential for the stock to reflect improving fundamentals.

Genesis Capital is set to take three board seats from December 16. The industry view remains In-Line.

PLATINUM ASSET MANAGEMENT LIMITED ((PTM)) Downgrade to Sell from Hold by Bell Potter .B/H/S: 0/0/2

Bell Potter lowers its target for Platinum Asset Management to 74c from $1.21 and downgrades the rating to

Sell from Hold following a challenging November for fund flows, even excluding the loss of an institutional mandate.

Funds under management (FUM) fell by -10% during the month, with outflows equating to -6.9% of opening FUM, including the -$571m institutional mandate loss.

Given the recent direction of net flows (-10% over the past two months), the broker expresses uncertainty over the viability of Regal Partners' ((RPL)) $1.30/share acquisition offer for Platinum Asset Management.

The latter has been proven apposite as Regal has now abandoned its interest.

RESOURCE DEVELOPMENT GROUP LIMITED ((RDG)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 0/1/0

Bell Potter lowers its target for Resource Development to 2.7c from 3.4c and downgrades the rating to Hold from Buy. The broker's forecasts now factor in a 12% WACC, up from 11%, and a one-year delay in the production ramp-up for the Lucky Bay expansion project.

The broker expresses caution regarding management's ability to service borrowings while pursuing growth opportunities across upstream and downstream manganese assets and the red mud pilot plant.

As of June 30, Resource Development had drawn $117.1m of its $125m secured loan with Mineral Resources ((MIN)), which holds a 64.3% stake.

Governance issues at Mineral Resources have recently weighed on Resource Development's share price, according to the broker.

SOUTH32 LIMITED ((S32)) Downgrade to Neutral from Buy by Citi .B/H/S: 4/2/0

Citi raises target prices across its coverage of the A&NZ Metals and Mining sector, driven by weaker Australian dollar forecasts.

Earnings forecasts for base metal stocks are lowered due to base metals price revisions, despite currency tailwinds, while coal and iron ore pure plays have seen earnings benefit from the currency changes, according to the analysts.

The broker sees the greatest 12-month upside in uranium and NdPr and the greatest downside in alumina and Brent oil from current prices. Citi remains neutral on bulk pricing due to likely demand softness.

For South32, the $3.90 target is unchanged, but the broker downgrades to Neutral from Buy on lower base metal price forecasts.

VENTIA SERVICES GROUP LIMITED ((VNT)) Downgrade to Hold from Add by Morgans .B/H/S: 1/2/0

Morgans downgrades Ventia Services to Hold from Add, with the target price slipping to $3.30 from $4.80 following the ACCC's cartel proceedings against the company.

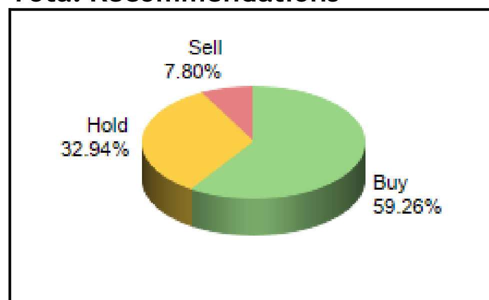
The broker highlights the announcement surprised investors, and the ACCC's statement lacked details to assess any quantitative impacts.

The ACCC has initiated civil court proceedings for alleged price fixing related to estate maintenance and operation services for the Department of Defence.

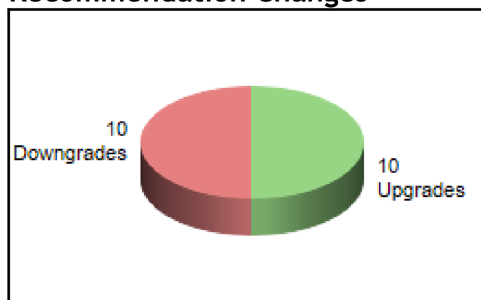
The broker estimates Ventia earns around $550m in revenue from the department, approximately 9% of total revenue. Beyond the defence department, the company generates around 75% of revenue from the public sector.

Morgans lowers net profit forecasts by -23.6% in 2024 and -17% in 2025.

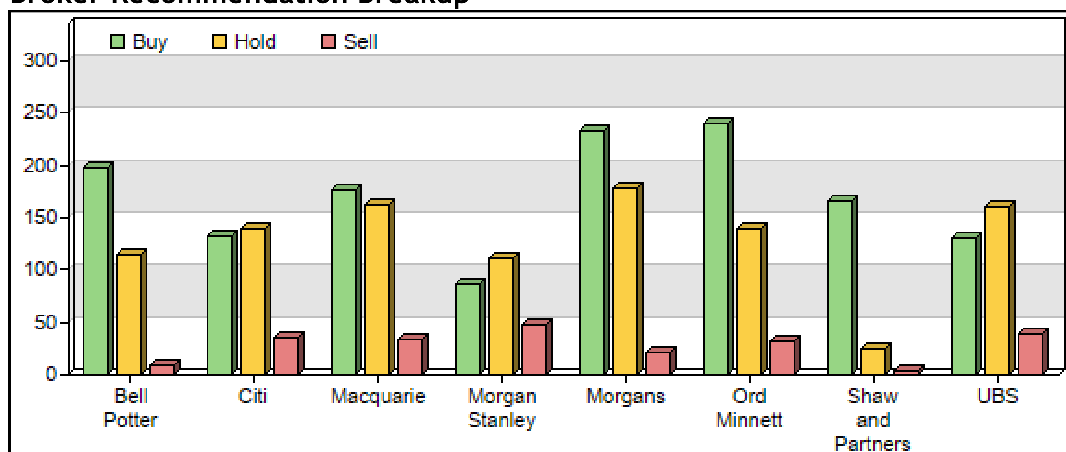
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ATLANTIC LITHIUM LIMITED.	Buy	Neutral	Macquarie
2	BEACH ENERGY LIMITED	Neutral	Sell	Citi
3	CORE LITHIUM LIMITED	Neutral	Sell	Macquarie
4	IGO LIMITED	Buy	Neutral	Macquarie
5	NEW HOPE CORPORATION LIMITED	Buy	Neutral	Macquarie
6	NEW HOPE CORPORATION LIMITED	Buy	Neutral	Citi
7	PIEDMONT LITHIUM INC	Buy	Neutral	Macquarie
8	PILBARA MINERALS LIMITED	Buy	Neutral	Bell Potter
9	RAMELIUS RESOURCES LIMITED	Buy	Neutral	Macquarie
10	SAYONA MINING LIMITED	Buy	Neutral	Macquarie
Downgrade				
11	CAPRICORN METALS LIMITED	Neutral	Buy	Macquarie
12	DOMINO'S PIZZA ENTERPRISES LIMITED	Neutral	Buy	Citi
13	HOTEL PROPERTY INVESTMENTS LIMITED	Neutral	Buy	Morgans
14	MOUNT GIBSON IRON LIMITED	Neutral	Buy	Macquarie
15	NICKEL INDUSTRIES LIMITED	Neutral	Buy	Macquarie
16	PACIFIC SMILES GROUP LIMITED	Neutral	Buy	Morgan Stanley
17	PLATINUM ASSET MANAGEMENT LIMITED	Sell	Neutral	Bell Potter
18	RESOURCE DEVELOPMENT GROUP LIMITED	Neutral	Buy	Bell Potter
19	SOUTH32 LIMITED	Neutral	Buy	Citi
20	VENTIA SERVICES GROUP LIMITED	Neutral	Buy	Morgans
21	VENTIA SERVICES GROUP LIMITED	Neutral	Buy	Morgans

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	NHC	NEW HOPE CORPORATION LIMITED	5.375	4.750	13.16%	4
2	GDG	GENERATION DEVELOPMENT GROUP LIMITED	4.053	3.705	9.39%	3
3	HMC	HMC CAPITAL LIMITED	8.798	8.152	7.92%	6
4	CIA	CHAMPION IRON LIMITED	7.167	6.900	3.87%	3
5	S32	SOUTH32 LIMITED	3.990	3.858	3.42%	6
6	GMD	GENESIS MINERALS LIMITED	2.867	2.780	3.13%	6
7	WHC	WHITEHAVEN COAL LIMITED	8.883	8.625	2.99%	6
8	GMG	GOODMAN GROUP	39.137	38.137	2.62%	6
9	BPT	BEACH ENERGY LIMITED	1.483	1.447	2.49%	7
10	BRG	BREVILLE GROUP LIMITED	34.560	33.727	2.47%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	VNT	VENTIA SERVICES GROUP LIMITED	3.970	4.603	-13.75%	3
2	SYR	SYRAH RESOURCES LIMITED	0.490	0.568	-13.73%	3
3	29M	29METALS LIMITED	0.350	0.378	-7.41%	3
4	CRN	CORONADO GLOBAL RESOURCES INC	1.390	1.490	-6.71%	5
5	PXA	PEXA GROUP LIMITED	15.050	15.803	-4.76%	3
6	ILU	ILUKA RESOURCES LIMITED	6.520	6.830	-4.54%	5
7	BOE	BOSS ENERGY LIMITED	3.883	4.067	-4.52%	6
8	RDY	READYTECH HOLDINGS LIMITED	4.113	4.300	-4.35%	3
9	PDN	PALADIN ENERGY LIMITED	11.840	12.325	-3.94%	5
10	GQG	GQG PARTNERS INC	2.908	3.004	-3.20%	5

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	PRU	PERSEUS MINING LIMITED	46.900	38.630	21.41%	4
2	SGP	STOCKLAND	38.800	32.000	21.25%	5
3	S32	SOUTH32 LIMITED	32.198	27.554	16.85%	6
4	HMC	HMC CAPITAL LIMITED	39.140	34.200	14.44%	6
5	PMT	PATRIOT BATTERY METALS INC	-12.519	-14.624	14.39%	5
6	CIA	CHAMPION IRON LIMITED	56.084	49.987	12.20%	3
7	FMG	FORTESCUE LIMITED	184.078	167.899	9.64%	7
8	NIC	NICKEL INDUSTRIES LIMITED	4.254	3.890	9.36%	6
9	AIS	AERIS RESOURCES LIMITED	6.600	6.100	8.20%	3
10	NHC	NEW HOPE CORPORATION LIMITED	66.725	61.675	8.19%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	CMM	CAPRICORN METALS LIMITED	25.950	35.600	-27.11%	3
2	CSC	CAPSTONE COPPER CORP.	14.800	20.000	-26.00%	3
3	BOE	BOSS ENERGY LIMITED	12.475	15.300	-18.46%	6
4	PWR	PETER WARREN AUTOMOTIVE HOLDINGS LIMITED	13.975	16.850	-17.06%	4
5	PLS	PILBARA MINERALS LIMITED	0.817	0.950	-14.00%	5
6	VNT	VENTIA SERVICES GROUP LIMITED	22.700	25.700	-11.67%	3
7	ILU	ILUKA RESOURCES LIMITED	48.100	51.880	-7.29%	5
8	BSL	BLUESCOPE STEEL LIMITED	77.583	83.133	-6.68%	5
9	RDY	READYTECH HOLDINGS LIMITED	11.567	12.350	-6.34%	3
10	SFR	SANDFIRE RESOURCES LIMITED	50.241	51.878	-3.16%	6

Technical limitations

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

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

WEEKLY REPORTS

Uranium Week: Outlook For 2025

The uranium spot price fell on a lack of buyers as year end approaches, while broker's debate the demand/supply outlook for 2025.

-UBS is sanguine on U308 in 2025
-Santa's uranium buyers haven't materialised
-Lower price targets don't reflect the share price value

By Danielle Ecuyer

Uranium price outlook

UBS has flagged a more conservative outlook on the uranium price for 2025, following a decline in the U3O8 spot price of -15% in 2024 as buyers have largely remained on the sidelines. A similar proposition is put forward by the broker for the upcoming calendar year, as a shift in the demand/supply outlook now looks unlikely.

UBS lowers its uranium price forecast by -9% to US$78/lb for 2025 and by -6% to US$80/lb for 2026. The COP 29 nuclear announcements are perceived as more "incremental in nature" than structural for the global uranium outlook. While the flagged push by Big Tech into nuclear-powered solutions for growing AI power demands is highlighted as a sentiment boost, the impact on near-term demand is considered questionable.

In 2025, UBS expects global growth in nuclear reactors, with an accompanying increase in uranium consumption of around 3-4%, led by China and India. Supply growth is forecast to expand between 6-7%, including a rise in Kazatomprom's volumes of 12%, with added volumes from **Paladin Energy** ((PDN)) and **Boss Energy** ((BOE)).

Other factors that may play a role include the potential impact of a Trump presidency, risks from Nigerian supply, which represents around 4% of global supply, ongoing geopolitical tensions between the US and Russia regarding trade sanctions, and how **NextGen Energy**'s ((NXG)) contracting activity unfolds.

Morgan Stanley's latest commodity update highlights an expected increase in contracting activity for 2025 with the market poised to remain in deficit for the year. This broker forecasts the U3O8 spot price to rise to US$90/lb by 2Q 2025.

Canaccord Genuity has highlighted reports Canada is considering a US uranium export tax in response to President Trump's tariff threats.

The Canadian government is apparently considering export taxes on commodities including uranium, oil, and potash. Canada is the largest source of nuclear fuel for US power plants, with 25% of supplies coming from Canada.

The Week That Was for Spot Prices

TradeTech continues to observe U3O8 spot price volatility. Four transactions occurred on Tuesday, with the spot price vacillating by US$0.75/lb as sellers sought buyers for December settlement to meet some end-of-year financial goals. The industry consultants note sellers retreated on Thursday in response to reports the Canadian government was considering export tariffs to the US.

Saskatchewan Premier Scott Moe stated export taxes *"are the wrong approach, and Saskatchewan will vehemently oppose the federal government imposing export taxes on our potash, uranium, or oil."*

By Friday, the spot market had moved past these reports, with one transaction conducted at US$76.50/lb for delivery to Honeywell's ConverDyn facility in Illinois. A non-US utility continues to seek one "reload" of enriched uranium product for delivery in December or January, TradeTech highlights.

TradeTech's weekly U3O8 spot price indicator fell -US$0.25/lb to US$76.50/lb, down -8% on last month and around -17% for 2024. The consultant's mid-term U3O8 price indicator is US$83/lb, and TradeTech's long-term price indicator is US$82/lb.

Reportedly, a new ship is expected to arrive in St. Petersburg in the next few days, and enriched uranium that has yet to leave for the US is expected to be loaded on this ship, with US parties confident the appropriate paperwork and permits will be in place.

What the Brokers Are Saying

Petra Capital reiterates its Buy rating on **Lotus Resources** ((LOT)) with a 36c target price following the release of revised capex for the restart of the Kayelekera project in Malawi.

The company is focusing only on items essential for the restart, with expected capex reduced by -43% to US$50m, along with a further US$11m in pre-production costs, compared to US$88m previously. The change also shortens the refurbishment timeline to 8-10 months from 12-15 months. Expected first sales are flagged for 2026, totaling 1.8mlbs of U3O8.

On revised spot uranium price assumptions and production impacts, such as water issues for Langer Heinrich, UBS lowers Paladin's earnings forecasts by -30% in FY25 and -10% in FY26. The target price slips -5% to $9.90, but the analyst highlights the share price has retreated -55% from 2024 highs.

Paladin continues to hold the largest short interest on the ASX at 16.03%, up from 15% a week earlier.

Morgan Stanley retains a Buy-equivalent rating on Paladin, with its target price declining to $10.50 from $12.30.

UBS also downgrades Boss Energy's earnings forecasts by -17% in FY25 and -6% in FY26 due to changes in its uranium price outlook. The analyst notes Boss's Honeymoon ramp-up is proceeding more smoothly than Paladin's. The broker's target price slips -3% to $3.40. Buy rating retained.

Morgan Stanley has a Hold-equivalent rating on Boss, with a target price of $5.80, down from $6.70.

Bell Potter has applied more conservative cost estimates which reduces its target price by -$1 to $4.70 for Boss. As the second most shorted stock on the ASX at 14.24%, this broker suggests investors holding short positions at this level risk being squeezed if neither costs nor production disappoint. The stock is Buy rated.

Macquarie cuts Boss's earnings forecasts ahead of the company's cost update in January, with this broker now expecting higher operating costs for Honeymoon at US$27/lb compared to US$13/lb previously. Inflation in power, labour, and reagents are the main factors cited driving higher operating costs.

This broker now forecasts a loss for FY25 and lowers its target price by -2% to $4.50. Buy-equivalent rating retained.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	13/12/2024	0.0500	0.00%	$0.19	$0.03			
AEE	13/12/2024	0.1550	▲ 3.33%	$0.31	$0.11			
AGE	13/12/2024	0.0400	▼- 2.63%	$0.08	$0.03		$0.100	▲150.0%
AKN	13/12/2024	0.0100	0.00%	$0.05	$0.01			
ASN	13/12/2024	0.0600	▼- 4.92%	$0.17	$0.06			
BKY	13/12/2024	0.3300	▼- 5.88%	$0.45	$0.26			
BMN	13/12/2024	2.8600	▲ 9.45%	$4.87	$1.90		$7.400	▲158.7%
BOE	13/12/2024	2.4400	▲ 2.35%	$6.12	$2.38	21.1	$3.883	▲59.2%
BSN	13/12/2024	0.0150	▼-11.76%	$0.21	$0.02			
C29	13/12/2024	0.0900	0.00%	$0.13	$0.06			
CXO	13/12/2024	0.0900	▼- 2.27%	$0.36	$0.08		$0.090	
CXU	13/12/2024	0.0100	0.00%	$0.06	$0.01			
DEV	13/12/2024	0.1000	▲ 2.04%	$0.45	$0.10			
DYL	13/12/2024	1.2300	▲ 3.64%	$1.83	$0.91	-68.3	$1.900	▲54.5%
EL8	13/12/2024	0.2800	▲ 7.14%	$0.68	$0.26			
ERA	13/12/2024	0.0020	0.00%	$0.08	$0.00			
GLA	13/12/2024	0.0100	0.00%	$0.04	$0.01			
GTR	13/12/2024	0.0030	▲33.33%	$0.02	$0.00			
GUE	13/12/2024	0.0600	0.00%	$0.18	$0.05			

HAR	13/12/2024	0.0400	▼-20.00%	$0.28	$0.03			
I88	13/12/2024	0.4900	▼- 4.00%	$1.03	$0.14			
KOB	13/12/2024	0.0800	▲14.29%	$0.18	$0.07			
LAM	13/12/2024	0.7700	▲ 2.67%	$1.04	$0.48			
LOT	13/12/2024	0.2000	▼- 8.70%	$0.49	$0.20		$0.547	▲173.3%
MEU	13/12/2024	0.0400	0.00%	$0.06	$0.04			
NXG	13/12/2024	11.9000	▼- 5.53%	$13.66	$7.89		$16.600	▲39.5%
OAR	13/12/2024	0.0400	▲300.00%	$0.04	$0.01			
ORP	13/12/2024	0.0400	0.00%	$0.12	$0.03			
PDN	13/12/2024	7.6600	▲ 6.43%	$17.98	$6.83	37.0	$11.840	▲54.6%
PEN	13/12/2024	1.1200	▲ 5.36%	$1.23	$0.05		$0.240	▼-78.6%
SLX	13/12/2024	5.3700	▲ 1.23%	$6.74	$3.35		$7.200	▲34.1%
TOE	13/12/2024	0.2300	▼- 2.22%	$0.70	$0.19			
WCN	13/12/2024	0.0200	0.00%	$0.03	$0.01			

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

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

WEEKLY REPORTS

The Short Report - 19 Dec 2024

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

Summary:

Week Ending December 12th, 2024 (most recent data available through ASIC).

10%+

GSBW34 132.54%
PDN 15.59
BOE 14.66
PLS 13.76
SYR 12.70
IEL 12.55
MIN 12.04
DMP 11.61
DYL 10.63

9.0-9.9%

LYC
KAR
LTR
ADT

In: KAR

8.0-8.9%

LIC

Out: KAR

7.0-7.9%

GMD
JLG
CTD
MP1

In: MP1 Out: CTT

6.0-6.9%

RIO
CHN
CUV
SEK
STX
AD8
SGR
SLX
BGL
IMU
CIA

In: CIA, SGR Out: 29M, MP1

5.0-5.9%

CTT
EDV
APE
VUL
SFR

In: CTT, SFR, VUL Out: CIA, FLT, LOT, SGR

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.2	0.2	NAB	0.6	0.6
ANZ	0.4	0.4	QBE	0.3	0.4
BHP	0.2	0.3	RIO	6.8	6.8
CBA	1.2	1.2	STO	0.9	1.0
COL	1.0	1.2	TCL	0.9	1.0
CSL	0.4	0.4	TLS	0.2	0.2
FMG	1.0	1.0	WBC	0.7	0.7
GMG	0.4	0.4	WDS	2.2	2.3
JHX	0.6	0.6	WES	0.7	0.7
MQG	0.7	0.8	WOW	0.5	0.5

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

Often large short positions can be attributable to a listed hybrid security on the same stock where traders look to "strip out" the option value of the hybrid with offsetting listed option and stock positions. Short positions may form part of a short stock portfolio offsetting a long share price index (SPI) futures portfolio a

popular trade which seeks to exploit windows of opportunity when the SPI price trades at an overextended discount to fair value. Short positions may be held as a hedge by a broking house providing dividend reinvestment plan (DRP) underwriting services or other similar services. Short positions will occasionally need to be adopted by market makers in listed equity exchange traded fund products (EFT). All of the above are just some of the reasons why a short position may be held in a stock but can be considered benign in share price direction terms due to offsets.

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

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

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

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

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

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

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

WEEKLY REPORTS

In Brief: Dicker Data, Light & Wonder, Codan

In Brief offers up some stock updates for companies positioned to grow into 2025.

-Higher-for-longer rates impact Dicker Data
-Light & Wonder licks the litigation wounds
-Codan positioned to grow via acquisitions

By Danielle Ecuyer

Quote of the Week comes from Absolute Strategy Research, run by David Bowers, who previously established the BofA survey, according to John Authers at Bloomberg:

"There is no alternative to US equities, according to our panel. They have adopted the most positive stance on US versus non-US equities since our survey began, with an implied probability of 63%. When we look by demographics, our European panellists are almost as positive (65%) on US versus non-US equities as North American-based panellists (68%). There has also been a loss of confidence in emerging markets versus developed markets, where the implied probability of the former outperforming the latter has fallen seven percentage points from 50% in the third quarter."

Dicker Data: A Short-Term Hiccup

A more conservative outlook on global PC sales and an uptick in small- and medium-sized business insolvencies has led Petra Capital to downgrade EPS estimates for Dicker Data ((DDR)) for both 2024 and 2025.

In the absence of quarterly reports, the broker highlights a slower recovery in PC sales since the 1H2024 results reported in August and a "spike" in business insolvencies across A&NZ, to which the company is exposed, alongside a more cautious outlook for interest rate declines.

The more adverse macro economic backdrop has increased the impact relative to the analyst's previous expectations via higher inventory levels, increased bad debts and sustained elevated interest rates.

Adjusting for these "headwinds," Petra lowers EPS forecasts due to reduced sales growth and profit margins by -4% in 2024 and -9% in 2025, placing the analyst below consensus by -1% for 2024 but 4% above consensus for 2025.

The broker remains upbeat on the expected increase in IT spending and Dicker Data's ability to "capitalise" on this growth, particularly in the small- and medium-sized business segment.

The stock remains Buy rated, with the target price lowered to $10.42 from $10.71.

Light & Wonder: Ending a Bumpy 2024

The gaming injunction on Dragon Train has impacted gaming momentum for Light & Wonder ((LNW)), though the company remains "consistently" the second player to Aristocrat Leisure ((ALL)), with casino operators continuing to embrace product/floor diversity and competition, reports Jarden.

Accounting for litigation costs, Jarden incorporates approximately -US$75m in fines and legal expenses into forecasts and expects the "noise" around Dragon Train to persist into 2025.

The broker subtly suggests management should reconsider developing Dragon Train 2.0 to avoid further litigation risks.

Looking ahead, Jarden has lowered December quarter gaming earnings forecasts while factoring in higher costs but acknowledges the strong pipeline of new game releases. Related segments such as video gaming terminals (VLTs) in Illinois and state lotteries in Quebec and Oregon are providing additional revenue streams.

Jarden raises the target price to $179 from $173 due to a lower AUDUSD exchange rate, offsetting earnings downgrades.

Rating remains Buy.

Codan eyes growth in 2025

Goldman Sachs has initiated coverage of Codan ((CDA)) with a Buy rating, describing it as a "high-quality" electronics company with several growth levers.

Codan manufactures and supplies electronic solutions for metal detection and communications, including high-frequency and land mobile systems for military uses and emergency response systems.

The company targets 10-15% organic revenue growth and profit margins of 30% for its communications segment over the next two to three years, which Goldman views as achievable due to recent acquisitions and expected US government spending of US$10bn-US$15bn on next-generation 911 emergency call upgrades.

In metal detection, Minelab is expected to achieve growth through market share expansion and broader industry growth, supported by increased distribution via both in-store and online platforms such as Walmart and Amazon, and expansion into India, South America, and Central America.

African sales have stabilised and returned to pre-covid levels, although Sudan's civil unrest continues to impact distribution.

Strategically, Codan has benefited from acquisitions funded by cash flows. Goldman estimates approximately $400m was spent on seven acquisitions between FY21 and FY25, generating incremental earnings of $80m-$100m.

Net gearing remains low, providing flexibility for additional acquisitions.

Codan is Buy rated with a target price of $18.

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

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

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 20-12-24

Broker Rating Changes (Post Thursday Last Week)

Downgrade

PETER WARREN AUTOMOTIVE HOLDINGS LIMITED ((PWR)) Downgrade to Overweight from Buy by Jarden.B/H/S: 0/0/0

Peter Warren Automotive's 1H guidance proved well below both Jarden's and consensus forecast, prompting the broker to downgrade earnings estimate and target price.

The company revealed new car revenue and margins have been adversely affected by lower demand and a significant oversupply of new vehicles in the market.

Jarden lowered the rating to Overweight (one step above Neutral) from Buy, on optimism that demand could get a boost from improvement in cost of living pressures, given the potential for interest rate cuts in 2025.

Also, while oversupply could drive further gross margin compression, Jarden expects management initiatives to offset further headwinds going forward.

New target price down to $1.90 from $2.10.

SYRAH RESOURCES LIMITED ((SYR)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

Jarden is reviewing the impact of Syrah Resources' declaration of force majeure at the Balama mine in Mozambique that's triggered default events on two debt facilities.

Jarden notes it's unclear whether the second loan disbursement of US$47m on US International Development Finance Corp's US$150m loan facility remains available to Syrah. The other debt facility is a fully-drawn US$102m from the US Department of Energy.

The broker considers the best possible outcome for shareholders to be a rapid resolution with the lenders, leading to a waiver of the default clause.

The worst outcome would be a requirement to repay one or both debt facilities. The latter would prove challenging without additional funding, given Syrah's last reported cash balance of US$113m.

Jarden lowers the target price to $0.30 from $0.57 and downgrades its rating to Neutral from Overweight.

Order	Company	New Rating	Old Rating	Broker
Downgrade				
1	PETER WARREN AUTOMOTIVE HOLDINGS LIMITED	Buy	Buy	Jarden
2	SYRAH RESOURCES LIMITED	Neutral	Buy	Jarden

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
ACE	Acusensus	$1.10	Canaccord Genuity	1.50	1.30	15.38%
BRE	Brazilian Rare Earths	$2.33	Canaccord Genuity	5.50	5.30	3.77%
DDR	Dicker Data	$8.32	Petra Capital	10.42	10.71	-2.71%
DTL	Data#3	$6.45	Jarden	8.25	8.54	-3.40%
IDX	Integral Diagnostics	$2.90	Jarden	3.68	3.72	-1.08%
IPX	Iperionx	$4.42	Canaccord Genuity	6.65	4.65	43.01%
MEK	Meeka Metals	$0.08	Petra Capital	0.14	0.15	-6.67%
MMS	McMillan Shakespeare	$14.11	Canaccord Genuity	14.70	18.50	-20.54%
NHC	New Hope	$4.91	Goldman Sachs	4.30	3.80	13.16%
PME	Pro Medicus	$250.23	Goldman Sachs	278.00	221.00	25.79%
PPT	Perpetual	$20.00	Jarden	24.20	22.70	6.61%
PWR	Peter Warren Automotive	$1.51	Jarden	1.90	2.10	-9.52%
			Moelis	1.55	1.85	-16.22%
SIQ	Smartgroup Corp	$7.63	Canaccord Genuity	8.50	10.65	-20.19%
SYR	Syrah Resources	$0.18	Jarden	0.30	0.57	-47.37%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

IDX INTEGRAL DIAGNOSTICS LIMITED

Medical Equipment & Devices Overnight Price: $3.03

Jarden rates ((IDX)) as Buy (1)

Jarden notes the ACCC has approved the proposed merger between Integral Diagnostics and Capitol Health ((CAJ)) with the divestment of one clinic in Victoria.

The scheme implementation date is December 20 when new Integral Diagnostics shares will be issued to Capitol shareholders.

Jarden downgrades the EPS forecast by -3.8% due to the change in the merger timeline.

Target price slips by -1% to $3.68. The broker maintains a Buy rating and highlights the potential earnings upside consensus has yet to account for.

This report was published on December 10, 2024.

Target price is **$3.68** Current Price is **$3.03** Difference: **$0.65**
If **IDX** meets the Jarden target it will return approximately **21%** (excluding dividends, fees and charges).
Current consensus price target is **$3.36**, suggesting upside of **10.8%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

> Jarden forecasts a full year **FY25** dividend of **6.80** cents and EPS of **10.90** cents.
> At the last closing share price the estimated dividend yield is **2.24%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **27.80**.
>
> How do these forecasts compare to market consensus projections?
>
> Current consensus EPS estimate is **11.0**, implying annual growth of **N/A**.

Current consensus DPS estimate is **8.1**, implying a prospective dividend yield of **2.7%**.
Current consensus EPS estimate suggests the PER is **27.5**.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **7.90** cents and EPS of **17.40** cents.
At the last closing share price the estimated dividend yield is **2.61%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **17.41**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **14.6**, implying annual growth of **32.7%**.
Current consensus DPS estimate is **10.4**, implying a prospective dividend yield of **3.4%**.
Current consensus EPS estimate suggests the PER is **20.8**.

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

PME PRO MEDICUS LIMITED

Medical Equipment & Devices Overnight Price: $249.63

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

Goldman Sachs has raised FY26-27 earnings by 4-8% to reflect the inclusion of Trinity Health, partially offset by lower revenue growth in Australia and Europe.

The broker forecasts a strong increase in the value and cadence of contract wins over time, with material upside likely from outsized contracts over $100m.

The broker has raised its target price to $278 from $221, with rating maintained at Buy.

This report was published on December 11, 2024.

Target price is **$278.00** Current Price is **$249.63** Difference: **$28.37**
If **PME** meets the Goldman Sachs target it will return approximately **11%** (excluding dividends, fees and charges).
Current consensus price target is **$181.10**, suggesting downside of **-27.5%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Goldman Sachs forecasts a full year **FY25** dividend of **54.00** cents and EPS of **106.00** cents.
At the last closing share price the estimated dividend yield is **0.22%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **235.50**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **105.5**, implying annual growth of **33.1%**.
Current consensus DPS estimate is **52.0**, implying a prospective dividend yield of **0.2%**.
Current consensus EPS estimate suggests the PER is **236.6**.

Forecast for FY26:

Goldman Sachs forecasts a full year **FY26** dividend of **71.00** cents and EPS of **139.00** cents.
At the last closing share price the estimated dividend yield is **0.28%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **179.59**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **151.6**, implying annual growth of **43.7%**.
Current consensus DPS estimate is **71.6**, implying a prospective dividend yield of **0.3%**.
Current consensus EPS estimate suggests the PER is **164.7**.

Market Sentiment: **-0.4**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

TWE TREASURY WINE ESTATES LIMITED

Food, Beverages & Tobacco Overnight Price: $11.74

Jarden rates ((TWE)) as Buy (1)

Jarden believes Treasury Wine Estates remains "fundamentally undervalued." The analyst forecasts Penfolds' China returns to around 85% of its historical earnings levels by FY28 and two-thirds of previous peak volume.

There are no changes to the broker's forecasts. Jarden highlights the company is increasingly skewed toward an improved business mix of luxury brands like Penfolds, Daou, Franks, and others, which have pricing power, excess demand, and are growing.

Buy rating or $14.10 target price are retained.

This report was published on December 10, 2024.

Target price is **$14.10** Current Price is **$11.74** Difference: **$2.36**
If **TWE** meets the Jarden target it will return approximately **20%** (excluding dividends, fees and charges).
Current consensus price target is **$13.71**, suggesting upside of **16.8%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **42.00** cents and EPS of **62.40** cents.
At the last closing share price the estimated dividend yield is **3.58%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **18.81**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **61.7**, implying annual growth of **385.8%**.
Current consensus DPS estimate is **41.4**, implying a prospective dividend yield of **3.5%**.
Current consensus EPS estimate suggests the PER is **19.0**.

Forecast for FY26:

Jarden forecasts a full year **FY26** dividend of **50.00** cents and EPS of **74.20** cents.
At the last closing share price the estimated dividend yield is **4.26%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.82**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **71.5**, implying annual growth of **15.9%**.
Current consensus DPS estimate is **48.1**, implying a prospective dividend yield of **4.1%**.
Current consensus EPS estimate suggests the PER is **16.4**.

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

TERMS AND CONDITIONS OF USE, AND DISCLAIMERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

take responsibility for their quality, content or suitability.

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

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

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

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

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

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

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

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

FN arena

PASSIONATE ABOUT FINANCIAL NEWS

Financial News for the Bright and the Uneducated. And for everybody else in between.

FN Arena News

Building the Future of Financial Journalism

www.fnarena.com

Trials are free and without any obligation