WEEK 12

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Friday, 22 March 2024

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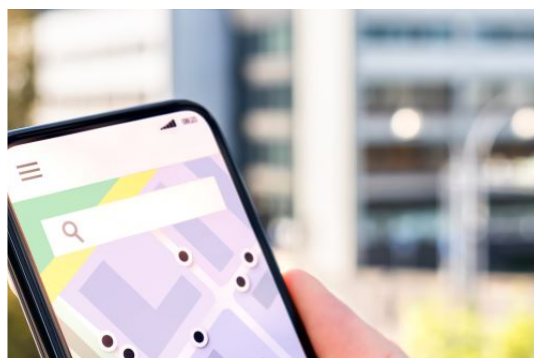

Life360 Growth Outlook Boosted By Advertising

Treasure Chest: Lifestyle Communities En Vogue

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AUSTRALIA

The Market In Numbers - 16 Mar 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	15 Mar 2024	Week To Date	Month To Date (Mar)	Quarter To Date (Jan-Mar)	Year To Date (2024)	Financial Year To Date (FY24)
NZ50	11766.980	-1.31%	0.22%	-0.03%	-0.03%	-1.25%
All Ordinaries	7923.80	-2.27%	-0.45%	1.20%	1.20%	7.06%
S&P ASX 200	7670.30	-2.25%	-0.37%	1.05%	1.05%	6.48%
S&P ASX 300	7625.70	-2.22%	-0.34%	1.19%	1.19%	6.54%
Communication Services	1559.80	-2.12%	-2.28%	-1.79%	-1.79%	1.46%
Consumer Discretionary	3561.10	-1.07%	-0.81%	9.90%	9.90%	20.97%
Consumer Staples	12114.90	-0.60%	-0.41%	-1.59%	-1.59%	-8.87%
Energy	10336.10	-1.07%	-0.82%	-2.70%	-2.70%	-4.54%
Financials	7290.30	-3.17%	0.58%	8.51%	8.51%	17.21%
Health Care	42145.40	-1.80%	-1.87%	-0.46%	-0.46%	2.07%
Industrials	6943.50	-2.69%	-1.18%	1.13%	1.13%	2.16%
Info Technology	2282.80	-0.31%	3.02%	24.55%	24.55%	24.78%
Materials	17195.80	-3.36%	-2.07%	-11.77%	-11.77%	-4.64%
Real Estate	3661.30	0.81%	4.17%	9.37%	9.37%	20.28%
Utilities	8223.90	1.21%	2.45%	0.54%	0.54%	-5.84%
A-REITs	1659.40	0.77%	4.29%	10.45%	10.45%	22.49%
All Technology Index	3057.50	-1.59%	-0.55%	13.49%	13.49%	26.52%
Banks	3006.10	-4.44%	0.00%	8.15%	8.15%	20.40%
Gold Index	6810.90	-2.07%	9.14%	-7.56%	-7.56%	2.91%
Metals & Mining	5595.90	-3.42%	-2.07%	-13.46%	-13.46%	-7.62%

The World

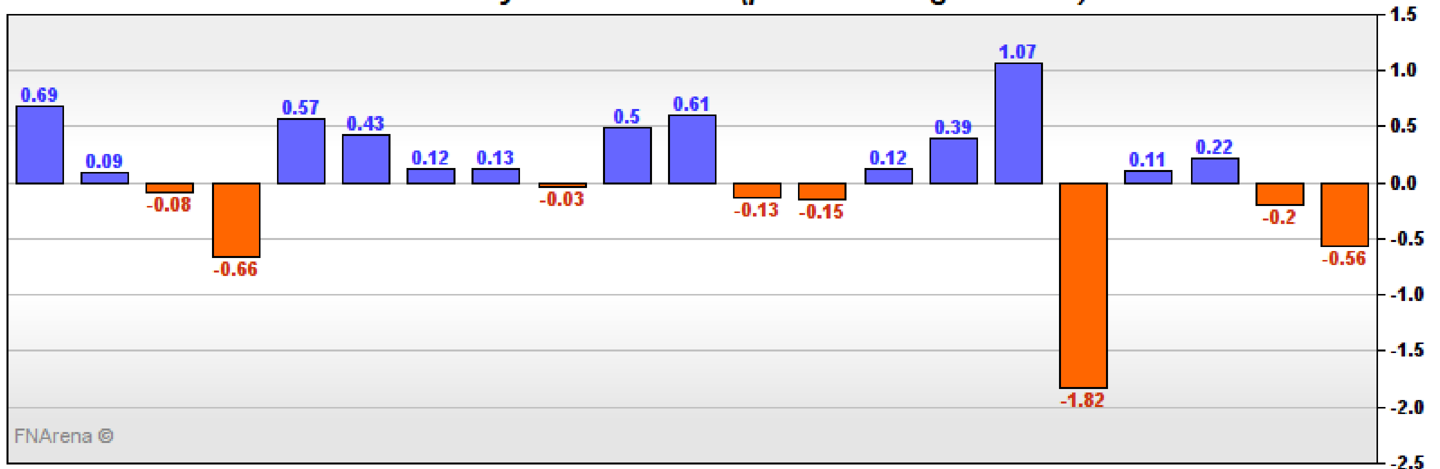
Index	15 Mar 2024	Week To Date	Month To Date (Mar)	Quarter To Date (Jan-Mar)	Year To Date (2024)	Financial Year To Date (FY24)
FTSE100	7727.42	0.88%	1.28%	-0.08%	-0.08%	2.60%
DAX30	17936.65	0.69%	1.46%	7.07%	7.07%	11.08%
Hang Seng	16720.89	2.25%	1.27%	-1.92%	-1.92%	-11.61%
Nikkei 225	38707.64	-2.47%	-1.17%	15.67%	15.67%	16.63%
DJIA	38714.77	-0.02%	-0.72%	2.72%	2.72%	12.52%
S&P500	5117.09	-0.13%	0.41%	7.28%	7.28%	14.98%
Nasdaq Comp	15973.17	-0.70%	-0.74%	6.41%	6.41%	15.85%

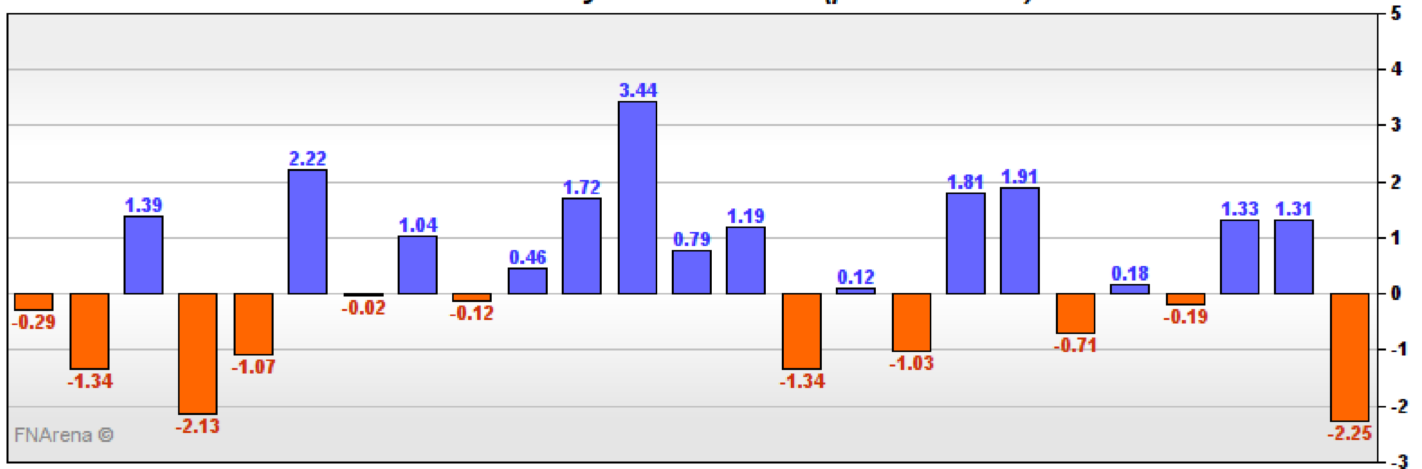
Metals & Minerals

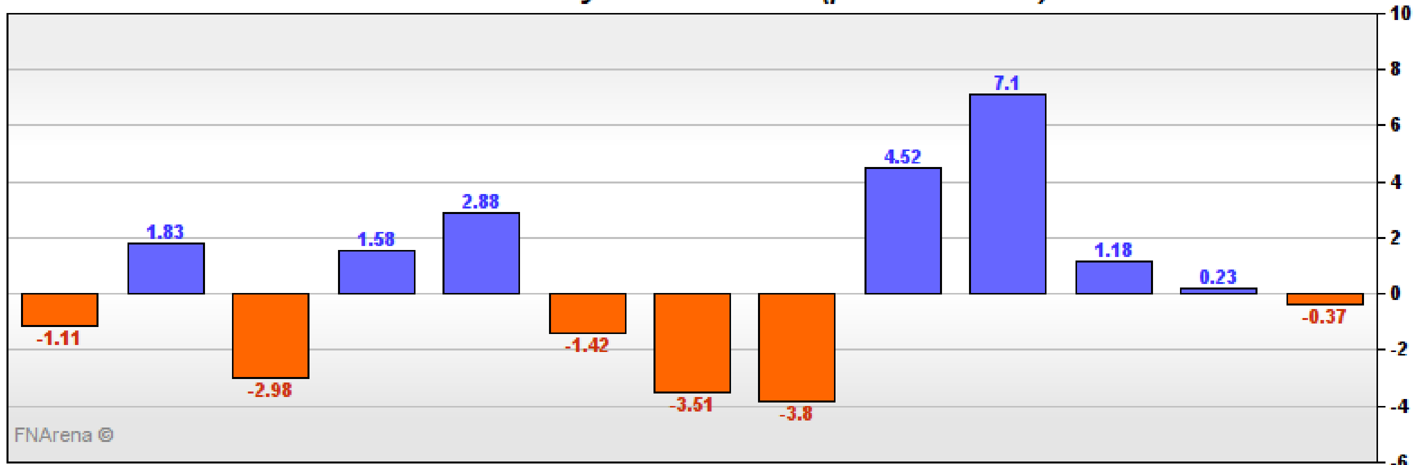
Index	15 Mar 2024	Week To Date	Month To Date (Mar)	Quarter To Date (Jan-Mar)	Year To Date (2024)	Financial Year To Date (FY24)
Gold (oz)	2162.20	0.16%	6.33%	5.76%	5.76%	13.32%
Silver (oz)	24.78	1.93%	10.58%	1.64%	1.64%	9.99%
Copper (lb)	4.0104	3.08%	5.34%	5.32%	5.32%	7.90%
Aluminium (lb)	1.0148	0.10%	2.88%	4.37%	4.37%	5.95%
Nickel (lb)	8.1693	1.49%	2.51%	9.85%	9.85%	-8.21%
Zinc (lb)	1.1506	0.98%	5.88%	2.31%	2.31%	9.73%
Uranium (lb) weekly	93.00	-0.53%	-2.11%	8.14%	8.14%	65.48%
Iron Ore (t)	110.94	-5.95%	-2.58%	-19.74%	-19.74%	-2.61%

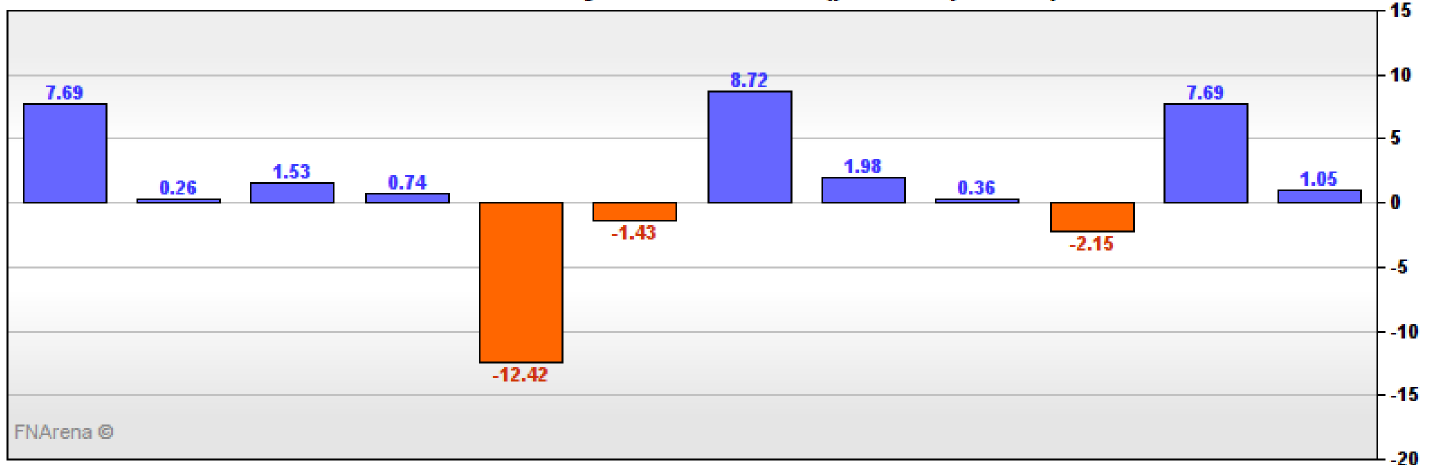
Energy

Index	15 Mar 2024	Week To Date	Month To Date (Mar)	Quarter To Date (Jan-Mar)	Year To Date (2024)	Financial Year To Date (FY24)
West Texas Crude	81.07	2.76%	3.45%	9.84%	9.84%	16.05%
Brent Crude	85.15	2.80%	2.02%	7.43%	7.43%	14.59%









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

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AUSTRALIA

Better Times Ahead for New Hope?

New Hope Corp suffered from much lower coal prices in the first half, but on increasing production and falling costs, are there clearer skies ahead?

-New Hope earnings drop -58% on a -58% drop in coal prices
-Production guidance maintained, requiring a substantially increased second half
-Increased production will lower costs
-Near-term outlook for thermal coal prices not so rosy

By Greg Peel

New Hope Corp ((NHC)) had provided key first half metrics with its fourth quarter update, so brokers were not surprised when yesterday's official result noted a -47% year on year decline in revenue and -58% decline in earnings, due to an average thermal coal price of $197/t being down -58%, only partially offset by increased coal sales and lower costs.

Cash flows were weaker than expected but the company's cash position of $394m is still solid, albeit down -34% on last year.

Brokers had varied expectations for the dividend nonetheless, which at 17c landed at the high end of the range of forecasts.

New Hope has retained FY24 production guidance of 8.3mt at Bengalla (80%-owned) and 1.0mt at New Acland (100%-owned), in line with broker expectations, but a 25% increase in production in the second half from the first is required to achieve guidance.

Higher volumes are required to support second half cost reductions.

Key Differentiator

Morgans has crunched the numbers to arrive an an estimate of a $76/t cost at Bengalla, which is materially below thermal coal peer Whitehaven Coal's ((WHC)) guidance midpoint of $108/t.

Bengalla's ramp-up to 13.4mtpa production appears to be on track, and if Morgans' forecast 15-20% increase in second half production is achieved, New Hope could well see costs coming in at the low end of its $72-81/t

guidance range, as management has suggested.

Macquarie is forecasting $75/t.

New Hope's $99/t coal cash margin in the first half was aided by a $16/t contribution from coal price hedges, Morgans notes. The second half will see a further contribution, but this will diminish in the coming twelve months.

The Japanese Power Utilities (JPU) reference price, which sets longer-term contract prices paid by key customer Japan, will reset lower in April. Morgans assumes a fall to US$160/t from US$199/t in FY23.

Morgans forecasts Bengalla's second half margins to contract to 50% from 56% in the first half, but declares "If this is what trough margins look like in the current cycle then we'll take them every day of the week".

Growth

New Hope mined and sold first coal from its New Acland stage 3 expansion in the half, which is guided to ramp up to 5mtpa production by FY27.

One reason the company is preferring to stick with dividends over buybacks is due to legal uncertainty over New Acland stage 3, Ord Minnett notes. Environmental groups continue to oppose the mine.

The broker does not expect such groups to prevail but believes New Hope's capital management policy is sensible until the issue is resolved.

After close-of-books for the first half, New Hope participated in Malabar Resources' capital raise, increasing its stake to 19.9%. Malabar's Maxwell metalogical coal project in NSW produces around 6mtpa, and capital raised leaves the project fully funded.

With a mine life of around two decades and unit costs at the bottom end of the industry cost curve, Maxwell underground met coal mine provides modest diversification for New Hope (from thermal coal), Ord Minnett suggests.

The project should be fully ramped up in 2028 or 2029, and produces a majority high quality semi-soft met coal, the broker notes, with the remainder being high-energy, low-ash thermal coal.

[dianomi_video]

The Outlook

Traders see recent pricing steady in the US$125-130/t range as being well-balanced with a reasonably solid floor provided by Chinese demand for lower energy coal. Near-term upside risk does look limited nonetheless, Morgans suggests, given customers look well stocked after another mild winter, and due to better NSW supply.

Reliance on Chinese demand for 5,500kCal product does keep the broker cautious, believing an upswing is less likely in the coming months.

Ord Minnett believes demand for New Hope's and Whitehaven's high quality thermal coal is likely to remain robust in South East Asia, as it meets energy needs at lower emissions compared to lower quality coals, such as those from Indonesia.

On the supply side, new Western supply is likely to be constrained by ESG considerations and onerous regulatory hurdles, the broker suggests, which benefits existing producers. In turn, this could lead to long-term or midcycle thermal coal prices being higher than Ord Minnett's current assumption of around US$100/t from 2027.

While cautious in the near term, Morgans strongly believes physical coal markets will see future cycles of "super pricing", well above consensus expectations, supporting periods of elevated cash flows and shareholder returns.

A forecast fully franked yield of 7-8% through the down-cycle is solid compensation, Morgans suggests, as investors await the next upswing.

Morgans retains a Hold on New Hope, as it is trading near the broker's fair value estimate.

Citi is on Neutral for the same reason, and so too Ord Minnett (Hold).

Macquarie suggests New Hope's FY24 volume increase is offset by a weaker thermal coal outlook. Given free cash flow headwinds and a premium valuation to peers, the broker sticks with Underperform.

While Macquarie sees the restart of New Acland as a positive, this broker continues to see risks to the ramp-up.

None of the four brokers monitored daily by FNArena covering the stock has changed its target price in the wake of the result, which is a consensus $4.84.

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AUSTRALIA

Metcash: Investing For Growth

It’s been a slow start to 2024 for Metcash, but the company is investing across its spectrum to drive future growth, which most brokers applaud.

-Weak start in 2024 for Metcash compared to competitors
-Recent acquisitions to provide upside
-Investment in store rollouts and digital improvements
-Investments come with risks

By Greg Peel

Metcash ((MTS)) operates as a wholesale distribution and marketing company in the fields of food & liquor and hardware.

The food segment distributes a range of products and services to independent supermarket and convenience retail outlets. The liquor segment engages in the distribution of liquor products to independent retail outlets and hotels. The hardware segment distributes hardware products to independent retail outlets while also operating company-owned retail stores.

Metcash has long been seen as a third player in food & liquor, compared to the major supermarkets, and second in hardware to Bunnings. When Wesfarmers ((WES)) still owned Coles Group ((COL)), as well as Bunnings, Metcash had a clear competitor. But since Wesfarmers spun off Coles, and Woolworths’ ((WOW)) foray into hardware proved brief and disastrous, Metcash is now unique in its combination of food & liquor and hardware.

Yet still the company finds it difficult to outdo the big guns. At the first of two investor days last week, Metcash updated on trading conditions over the ten months to late February. While group sales were up 0.9% year on year, food sales fell -1% over the period, compared to Woolworths – up 1.5% for the first seven weeks of 2024 – and Coles – up 4.9% for the first eight weeks, Citi notes.

Like-for-like sales were down -2% for Independent Hardware Group (IHG) and -1.8% for Total Tools, while Bunnings sales are forecast by Citi to rise 1% in the second half FY24.

But the new management team has not been sitting around drowning its sorrows.

Investing for Growth

For starters, Metcash has announced the rollout of a media business, no doubt similar to those already established by Coles and Woolworths, which basically markets to customers via social media and what have you. It's early days for Metcash.

The company also plans to roll out 20 new food stores, 5 new IHG stores and 10 new Total Tools stores. This will require increased capex – more so than Macquarie expected – but likely to drive network improvement and revenue growth, the broker suggests.

Back in February, Metcash announced the acquisitions of foodservice distribution business Superior Food Group, Bianco Construction Supplies and framing and truss operator Alpine Truss, for a combined outlay of -$560m, for which the company implemented a capital raising of $360m.

Macquarie sees Superior Food as a key asset to open up the $21bn foodservice market to Metcash, and suggests the wholesale business model will marry well with Superior's customer base. The acquisitions of Bianco and Alpine continue the company's investment in the hardware space and consolidate the group's trade position in South Australia, the broker notes.

The second investor day had analysts trotting about the countryside on a tour of various hardware outlets and one IGA store. A highlight was the announced introduction of electronic shelf labelling at Total Tools stores nationally, which would be the first Australian retailer to do so, UBS notes.

ESL allows for instant price changes, instead of around three weeks in some instances, to match competition and incorporate supplier price rises, and to reduce costs in labour and markdown management.

In food, the IGA retailer and Metcash relationship is all about "healthy friction", UBS discovered, to achieve the optimum outcome, as was noted by the IGA retailer as a positive. IGA retailers are also looking forward to a new distribution centre at Truganina, in Melbourne's fringe, with Metcash noted as having the lowest-cost delivery into store.

[dianomi_video]

Responses

UBS retains a Buy on Metcash given food resilience, a strong Total Tools outlook – Total Tools has proven quite the success for the company to date -- and group benefits to assist growth.

Macquarie had been on research restriction, having been involved in the capital raising, but has returned with an Outperform rating (previously Neutral).

Macquarie suggests growth opportunities through a wider addressable market in the Superior Foods and hardware acquisitions, alongside increased reinvestment into the existing business, have Metcash set up for growth over the medium term.

Supermarkets are likely to see volume benefits as inflation eases, Citi suggests. However, Citi believes other supermarkets are better placed to take market share in this environment given a swing back from local shopping (IGA was a beneficiary of covid lockdowns and restricted movement), more robust eCommerce capabilities, and unfavourable price perception for convenience in a high cost-of-living environment.

Citi retains a preference for Coles and Woolworths and has a Neutral rating on Metcash.

Outside of brokers monitored daily by FNArena, Goldman Sachs also retains Neutral, given still intense competition in both food and hardware, and specifically the softer volumes in hardware which could imply a second half earnings impact.

While the new management team has deep experience individually, Goldman notes, there may be an incubation period as they form a cohesive high performing team and execution risk remains in the interim as the business navigates significant organic and inorganic change.

Jarden suggests Metcash's recent investor days have highlighted the company's scale, diversification and attractive growth outlook, which the broker believes is not fully reflected in the current stock price. Jarden believes Metcash is in its strongest position in more than fifteen years, being a top three player across all of its verticals with scope for market share gains.

Jarden also found the outlined strategic focus clear, consistent and measured, and likely to deliver upside to synergy targets. This broker has an Overweight rating.

Four brokers monitored daily cover Metcash, for a mix of three Buys or equivalent and one Hold. However, Ord

Minnett (Add) has not updated on the investor days. The consensus target is $4.14.

Goldman Sachs has a target of $3.90 and Jarden has $4.20.

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RUDI'S VIEWS

Rudi's View: Selective Opportunities Among Discounted REITs

In this week's Weekly Insights:

-Selective Opportunities Among Discounted REITs
-Conviction Calls & Best Buys

By Rudi Filapek-Vandyck, Editor

Selective Opportunities Among Discounted REITs

Central bankers will lower interest rates, though the exact timing remains unknown. Bond markets will try to anticipate these reductions and rally in advance, lowering bond yields as a result.

Bank shares in Australia have rallied hard and many suggest today's share prices are unwarranted given the weak fundamentals that dominate the sector, including a benign outlook 18 months out.

That other source for regular investment income, A-REITs listed on the ASX, is still offering securities trading at a discount to underlying asset values. No double-guessing why the local REITs sector remains on many an investor's radar.

In February, REITs as a group outperformed the broader market by no less than 4.3% (returning 5.1% against 0.8% for the ASX200).

As per always, the devil hides into detail, as the sector is operating under a cloud of ongoing threats, headwinds, (valuation) traps, and challenges.

Bond yields might be below last year's peak, but they are still high and for many REITs the costs from carrying debt is restricting how much can be paid out to shareholders.

Many in the sector are effectively ex-growth, for the period ahead, as price inflation, devaluing assets and polarising consumer spending offer additional negatives.

In some cases, asset sales are the only way out of the stasis.

One additional factor to keep in mind is that while your average REIT is trading at a discount to implied asset valuations, the general consensus is there will be further asset devaluations occurring in the year ahead, though maybe not as large as is currently priced in.

Post the February results season, which offered positive surprises, led by sector-leader Goodman Group ((GMG)), as well as predictable disappointments, we run through updated sector assessments by those analysts whose daily job revolves around REITs and investing in them.

Evans and Partners

Sector analysts at Evans and Partners thought Goodman Group dominated the good news delivery in February while the rest of the sector was mostly treading water.

There is no doubt in the analysts' mind, the sector offers great opportunities longer term, though investors generally might hold off for a while longer until more clarity exists around where bond yields and central banks cash rates are heading, and exactly when.

Evans and Partners likes to highlight the specialist players in the local REITs sector, with the broker's Top Three Favourites post February being Arena REIT ((ARF)), Dexus Industria REIT ((DXI)), and Waypoint REIT ((WPR)).

Jarden

Put in a simplistic analogy, most REITs have been forced to play defense over the past three years, meaning all attention from management teams inside the sector (outside of Goodman Group) has gone out to keeping costs down, re-financing debt, revaluing assets (and divestments), managing empty offices, and making sure any damage done is absorbed without causing too much distress for shareholders.

Analysts at Jarden have tried to identify those REITs that might be ready to switch into offensive mode again, as these should see added growth and rising shareholder payouts, while others might still be forced to dig in heels and wait for better momentum to arrive.

On the positive spectrum, Jarden analysis suggests, we find National Storage ((NSR)), HMC Capital ((HMC)), Lifestyle Communities ((LIC)), Goodman Group, Ingenia Communities Group ((INA)), Arena REIT, and Stockland ((SGP)).

On the other side of the analysis, the likes of Charter Hall Long WALE REIT ((CLW)), Centuria Office REIT ((COF)), Charter Hall Social Infrastructure REIT ((CQE)) and Dexus ((DXS)) are still very much regarded as inside a forced upon defensive *modus operandi*.

When it comes to "valuing" the sector, analysts at Jarden believe it is imperative investors take into account the still mounting pressure on cash flows, be it through incentives offered (to attract tenants), capex, or other items that are not included in reported funds from operations (FFO) data.

On Jarden's data crunching, operating cash flows as a percentage of FFO fell in February, including for Lifestyle Communities, Stockland, Goodman Group, Dexus, Ingenia Communities Group, Mirvac Group ((MGR)), Region Group ((RGN)), BWP Trust ((BWP)), Scentre Group ((SCG)), and National Storage.

While this does not by default spell bad news ahead for all mentioned, the potential for further deterioration should still have investors' attention.

Jarden's analysis has identified those REITs that look positioned for above-average, strong growth in the years ahead (2024-28); Lifestyle Communities, Ingenia Communities Group, HMC Capital , Goodman Group, Charter Hall ((CHC)), and Stockland.

REITS for which achieving growth above inflation looks like a struggle include Charter Hall Retail REIT ((CQR)), Charter Hall Social Infrastructure REIT, Centuria Office REIT, BWP Trust, and Charter Hall Long WALE REIT.

Summing it all up, Jarden's sector favourites post-February are National Storage, Vicinity Centres ((VCX)), Scentre Group ((SCG)), Ingenia Communities Group -all Buy-rated- and Overweight-rated Goodman Group, Charter Hall, Region Group, Charter Hall Retail REIT, Arena REIT, HomeCo Daily Needs REIT ((HDN)), Centuria Industrial REIT ((CIP)), Stockland, and Lifestyle Communities.

The team at Jarden is not so keen on Mirvac Group, Centuria Capital Group ((CNI)), Centuria Office REIT, Charter Hall Social Infrastructure REIT, Charter Hall Long WALE REIT, GPT Group ((GPT)), Dexus, or BWP Trust.

In a separate analysis, Jarden analysts concentrated on REIT fund managers which enjoyed a fantastic five-years up until H1 FY23, but are now, as anticipated, struggling with falling asset prices and reduced sector activity overall.

Jarden believes the year ahead -H2 FY24 and H1 FY25- will likely still remain challenging for this particular part of the sector, but a robust recovery is anticipated for the subsequent years with current headwinds (bond yields, interest rates) to turn into tailwinds.

On Jarden's assessment, Goodman Group deserves its sector premium, also because the outlook for data centres demand is accelerating.

Charter Hall looks the most attractive, also because of its strong track record in the past.

HMC Capital remains full of promise but maybe too much has already been priced in and Centuria Capital is believed to be facing significant headwinds from its capital structure.

Morgan Stanley

Analysts at Morgan Stanley remain concerned about heavy capex plans for Dexus and Vicinity Centres, which raises balance sheet risks for in particular Dexus.

Most preferred exposures are Goodman Group, Stockland, and Charter Hall. Two other Overweight-rated REITs are Scentre Group and Centuria Capital Group.

In terms of asset devaluations, Morgan Stanley sees another round of devaluations happening by August this year.

Only then, the analysts surmise, will investors be able to assume the worst might have passed for the sector (in the current rate hike cycle).

Morgans

Stockbroker Morgans' preferred REITs are unchanged from pre-February: Dexus Industria REIT and HomeCo Daily Needs REIT. Both provide exposure to the industrial and convenience retail sub-sectors.

The likes of Goodman Group and HMC Capital were downgraded to Hold during reporting season as share prices rallied hard.

Morgans does see small cap opportunities in HealthCo Healthcare & Wellness REIT ((HCW)) and Hotel Property Investments ((HPI)) with both screening as undervalued.

Macquarie

Macquarie prefers Charter Hall, Mirvac and Goodman Group among the large caps, and Qualitas ((QAL)) and Centuria Industrial REIT ((CIP)) among the smaller players in the sector.

Industrial remains this broker's most preferred sub-sector, while Office remains least preferred.

Macquarie does not like Vicinity Centres, Scentre Group, or Charter Hall Long WALE REIT.

One scenario that is on the analysts' mind is that economic growth might well re-accelerate and this would have negative consequences through rising bond yields (yet again).

Macquarie's preference thus lays with quality and active names offering earnings growth that can help offset the negative valuation impact were bond yields to surprise on the upside.

Macquarie also points out most REITs have limited debt expiries over the coming 1-2 years, with a large contingent expiring in FY26.

This noticeable step-up in debt expiries applies in particular to Scentre Group, Dexus, Vicinity Centres, HomeCo Daily Needs REIT, Mirvac and Goodman Group.

Most REITs use bank facilities, while commercial paper is a significant source of liquidity for Scentre Group.

As bank facilities are more likely to be renewed, the average debt maturity for the sector has declined to 3.7 years. In June last year the average was 3.9 years. Twelve months earlier, the comparative average stood at 4.6 years.

If one were to assume more negative scenarios ahead for the sector, Macquarie believes Mirvac, Dexus, Vicinity Centres, and HomeCo Daily Needs REIT would be most at risk from a medium-term liquidity perspective.

Citi

Citi reports Australia continues to benefit at the macro level from high population growth, driven by immigration.

This has positive follow-through impact on retail activity and assets, housing prices and rental growth, demand for self-storage space, as well as logistics services.

The February results season highlighted artificial intelligence (AI) and strong demand for data centres as additional positives providing strong incentives for further investments.

Investors are all too aware, suggest Citi analysts, cap rates should become a tailwind for A-REITs over the next 12-24 months.

Echoing the cautiously optimistic mood that also dominated Citi's 29th annual Global Property CEO Conference, the broker's coverage of A-REITs includes many Buy ratings and only one Sell, carried by BWP Trust as the share price trades above the broker's $3.40 price target.

Buy ratings are for GPT Group, Stockland, Charter Hall Retail REIT, Abacus Group ((ABG)), Ingenia Communities, Goodman Group, Charter Hall Group, Growthpoint Properties Australia ((GOZ)), National Storage, Qualitas Real Estate Income Fund ((QRI)), and Abacus Storage King ((ASK)).

Citi analysts highlight underneath ongoing macro debates about investing in and the outlook for the sector generally, on-the-ground trends in many property sectors remain steady, with solid demand and leasing continuing in residential, retail, industrial, and data centres.

Risks remain, with Citi identifying supply (sunbelt apartments, life science, and industrial), office leasing, pressure from costs/expenses, select tenant health concerns, and a slow transaction market.

Conviction Calls & Best Buys

Macquarie's update on the energy sector, published on Monday morning, suggests share prices for many in the sector seem too low.

The in-house, Houston-based sector strategist has upgraded WTI oil price forecasts to US$80.34/bbl in 2024 and US$68.75/bbl in 2025. The flipside is that spot LNG prices have been downgraded.

Macquarie's key picks in the larger upstream segment are Santos ((STO)), Beach Energy ((BPT)) and Karoon Energy ((KAR)).

In the mining sector, updated simultaneously, Macquarie analysts expressed their positive view on aluminium, nickel, lithium, met coal, and copper (not so for iron ore and thermal coal).

Large-caps favourites are South32 ((S32)) and Rio Tinto ((RIO)). The preference is for Northern Star ((NST)) over Newmont Corp ((NEM)) and Evolution Mining ((EVN)). Arcadium Lithium ((LTR)) and Mineral Resources ((MIN)) are preferred over Pilbara Minerals ((PLS)) and IGO Ltd ((IGO)).

Among mid-caps, Macquarie likes Sandfire Resources ((SFR)), Nickel Industries ((NIC)), Patriot Battery Metals ((PMT)), Coronado Global Resources ((CRN)), and Westgold Resources ((WGX)).

Among contractors and engineers, Macquarie's Outperform ratings are reserved for Worley ((WOR)), Ventia Services Group ((VNT)), Monadelphous ((MND)), Service Stream ((SSM)), and Maas Group ((MGH)).

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The team of **mining analysts at Morgan Stanley** has equally expressed its sector preferences. The following seven companies are rated Buy:

-Rio Tinto
-29Metals ((29M))
-Alumina Ltd ((AWC))
-South32
-Whitehaven Coal ((WHC))
-Regis Resources ((RRL))
-Deterra Royalties ((DRR))

Two companies are rated Underweight; Pilbara Minerals and Fortescue Metals ((FMG)).

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Morgan Stanley analysts continue to drip feed their post-February favourites among ASX-listed **small and mid-cap companies**. The number of Key Conviction Calls amounts to five so far:

-Accent Group ((AX1))
-Hub24 ((HUB))
-Johns Lyng Group ((JLG))
-Siteminder ((SDR))
-SG Fleet ((SGF))

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Jarden's Key Picks, identified before the February results tsunami, delivered three winners and one disappointing outcome.

All of Temple & Webster ((TPW)), Lovisa Holdings ((LOV)) and Universal Store Holdings ((UNI)) saw their market updates rewarded through sharp share price increases, but Data#3 ((DTL)) failed to deliver.

Post season analysis has identified 16 Best Ideas from about 110 ex-ASX100 companies under the broker's coverage. Noteworthy: Temple & Webster, despite having experienced a 30% rally in the share price, remains the broker's Number One Favourite.

Other Key Picks include Lovisa, Siteminder, IDP Education ((IEL)) and Universal Store, as well as Inghams Group ((ING)), Light & Wonder ((LNW)) and NRW Holdings ((NWH)).

In the healthcare sector, Jarden likes Telix Pharmaceuticals ((TLX)) and Regis Healthcare ((REG)). Among REITs the Best Ideas have been identified as National Storage and Ingenia Communities Group. Energy & Mining delivers Karoon Energy and Capricorn Metals ((CMM)).

Other favourite picks are Domain Holdings Australia ((DHG)) and Pepper Money ((PPM)).

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Jarden's team of **healthcare analysts** currently has one Buy rating, reserved for Telix Pharmaceuticals, with Overweight ratings for CSL ((CSL)), ResMed ((RMD)), Regis Healthcare, and Aroa Biosurgery ((ARX)).

Healius ((HLS)) is the only stock carrying a Sell rating.

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Morgans has reviewed the **financial services sector** (financials ex-banks) which generated the following ranking (all are Add-rated, starting from the most preferred first):

QBE Insurance ((QBE)), Computershare ((CPU)), Suncorp Group ((SUN)), Generation Development ((GDG)), Challenger ((CGF)), Tyro Payments ((TYR)), MA Financial ((MAF)), and Kina Securities ((KSL)).

The broker's preferences inside **Technology, Media & Gaming** has seen a few changes post February. Technology favourites remain NextDC ((NXT)) and Objective Corp ((OCL)), with Ansarada ((AND)), currently under take-over interest, replaced with AI-Media Technologies ((AIM)).

Within the online and classifieds/media space, Seek ((SEK)) and Camplify Holdings ((CHL)) remain the broker's key picks. In gaming, Aristocrat Leisure ((ALL)) has been replaced with Jumbo Interactive ((JIN)).

In the **consumer discretionary** segment, Morgans' preference lays with Beacon Lighting Group ((BLX)), Lovisa, and Universal Store.

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UBS's Buy ratings among **consumer-oriented companies** include Endeavour Group ((EDV)), Metcash ((MTS)), Treasury Wine Estates ((TWE)), and Universal Store.

The two Sell ratings are reserved for Premier Investments ((PMV)) and Super Retail ((SUL)).

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Macquarie's number one **technology** stock on the ASX is Megaport ((MP1)).

FNArena Subscription

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

(This story was written on Monday, 18th March, 2024. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

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

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

SMALL CAPS

Life360 Growth Outlook Boosted By Advertising

Brokers welcome Life360's new advertising initiative unveiled at the same time as FY23 results and FY24 guidance which both exceeded expectations.

-Life360 introduces a new advertising initiative
-FY23 earnings and FY24 guidance exceeded market forecasts
-Advertising will monetise users from the moment of sign-up
-Morgan Stanley expresses high conviction on the outlook

By Mark Woodruff

Global family safety service Life360's ((360)) average target price in the FNArena database increased by 30% to $13.63 at the beginning of March as FY23 earnings beat analysts' forecasts with a better-than-expected FY24 guidance on top.

In addition, management announced plans to launch a new advertising business model.

Several weeks later, the company has joined Morgan Stanley's list of **key small/mid cap ideas** where the broker has high conviction for both earnings and the outlook. This inclusion is based on Life360's strong subscriber growth and upside potential from the new advertising initiative.

The existing subscription business aims to protect people, pets and "things", via features on the Life360 mobile app which range from communications to driving safety, as well as location sharing.

Over the last five years the company has been monetising its user base by providing premium subscription options, as well as introducing a membership program. The current broker excitement relates to the "freemium" business model where the basic app is available to users at no charge.

Morgan Stanley has long argued **Life360 is a differentiated asset in the Australian market due to the scale of the user base and level of engagement**, and notes the non-paying user base comprises more than 50 million monthly active users (MAU), of which around 67% reside in the US.

Unlike subscriptions, the broker points out advertising monetises users from the moment of sign-up, with revenue generation for all new users straight away, as opposed to just those who choose to subscribe.

The analysts suggest it may be difficult for consensus to neatly insert into forecasts the advertising opportunity, which should deliver a new growth vector and act as a tailwind to existing unit economics. The Life360 app not only has high frequency usage (five times per day), but those users are also generally affluent, highlights Morgan Stanley.

The company accumulates data on key personal details, real-time location, and historical behaviour, which the broker suggests can assist with highly relevant, targeted advertising.

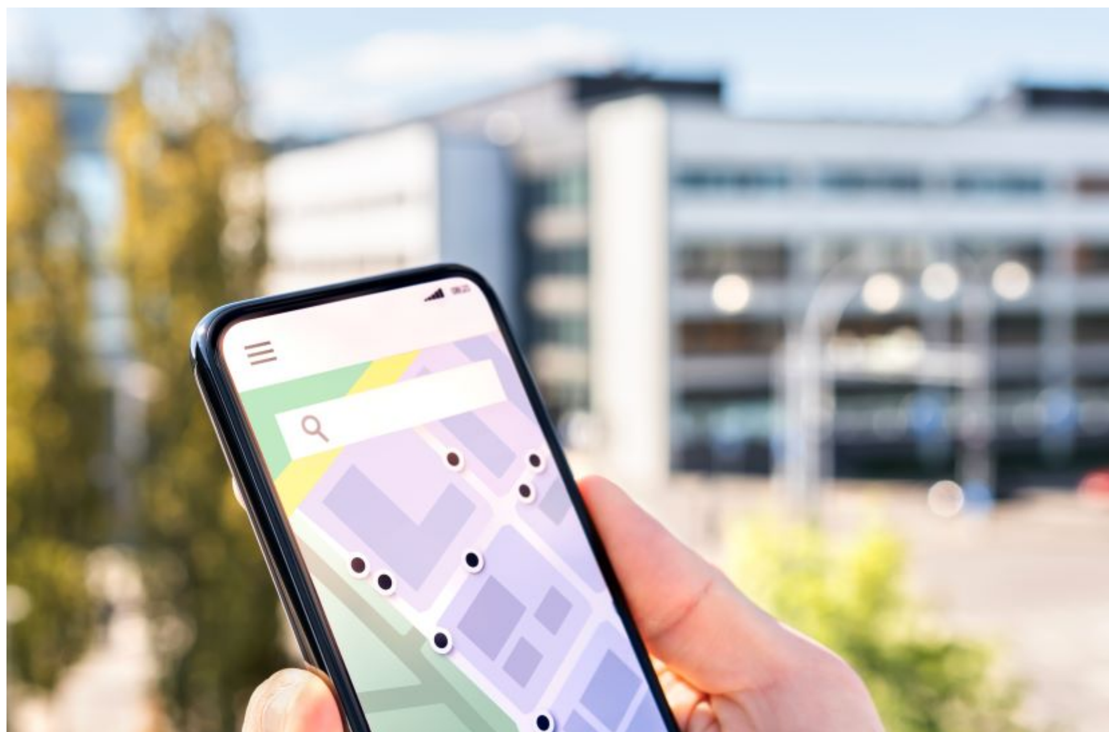
At the time of FY23 results, Ord Minnett felt looking at advertising in isolation would be a mistake for investors, given **the real story for Life360 is the ongoing build-out of a family safety platform, with multiple revenue streams and improved unit economics.**

It's anticipated the untapped value of this network will continue being unlocked gradually over the coming years as new verticals (and thus revenue streams) are offered to a rapidly growing network of 61 million users.

Advertising will add a new, high margin (around 70%), low investment revenue stream, and this broker forecasts an earnings contribution of around $40m by FY28.

Assuming relatively modest advertising revenue of US$1 per user per year, Goldman Sachs forecasts Life360 could add around US$60m of revenue and more than US$30m of earnings. By comparison, this broker's total

Life360 earnings forecast for FY24 is in the range of US$30-35m.



FY23 results

Prior to the release of FY23 results, investors held serious concerns management at Life360 may reverse the past two years of prudence by shifting to a 'growth-at-all-costs' mindset, according to Ord Minnett.

Management rebutted this notion by issuing finely balanced FY24 guidance for revenue growth of of around 22% at incremental earnings margins of 18%, noted the broker.

Adjusted earnings of US$20.6m for FY23 beat Bell Potter's forecast by 49% and proved well above the guidance range of US$12-16m. Average revenue per paying circle (ARPPC) and annualised monthly revenue (AMR) also beat the broker's forecasts, though paying circle growth of 54,000 in the fourth quarter missed the expected 82,000.

Management provided 2024 guidance for revenue and adjusted earnings in the ranges of US$365-375m and US$30-35m, respectively, compared to Bell Potter's forecasts for US$357m and US$24m.

After allowing for the new advertising vertical significant potential, this broker increased the valuation multiple for Life360 and reduced the weighted average cost of capital (WACC) applied to discounted cash flows.

Outlook

Morgan Stanley anticipates first evidence of advertising monetisation, and a resulting catalyst for the Life360 share price, will become apparent at first quarter results in May.

While this broker sees limited risk from direct family location competitors, there is always the possibility of a well-capitalised competitor from another vertical (such as Apple) moving aggressively into the space.

Bell Potter felt the launch of the advertising vertical has potential to drive a re-rating of the multiple applied to the stock given the generation of revenue from multiple verticals is more representative of a platform rather than just an app company.

This broker envisaged potentially material upside to its medium-to long-term revenue and earnings forecasts.

At this early stage, advertising revenue of around US$75m was assumed in the analyst's 2029 forecasts, which looks conservative considering management sees these revenues potentially matching subscription revenues over time.

Following Morgan Stanley's updated research, the average target price in the FNArena database of three Buy-rated (or equivalent) brokers remains at $13.63, suggesting nearly 12% upside to the latest share price. Bell Potter and Ord Minnett have targets of $14.50 and $11.98, respectively, compared to the $14.40 set by Morgan Stanley.

Outside of FNArena's daily coverage, Goldman Sachs has a $14.20 target and a Buy recommendation.

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TREASURE CHEST

Treasure Chest: TechnologyOne's Transition

FNArena's Treasure Chest reports on money making ideas from stockbrokers and other experts. Today's idea is on TechnologyOne.

Whose Idea Is It?

Bell Potter's

The subject:

Bell Potter upgrades TechnologyOne ((TNE)) to Buy, ahead of the upcoming release of interim financials.

More info:

TechnologyOne provides business solutions software. For several years, the company has been transitioning its software-as-a-service (SaaS) customers from on-premises enterprise resource planning (ERP) to SaaS ERP on its data centre.

In other words, customers have been transitioning from running TechnologyOne's software on their own in-house IT systems to running it in the cloud, allowing internet access. For this, notes Bell Potter, transitioned customers are now paying twice as much as they were before.

The broker refers to this process as "SaaS flips".

When TechnologyOne reported its FY23 result back in November brokers were impressed with strong revenue growth, albeit this was offset by the company pulling forward expenses related to due diligence costs for an acquisition that did not go ahead, and management decided to book those against said strong revenues.

Not that this much bothered brokers at the time. The highlight of the result was management bringing forward

its FY26 target of $500m in annual recurring revenue to FY25, given stronger-than-expected customer adoption and a robust sales pipeline.

Management also reiterated its long-term goal to double earnings and revenues every five years.

In the wake of the result, one broker monitored daily by FNArena – Ord Minnett – retained its Lighten rating, five retained Hold or equivalent ratings, and one downgraded to Hold from Buy; all based on a valuation that was seen as fair.

The one downgrade came from Bell Potter.

This morning Bell Potter upgraded back to Buy.

A key focus in TechnologyOne's upcoming first half FY24 result in May will be the company's net revenue retention, Bell Potter suggests, as this will be the first result in a few years in which the figure has not been boosted by significant SaaS flips.

The NRR in each of the last two years has been in excess of 115% which is strong and above the industry average, the broker notes, but a reasonable portion of the average additional revenue per customer has been generated through SaaS flips.

Yet SaaS flips were largely completed by the end of FY23, and thus will provide little boost to NRR in FY24, hence the big question is whether TechnologyOne can maintain an NRR of around 115% or more without these flips.

Bell Potter's view is that it can, through a combination of other drivers, and such an outcome in the first half and beyond would be well received by the market, the broker believes, given it implies or suggests the outlook remains positive and the company can indeed double revenue every five years or so via organic growth alone.

Bell Potter has lifted its target price to $18.50 from $17.25, which takes the consensus target among FNArena brokers to $16.07 from $15.89. The new consensus target remains below the share price, with a closer look into the finer details revealing two out of seven brokers making up FNArena's consensus carrying much lower targets, effectively weighing down the average.

All other price targets are at or above today's share price, though none as high as Bell Potter's updated target. All would be keenly awaiting the release of interim financials, scheduled for 21 May 2024, to update their assumptions and modeling.

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TREASURE CHEST

Treasure Chest: Lifestyle Communities En Vogue

FNArena's Treasure Chest reports on money making ideas from stockbrokers and other experts. Today's idea is on Lifestyle Communities.

Whose Idea Is It?

Moelis

The subject:

Moelis initiates coverage of Lifestyle Communities ((LIC)) with a Buy rating

More info:

Lifestyle Communities owns, operates and develops resort-style retirement communities, which come under the umbrella of land-leased manufactured housing estates. Revenue sources include development profit on house construction, ongoing land rent, and deferred management fees on resale of houses (typically 20% of sale price).

The stock has recently fallen -17% from its December high, largely due to the company's earnings reported released in February.

That release showed a substantial miss of consensus forecasts for operating earnings, driven by lower settlements. Management noted settlement timeframes have extended by around 90 days given low consumer confidence in building, and customers wanting to see their completed homes before they list their existing homes for sale.

The company also announced an unexpected capital raising, which further served to lower the traded price.

Importantly, suggested Citi at the time, the company retained three-year volume guidance of 1,400-1,700 homes, implying the shortfall this year will likely be made up over the next couple of years.

As for the capital raise, brokers assumed this was triggered by elevated debt and delayed settlements, with Lifestyle Communities restricted in its ability to pursue additional land acquisition opportunities. Ord Minnett called it a "necessary evil" to protect future growth.

Three brokers monitored daily by FNArena cover the stock, for a spread of one Buy, one Hold and one Sell. Today Moelis, which is not monitored every day, initiated coverage of Lifestyle Communities with a Buy rating.

The company boasts a highly accretive business model, Moelis suggests, targeting cash flow neutrality on its projects, with operating profit on home sales effectively funding upfront land and infrastructure costs. Provided targeted sales rates are achieved, growth has a relatively limited impact on gearing.

Unlike peers, Lifestyle Communities expenses, rather than capitalises, infrastructure costs, thereby reducing development profit and increasing fair value gains. This substantially reduces the company’s tax burden, as fair value gains are only taxable upon sale of the asset which, notes Moelis, is something which is not expected to occur.

For all the obvious reasons, retirement villages enjoy a growing target market. Attractive unit economics have translated to rapid growth in competition within this relatively new asset class, Moelis notes, with little certainty around how far we might be from saturation.

Medium-term, the capital raise should be earnings dilutionary in the broker’s view, but leaves the balance sheet well-capitalised, significantly lowering balance sheet risk.

When factoring in growth and earnings structure, Moelis believes Lifestyle Communities offers an attractive valuation. The broker initiates coverage with a Buy rating and $20.00 target.

The consensus target among the three daily-monitored brokers is $17.05, suggesting around 10% upside, but individually are as diverse as their ratings. Citi (Buy) has a target of $20.00, Ord Minnett (Hold) $16.90 and UBS (Sell) $14.24.

Looking beyond FNArena's daily coverage, Goldman Sachs rates Lifestyle Communities a Buy with a price target of $21.50. Jarden's rating is Overweight with a target of $17, while Canaccord Genuity has a Hold rating and $16.15 target.

A quick glance through recent REITs sector updates post the February reporting season reveals Lifestyle Communities features on multiple lists of favourite sector exposures, in line with the Buy ratings mentioned earlier.

It should also be noted that as of last week, Lifestyle Communities was 7.5% shorted.

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WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 15-03-24

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 March 11 to Friday March 15, 2024
Total Upgrades: 9
Total Downgrades: 10
Net Ratings Breakdown: Buy 55.83%; Hold 34.90%; Sell 9.27%

For the week ending Friday March 15, 2024, FNArena recorded nine rating upgrades and ten downgrades for ASX-listed companies by brokers monitored daily.

The tables below show percentage downgrades by brokers to average earnings forecasts were broadly similar to upgrades, while percentage upgrades to average target prices proved noticeably greater than negative adjustments.

In fact, there is hardly any negative target change that is worth highlighting, with plenty of positive adjustments.

Brickworks received the largest percentage upgrade to average earnings forecasts, though on small forecast numbers which make the percentage increase look somewhat exaggerated.

Macquarie increased FY24 forecasts for the company after surveying contractors around the US to get a read on market conditions in various end markets and product categories relevant to stocks covered in the Building Products & Services sector.

The industry backdrop for the repair & remodel (R&R) market remains very favourable in the US, according to Macquarie, while Citi is also starting to see evidence activity in the US has bottomed.

Optimism appears to be cautiously lifting on US contractors heading into the spring season, with Macquarie's optimism index showing a rise of eight percentage points on stronger residential and non-residential new construction.

Forward looking supply indicators continue to improve, and while labour costs remain pressured, availability also continues to improve, noted the analyst.

For greater detail on both Macquarie's and Citi's view of Brickworks' peers in the Building Products & Services sector, readers may also refer to https://fnarena.com/index.php/2024/03/15/in-brief-gold-building-products-online-classifieds-milk/

Zip Co was next on the earnings upgrade table and featured atop the positive change to target price list below.

In last week's article, FNArena highlighted an upgrade for Zip Co by UBS to Buy from Neutral, along with a very material target price increase to $1.43 from 36c.

First half results on February 27 revealed stronger-than-expected cash earnings. The analyst was surprised by the addition of 100,000 net new active customers in the US for the half, reversing declining customer trends over the previous two years.

This broker noted US BNPL penetration is less than 2% of total payments, compared to 13-15% in Australia, suggesting significant room for further growth.

A week on and Citi raised its target for Zip Co to $1.40 from 78c and upgraded to Buy from Neutral due to stronger total transaction value (TTV) forecasts in the US across FY25 and FY26.

While this broker expects net bad debts will increase in the US as the company pivots its focus to growth (new customers typically have higher losses), offsets should arise from a higher revenue yield and lower funding costs. Stable net transaction margins are anticipated.

Citi also noted management has made good progress with balance sheet repair.

Paladin Energy also received a material lift in average earnings forecasts last week after Citi revised estimates higher.

In anticipation of financial results at the end of last week for Kazatomprom, the world's largest producer and seller of natural uranium, the broker suggested the announcement could be a catalyst for higher uranium prices upon a 2025 production downgrade and/or lower inventory levels.

Citi noted a lack of sulphuric acid availability, and ramp-up challenges make achieving Kazatomprom's 2025 production target unlikely, which would be positive for Paladin Energy as its share price is highly correlated to the uranium price. The Buy rating and $1.45 target were left unchanged.

After Citi's research, Kazatomprom reported it had "contracted the relevant volumes of sulphuric acid to meet its 2024 production guidance", but added delays in construction works at new deposits/sites "make significant uncertainties" and may affect operating performance for the year.

Management noted global output of uranium will not be sufficient to cover demand after 2030 amid current geopolitical uncertainties, inflationary pressures, and global supply chain challenges.

On the flipside, Iluka Resources and Southern Cross Media both received material downgrades to average earnings forecasts last week.

Regarding Iluka, Morgan Stanley felt the near-term consensus forecast for neodymium and praseodymium (NdPr) prices were too high given potentially slower electric vehicle growth in 2024/25. This broker does, however, anticipate a growing deficit in the NdPr market by 2030 and forecasts a US$113/kg price, 12% ahead of the consensus estimate.

After a further review of first half results, Southern Cross Media received lower earnings forecasts from UBS to reflect both a radio market decline and a lower metro radio share.

Despite lower earnings forecasts, the broker increased its 12-month target price to 96c from 74c largely due to lower capital intensity following management's updated cost guidance. The Neutral rating was maintained.

Zip Co landed also atop the positive change to target price table below, for reasons already discussed, followed by Virgin Money UK which received a takeover offer from Nationwide Building Society.

Macquarie placed a high probability on deal completion and felt there is only a small chance of an improved offer, though does list other potentially interested parties including Natwest, Santander UK and HSBC. Ord Minnett doesn't anticipate a higher competing bid and suggested investors contemplate downside risk should the acquisition not proceed.

One alternative for investors, highlighted Ord Minnett, is to sell shares of Virgin Money UK on market and invest in another UK bank (with some currently trading at discounts to the broker's fair value) to maintain exposure to the sector.

Macquarie downgraded its rating for Virgin Money UK to Neutral from Outperform and raised the target to $4.25 (based on the offer price) from $3.70, while Ord Minnett maintained a Hold rating and also increased its target to $4.25.

Task Group, which provides technology solutions for the global hospitality sector, was the only company to receive ratings changes from multiple brokers in the FNArena database, with Bell Potter and Ord Minnett both

downgrading to Hold from Buy.

Task looks set to be acquired by PAR Technology, with the two companies having entered into a scheme implementation agreement. Cash consideration is 81cents per share, with an alternative for Task shareholders to receive up to 50% of consideration as stock in PAR Technology.

The average target for Task in the FNArena database rose to 83c from 58.5c but this material change doesn't appear in the table below which requires a minimum of three covering brokers.

For those few remaining companies that reported results last week, the reader may refer to FNArena's daily Corporate Results Monitor (https://fnarena.com/index.php/reporting_season/)

The Monitor currently provides a summary of broker research on all companies that have reported results post February.

Total Buy ratings in the database comprise 55.83% of the total, versus 34.90% on Neutral/Hold, while Sell ratings account for the remaining 9.27%.

Upgrade

AUSSIE BROADBAND LIMITED ((ABB)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 2/0/0

Ord Minnett lowers Aussie Broadband' earnings (EBITDA) forecasts for FY24 and FY25 by -11% and -14%, respectively, after Origin Energy ((ORG) unexpectedly terminated the whitelabel broadband agreement.

The broker still anticipates double-digit EPS growth into the medium and long-term, and stresses the negative surprise doesn't impact growth potential in other markets. The analysts are referring to the branded residential, enterprise, government and unified communications markets.

Management has reaffirmed FY24 earnings (EBITDA) guidance.

The target falls to $4.16 from $4.89 and the rating is upgraded to Buy from Accumulate.

ACCENT GROUP LIMITED ((AX1)) Upgrade to Overweight from Equal-weight by Morgan Stanley .B/H/S: 5/1/0

As Accent Group's younger customers have been most negatively impacted by the challenging macroeconomic conditions over the last few years, Morgan Stanley believes they should benefit most in a cyclical recovery.

The broker is optimistic on upcoming consumer spending, which should drive a recovery in margins on fixed-cost leverage for Accent Group.

Longer-term, the analysts like the store-rollout story for new formats such as Nude Lucy and Stylerunner and established brands Skechers and Platypus.

The rating is upgraded to Overweight from Equal-weight and the target increased to $2.45 from $1.95. Industry view: In-Line.

BHP GROUP LIMITED ((BHP)) Upgrade to Buy from Neutral by Citi .B/H/S: 2/4/0

In response to share price weakness, Citi has upgraded BHP Group to Buy from Neutral with a price target (unchanged) of $46.

The broker continues to preference Rio Tinto ((RIO)) because of better growth prospects.

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

In an appropriate response to share price weakness, suggests Morgans, Clinuvel Pharmaceuticals has announced an on-market buyback of around 3% of shares on issue.

The broker has been noting for some time excess cash (and equivalents) sitting on the balance sheet amounting to around 25% of the company's market capitalisation.

The share price has weakened since prior research by the analyst, so the rating is upgraded to Add from Hold. The $16 target is unchanged.

FORTESCUE LIMITED ((FMG)) Upgrade to Neutral from Sell by Citi .B/H/S: 0/2/5

In response to recent share price weakness, Citi has upgraded Fortescue to Neutral from Sell with an unchanged price target of $24.

The broker's sector favourite remains Rio Tinto ((RIO)).

METCASH LIMITED ((MTS)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/1/0

The recent acquisitions of Superior Food, Alpine and Bianco by Metcash should provide medium-term growth, says Macquarie. In particular, the broker sees Superior Food as a key entrypoint to the $21bn food service industry for Metcash.

The company's successful experience in operating retail stores provides Macquarie with confidence in management's ability to add value in the retail side of the food industry, with management outlining a desire to extend value in this segment.

The company has lifted its capital expenditure targets to -$235m for FY25 and FY26 each.

Following a period of research restriction, Macquarie upgrades to an Outperform rating and the target price increases to $4.30 from $3.90.

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

Citi analysts continue to see earnings risks for Sims' FY24, with another tough half year in the making, but the share price has fallen too far from a longer term perspective, hence the upgrade to Buy from Neutral. Target $13.50.

The broker points out, management at Sims is putting in place a new cost-out program targeting -$70-$90m of savings, to be fully realised in FY26, with -$25m anticipated in 2H FY24.

TELSTRA GROUP LIMITED ((TLS)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 5/1/0

While the growth outlook for Telstra Group is not as strong as some comparable companies, says Bell Potter, the stock is starting to look more reasonable. The broker anticipates mid to high single digit earnings growth over FY25, coupled with a dividend yield of 5.0%.

The broker points out Telstra Group also retains the option of selling part or all of its infrastructure business, which it believes would unlock value. Further, Bell Potter sees little risk in the company not making FY24 guidance.

The rating is upgraded to Buy from Hold and the target price of $4.25 is retained.

ZIP CO LIMITED ((ZIP)) Upgrade to Buy from Neutral by Citi .B/H/S: 3/0/0

Citi raises its target for Zip Co to $1.40 from 78c and upgrades its recommendation to Buy from Neutral due to stronger total transaction value (TTV) forecasts in the US across FY25 and FY26.

While the broker expects net bad debts will increase in the US as the company pivots its focus to growth (new customers typically have higher losses), offsets should arise from a higher revenue yield and lower funding costs. Stable net transaction margins are anticipated.

Citi also notes management has made good progress with balance sheet repair.

Downgrade

ARISTOCRAT LEISURE LIMITED ((ALL)) Downgrade to Hold from Add by Morgans .B/H/S: 4/1/0

Morgans raises its target for Aristocrat Leisure to $47 from $45 and downgrades its rating to Hold from Add given the recent strong share price performance.

Prior to interim results due on May 16, the broker raises its earnings (EPSA) estimates for FY24 and FY25 by 3.8% and forecasts earnings (EBITA) and profit of $930m and $687m, respectively. Consensus is forecasting $956m and $703m, respectively.

Management recently reiterated an expectation for positive NPATA growth in FY24, weighted to the 2H.

ANZ GROUP HOLDINGS LIMITED ((ANZ)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 2/3/1

Macquarie downgrades the ratings for all banks under research coverage to Underperform given they are trading at peak multiples without a clear fundamental reason. The analyst sees limited scope for banks to surprise in the medium-term.

The broker suggests the recent rally for bank shares into expensive territory is more reflective of weight of money and various issues impacting alternative investment opportunities.

In the event of the expected interest rate cuts in Australia, Macquarie sees downside to earnings as it will be

difficult for banks to offset
margin headwinds associated with those lower rates. It will be difficult to reprice mortgages, particularly in an election year.

The broker's order of preference is National Australia Bank, Westpac, ANZ Bank and CommBank. Targets across the major banks rise by 4-8% mostly due to an increase in the applied market multiple.

ANZ Bank is downgraded to Underperform from Neutral, while the target rises to $27 from $25.

HARTSHEAD RESOURCES NL ((HHR)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 0/1/0

Hartshead Resources is reviewing project economics and timeline for 40%-held P2607 Phase 1 (Anning and Somerville). This follows uncertainty in the UK gas sector resulting from changes in taxation policy proposed by the UK Labour Party, explains Bell Potter.

The Labour Party plans to increase the Energy Profits Levy (EPL), lifting the sector's headline tax rate to 78% from 75%. There is also a proposal to cancel the "investment allowance" which currently provides oil and gas producers 91.4% tax relief on capital projects.

The broker downgrades its rating to Hold from Buy in recognition of policy and project uncertainty. The target is lowered to 3c from 9c on higher project risking.

NATIONAL AUSTRALIA BANK LIMITED ((NAB)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 0/3/3

Macquarie downgrades the ratings for all banks under research coverage to Underperform given they are trading at peak multiples without a clear fundamental reason. The analyst sees limited scope for banks to surprise in the medium-term.

The broker suggests the recent rally for bank shares into expensive territory is more reflective of weight of money and various issues impacting alternative investment opportunities.

In the event of the expected interest rate cuts in Australia, Macquarie sees downside to earnings as it will be difficult for banks to offset
margin headwinds associated with those lower rates. It will be difficult to reprice mortgages, particularly in an election year.

The broker's order of preference is National Australia Bank, Westpac, ANZ Bank and CommBank. Targets across the major banks rise by 4-8% mostly due to an increase in the applied market multiple.

National Australia Bank is downgraded to Underperform from Neutral, while the target rises to $32.50 from $30.

PROTEOMICS INTERNATIONAL LABORATORIES LIMITED ((PIQ)) Downgrade to Hold from Speculative Buy by Morgans.B/H/S: 0/1/0

Following a 50% share price rally so far in 2024 for Proteomics International Laboratories, Morgans downgrades its rating to Hold from Speculative Buy, despite remaing positive on the outlook.

The broker recently lowered its valuation to account for delays in forecast timelines to commercial launch of PromarkerD. Conservatively, the valuation only assumes commercial success in the US.

The $1.38 target is unchanged.

TRANSURBAN GROUP LIMITED ((TCL)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 2/4/0

A newly proposed toll model could leave Transurban Group in conflict with the government, says Macquarie, and could drive a potential need for legal remedies.

This new model was outlined in the Toll Review Interim Report, and, according to Macquarie, fails to ensure Transurban Group and other road investors are "kept whole in the long term."

While the broker points out history is on the side on the road investors, the review increases uncertainty over Transurban Group's value.

The rating is downgraded to Neutral from Outperform and the target price of $13.69 is retained.

TASK GROUP HOLDINGS LIMITED ((TSK)) Downgrade to Hold from Buy by Ord Minnett and Downgrade to Hold from Buy by Bell Potter.B/H/S: 0/2/0

Task Group has effectively agreed to be taken over by PAR Technology Corp by way of a scheme of arrangement. Cash consideration is 81c per share, with an alternative for up to 40% in scrip.

Ord Minnett has raised its own target to 81c and downgrades to Hold from Buy.

Task Group looks set to be acquired by PAR Technology, with the two companies having entered into a scheme implementation agreement.

The agreement gives Task Group shareholders the option to recieve cash consideration for stocks at 81 cents per share, or recieve up to 50% of consideration as stocks in PAR Technology, at a ratio of 0.015 PAR Technology shares for every Task Group share, and the balance paid in cash.

In the absence of a superior proposal, notes Bell Potter, Task Group's board has unanimously recommended in favour.

The rating is downgraded to Hold from Buy and the target price increases to 85 cents from 59 cents, as the broker's calculations suggest 85c is the implied valuation under the current proposal.

VIRGIN MONEY UK PLC ((VUK)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/2/0

Nationwide Building Society plans to takeover Virgin Money UK via a GBP2.9m bid. Nationwide has until April 4 to either announce a firm offer or withdraw its intentions.

Macquarie places a high probability on deal completion and feels there is only a small chance of an improved offer though does list other potentially interested parties including Natwest, Santander UK and HSBC.

The broker's rating is downgraded to Neutral from Outperform and the target raised to $4.25 (based on the offer price) from $3.70.

WESTPAC BANKING CORPORATION ((WBC)) Downgrade to Underperform from Outperform by Macquarie .B/H/S: 1/2/3

Macquarie downgrades the ratings for all banks under research coverage to Underperform given they are trading at peak multiples without a clear fundamental reason. The analyst sees limited scope for banks to surprise in the medium-term.

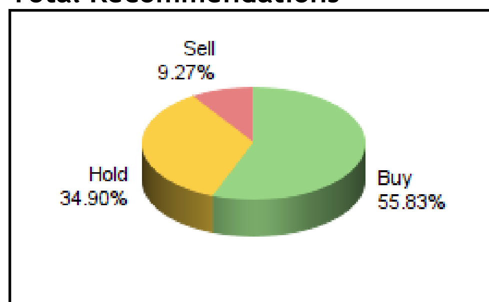
The broker suggests the recent rally for bank shares into expensive territory is more reflective of weight of money and various issues impacting alternative investment opportunities.

In the event of the expected interest rate cuts in Australia, Macquarie sees downside to earnings as it will be difficult for banks to offset
margin headwinds associated with those lower rates. It will be difficult to reprice mortgages, particularly in an election year.

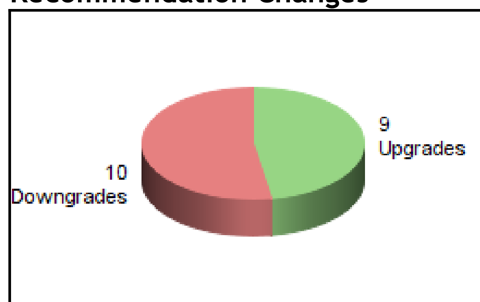
The broker's order of preference is National Australia Bank, Westpac, ANZ Bank and CommBank. Targets across the major banks rise by 4-8% mostly due to an increase in the applied market multiple.

Westpac is downgraded to Underperform from Outperform, while the target rises to $26 from $25.

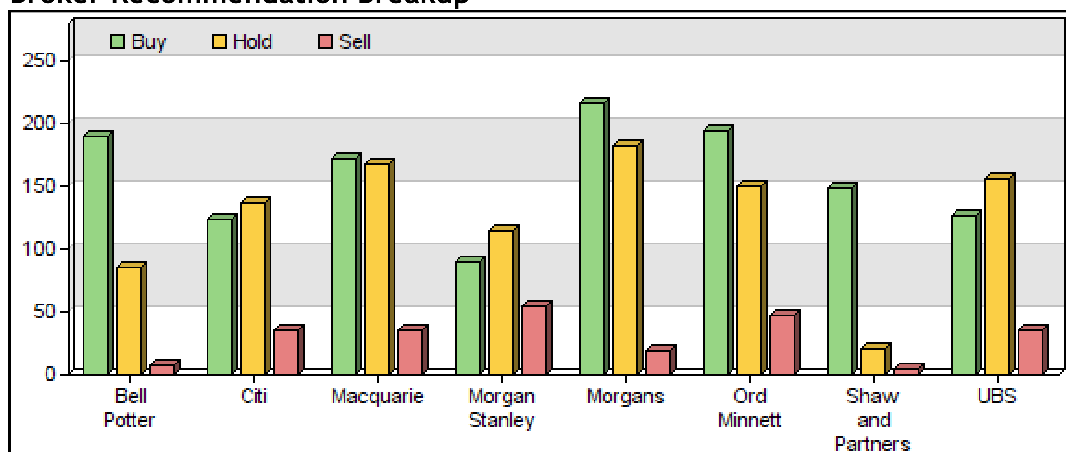
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ACCENT GROUP LIMITED	Buy	Neutral	Morgan Stanley
2	AUSSIE BROADBAND LIMITED	Buy	Buy	Ord Minnett
3	BHP GROUP LIMITED	Buy	Neutral	Citi
4	CLINUVEL PHARMACEUTICALS LIMITED	Buy	Neutral	Morgans
5	FORTESCUE LIMITED	Neutral	Sell	Citi
6	METCASH LIMITED	Buy	Neutral	Macquarie
7	SIMS LIMITED	Buy	Neutral	Citi
8	TELSTRA GROUP LIMITED	Buy	Neutral	Bell Potter
9	ZIP CO LIMITED	Buy	Neutral	Citi
Downgrade				
10	ANZ GROUP HOLDINGS LIMITED	Sell	Neutral	Macquarie
11	ARISTOCRAT LEISURE LIMITED	Neutral	Buy	Morgans
12	HARTSHEAD RESOURCES NL	Neutral	Buy	Bell Potter
13	NATIONAL AUSTRALIA BANK LIMITED	Sell	Neutral	Macquarie
14	PROTEOMICS INTERNATIONAL LABORATORIES LIMITED	Neutral	Buy	Morgans
15	TASK GROUP HOLDINGS LIMITED	Neutral	Buy	Ord Minnett
16	TASK GROUP HOLDINGS LIMITED	Neutral	Buy	Bell Potter
17	TRANSURBAN GROUP LIMITED	Neutral	Buy	Macquarie
18	VIRGIN MONEY UK PLC	Neutral	Buy	Macquarie
19	WESTPAC BANKING CORPORATION	Sell	Buy	Macquarie

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	ZIP	ZIP CO LIMITED	1.303	1.097	18.78%	3
2	VUK	VIRGIN MONEY UK PLC	4.250	3.850	10.39%	3
3	ANZ	ANZ GROUP HOLDINGS LIMITED	28.088	26.550	5.79%	6
4	SXL	SOUTHERN CROSS MEDIA GROUP LIMITED	1.075	1.020	5.39%	4
5	RMS	RAMELIUS RESOURCES LIMITED	1.967	1.867	5.36%	3
6	LTR	LIONTOWN RESOURCES LIMITED	1.230	1.170	5.13%	5
7	ALL	ARISTOCRAT LEISURE LIMITED	47.600	45.600	4.39%	5
8	MTS	METCASH LIMITED	4.138	3.975	4.10%	4
9	AX1	ACCENT GROUP LIMITED	2.355	2.263	4.07%	6
10	CHC	CHARTER HALL GROUP	13.938	13.410	3.94%	5

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	LYC	LYNAS RARE EARTHS LIMITED	6.880	7.350	-6.39%	5
2	29M	29METALS LIMITED	0.413	0.430	-3.95%	3

3	TCL	TRANSURBAN GROUP LIMITED	13.765	13.865	-0.72%	6
4	WDS	WOODSIDE ENERGY GROUP LIMITED	33.533	33.700	-0.50%	6
5	GPT	GPT GROUP	4.906	4.926	-0.41%	5
6	ALX	ATLAS ARTERIA	5.670	5.683	-0.23%	4
7	CTD	CORPORATE TRAVEL MANAGEMENT LIMITED	18.914	18.920	-0.03%	8

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	BKW	BRICKWORKS LIMITED	14.080	3.183	342.35%	6
2	ZIP	ZIP CO LIMITED	-1.767	-2.500	29.32%	3
3	PDN	PALADIN ENERGY LIMITED	0.342	0.304	12.50%	4
4	SKO	SERKO LIMITED	-9.505	-10.354	8.20%	3
5	29M	29METALS LIMITED	-12.633	-13.700	7.79%	3
6	RIO	RIO TINTO LIMITED	1353.506	1321.909	2.39%	6
7	MMS	MCMILLAN SHAKESPEARE LIMITED	149.740	147.050	1.83%	5
8	MIN	MINERAL RESOURCES LIMITED	174.971	171.871	1.80%	7
9	ANZ	ANZ GROUP HOLDINGS LIMITED	220.540	218.017	1.16%	6
10	WBC	WESTPAC BANKING CORPORATION	190.220	188.683	0.81%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	ILU	ILUKA RESOURCES LIMITED	41.560	52.560	-20.93%	5
2	SXL	SOUTHERN CROSS MEDIA GROUP LIMITED	5.400	6.150	-12.20%	4
3	LYC	LYNAS RARE EARTHS LIMITED	9.820	10.525	-6.70%	5
4	PLS	PILBARA MINERALS LIMITED	11.100	11.767	-5.67%	6
5	NCM	NEWCREST MINING LIMITED	147.408	153.835	-4.18%	4
6	RMS	RAMELIUS RESOURCES LIMITED	12.633	13.033	-3.07%	3
7	ALX	ATLAS ARTERIA	45.667	46.633	-2.07%	4
8	PPT	PERPETUAL LIMITED	180.500	184.317	-2.07%	5
9	AX1	ACCENT GROUP LIMITED	11.167	11.383	-1.90%	6
10	CAR	CAR GROUP LIMITED	81.940	83.433	-1.79%	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.

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WEEKLY REPORTS

Uranium Week: Buyers' Strike

The spot uranium price fell sharply last week as sellers became more agitated.

-Uranium spot price falls -US$7/lb
-Kazatomprom warns of lack of inventory
-Still no news on Russian uranium sanctions

By Greg Peel

Industry consultant TradeTech's weekly uranium spot price indicator last week fell -US$7.00 to US$86.00/lb and is now down -19% from its US$107/lb peak earlier this year.

The price remains at a 16-year high and is up 72% year on year, and 385% above the decade-low seen in 2016.

The recent price fall is attributed to two main factors, TradeTech notes, and they are both related to the psychological impact of triple digits.

When the spot price crossed the US$100/lb mark, utilities, who are not major spot market participants at the best of times, declined to buy at such prices. Speculative entities, now holding vast amounts of physical material, saw triple digits as a good place to take profits, having spent years amassing their inventories.

But even as prices fell back into the nineties, and speculative volumes were cleared, utilities showed little interest, and sellers, mostly intermediaries, became frustrated and started lowering prices. Five transactions were reported last week at prices between US$90 and US$84/lb.

Kazatomprom

Kazakhstan's mostly state-owned uranium producer Kazatomprom, which represents some 40% of global U3O8 supply, released its 2023 earnings result last week. Ahead of the release, Citi was expecting a 2025 U3O8 production target downgrade and/or lower inventory levels, citing constrained sulphuric acid availability and ramp-up challenges that make Kazatomprom's current 2025 production target unlikely.

Citi was bullish on spot uranium on that basis. As it turned out, Kazatomprom did not cut its prior 2025 production guidance, although again highlighted the scarcity of sulphuric acid as a major impediment. It did warn, however, that due to lower inventories – down -23% in 2023 from 2022 – sales will be lower in 2024.

Not that the news had any positive impact on spot prices.

[dianomi_video]

Under the Big Top

Last week the US House of Representatives Foreign Affairs Subcommittee on Europe held a hearing on potential sanctions on Rosatom – Russia's state-owned uranium producer -- and the importation of Russian nuclear fuel into the US. There has been no news.

TradeTech reports some uranium market participants are preparing for the possibility that sanctions could be attached to the "minibus" spending bill as House and Senate appropriators are expected to turn to the remainder of the appropriations bills, which now have a March 22 deadline.

Other parties in the market speculate the Biden administration could take executive action if legislators are unable to reach agreement on a package sanctioning Russian fuel imports.

Either way, consensus believes there will be some form of sanction on Russian exports imposed in the coming weeks or months.

Term Markets

Utilities may be unwilling to pay triple-digit prices in the spot market but when it comes to securing medium

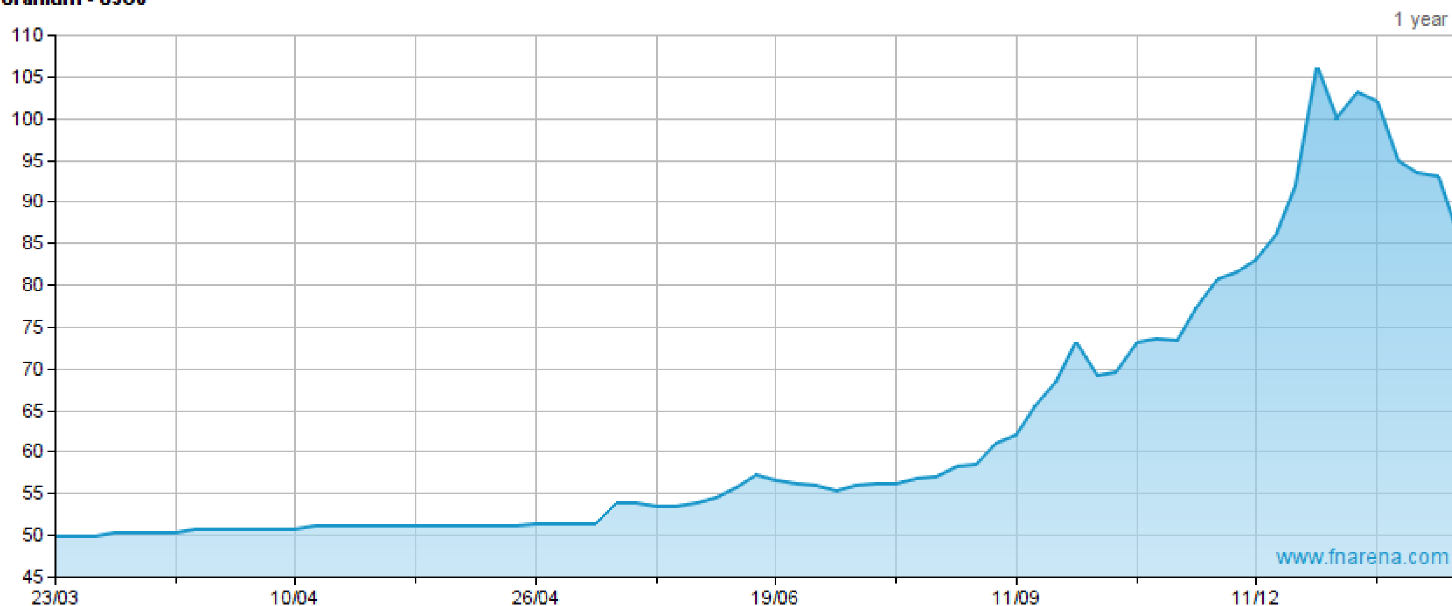
term supply, from sources other than Russia, they are indeed willing.

Ongoing uncertainty over Russian imports only steels their resolve.

TradeTech's term price indicators remain at US$100/lb (mid-term) and US$75/lb (long).

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	18/03/2024	0.1100	▼- 8.33%	$0.19	$0.05			
AGE	18/03/2024	0.0560	▲ 3.70%	$0.08	$0.03		$0.100	▲78.6%
BKY	18/03/2024	0.2900	▼- 6.45%	$0.80	$0.26			
BMN	18/03/2024	3.1900	▲ 3.91%	$3.99	$1.19		$7.040	▲120.7%
BOE	18/03/2024	4.8500	▲ 2.54%	$6.12	$2.08	99.8	$5.697	▲17.5%
DYL	18/03/2024	1.2250	▲ 0.41%	$1.76	$0.48		$1.725	▲40.8%
EL8	18/03/2024	0.5000	▲ 6.38%	$0.68	$0.27			
ERA	18/03/2024	0.0500	0.00%	$0.22	$0.03			
LOT	18/03/2024	0.4050	▲ 3.85%	$0.41	$0.15		$0.610	▲50.6%
NXG	18/03/2024	11.3700	▲ 1.07%	$12.99	$5.11		$17.500	▲53.9%
PDN	18/03/2024	1.2450	▲ 0.40%	$1.46	$0.52	365.5	$1.513	▲21.5%
PEN	18/03/2024	0.1100	▲ 4.76%	$0.20	$0.08		$0.340	▲209.1%
SLX	18/03/2024	4.5700	▼- 6.73%	$5.78	$2.92		$7.600	▲66.3%



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

WEEKLY REPORTS

The Short Report - 21 Mar 2024

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

Summary:

By Greg Peel

Week Ending March 14, 2024.

Early last week the ASX200 spiked up to a new all-time high. The following day profit-takers moved in, and the index spiked straight back down again. There was another sharp fall to begin this week on a hot US PPI, which really was an excuse for previously overzealous sentiment to be given a reality check.

There was quite a bit of shuffling around in the table last week. Firstly we note Flight Centre ((FLT)) is back in familiar territory at 10.9% shorted, up from 9.9% the week before. See below.

We also note Appen ((APX)) has disappeared off the table from 6.4% shorted. Appen hit a peak last week on a sudden spike in AI hype, but has fallen -36% since after losing major customer Google, and a suitor disappearing. Looks like the shorters cashed in.

Gold miner Genesis Minerals ((GMD)) enjoyed a renewed rally in the gold price earlier this month before flattening out last week; its shorts have fallen to 7.9% from 9.0%.

Uranium developer Deep Yellow ((DYL)) had been a steady mover up the table in recent weeks, but last week its shorts fell to 8.1% from 9.8% despite a pullback in the spot uranium price.

We note soon-to-again-be uranium producer Paladin Energy ((PDN)) has popped up at the bottom of the table on 5.7% shorted, after a brief hiatus.

We also welcome back old friends Nanosonics ((NAN)) and Clinuvel Pharmaceuticals ((CUV)) on 5.0% each.

Weekly short positions as a percentage of market cap:

10%+

PLS 20.4
SYR 15.7
IEL 12.3
FLT 10.9

In: FLT

9.0-9.9%

LTR

In: LTR Out: FLT, DYL, GMD

8.0-8.9%

CXO, DYL

In: DYL Out: LTR, ACL

7.0-7.9%

GMD, WBT, ACL, SYA, LYC, CHN

In: GMD, ACL Out: LIC

6.0-6.9%

BOQ, LIC

In: LIC Out: APX, A2M

5.0-5.9%

STX, A2M, BGL, PDN, MIN, IMU, HVN, VUL, OBL, NAN, CUV

In: A2M, PDN, NAN, CUV Out: SFR

Movers & Shakers

We recall back in March 2020, Flight Centre soared to the top of the table on covid lockdowns. But as the stock steadily rallied back (up 138% to today) from its initial -78% covid plunge, Flight Centre remained anchored as the most shorted stock on the market all through that period.

That led me to assume shorts in Flight Centre were not "naked", but likely half of a long-short play, or a hedge against a derivative position. Shorts had come off in recent times but they're back again, so perhaps we're seeing a repeat.

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.3	0.4	QBE	0.1	0.2
ANZ	0.4	0.6	RIO	3.2	3.4
BHP	0.5	0.5	S32	1.2	1.1
CBA	1.4	1.5	STO	0.9	1.0
COL	0.7	0.7	TCL	0.4	0.5
CSL	0.4	0.4	TLS	0.3	0.3
FMG	1.0	0.9	WBC	1.2	1.2
GMG	0.3	0.5	WDS	0.8	0.7
MQG	0.7	0.7	WES	1.1	1.1
NAB	0.8	0.7	WOW	0.2	0.2

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

It is wrong to assume that short percentages published by ASIC simply imply negative market positions held by fund managers or others looking to profit from a fall in respective share prices. While all or part of certain short percentages may indeed imply such, there are also a myriad of other reasons why a short position might be held which does not render that position "naked" given offsetting positions held elsewhere. Whatever balance of percentages truly is a "short" position would suggest there are negative views on a stock held by

some in the market and also would suggest that were the news flow on that stock to turn suddenly positive, "short covering" may spark a short, sharp rally in that share price. However short positions held as an offset against another position may prove merely benign.

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

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

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

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

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

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

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WEEKLY REPORTS

In Brief: Supermarkets, Consumer Slowdown, AI & Commodities

Regulatory risks for supermarkets; the global outlook for consumer markets; AI from the small business viewpoint; and Citi's commodity price outlook.

-Regulatory risks for Supermarkets
-The global consumer market outlook
-Small and medium sized companies views on AI
-Citi's commodities prices forecasts

By Mark Woodruff

Regulatory risks for supermarkets in 2024

2024 promises to be a year of heightened risk for Australian supermarkets with rising inflationary concerns focusing regulatory attention on cost of living, and in turn, grocery prices within the industry.

Woolworths Group ((WOW)) and Coles Group ((COL)) dominate the industry with a 37% and 28% share of the grocery pie, respectively, but share prices for each are already trading down from 52-week highs by -21% and -12%, respectively, as investors and sector analysts weigh the potential impacts from six regulatory inquiries into Australian supermarkets over 2024.

Large profits are generated by both companies, acknowledges Macquarie, but as a result of selling high volumes at low prices, not vice versa.

While concerns over changes to promotional activity or market structure are legitimate, Macquarie and Goldman Sachs believe earnings and valuation risks from the industry body inquiries are by now fully priced into current share prices.

The most likely upshot from these investigations is increased price transparency for suppliers and customers, with more information sharing between the supermarkets and manufacturers on shelf pricing, suggests Macquarie.

The requirement for more working capital from the supermarkets is the key risk, notes the analyst, if changes to invoicing practices are imposed.

Should the accounts payable time period with suppliers be capped at 30 days, working capital requirements for Woolworths and Coles would increase by $3.9bn and $2.2bn, respectively, explains Macquarie, resulting in an -8% drag on earnings (assuming use of a bank working capital facility).

At present, Woolworths and Coles have accounts payable terms with suppliers of 60 and 56 days, respectively.

Macquarie has upgraded its rating on Woolworths Group to Outperform from Neutral, noting an opportunity for investors to build a position at around the current share price, while the Outperform rating is kept for Coles Group. It's believed investors will be rewarded for embracing regulatory uncertainty and buying ahead of the regulatory inquiries.

Goldman reiterates its Buy recommendation for Woolworths with a $40.40 target. Currently, the analysts have a Sell rating for Coles Group and a $15.10 target. Macquarie has lowered its target prices for Woolworths and Coles by -3% and -2%, respectively, to $35 and $17.50.

Goldman Sachs notes the ACCC held a public inquiry back in 2008 into the competitiveness of retail prices for standard groceries and found grocery retailing was workably competitive.

Recommended changes from that enquiry did not hamper Woolworths' EPS growth.

Note: As Wesfarmers ((WES)) had acquired Coles Group in November 2007, Coles was excluded from this analysis by Goldman Sachs.

The global consumer market outlook

A buoyant global consumer market continues to defy expectations, observes Oxford Economics, considering the squeeze on real incomes brought on by two years of unusually high inflation and the drag from higher interest rates.

However, consumer goods companies are now expected to face a more challenging, price sensitive environment.

Spending growth by consumers will be positive in cash terms across the twenty countries Oxford has researched (10 developed and 10 emerging), and only two of those countries will see volumes stagnate or decline.

The pace of growth in global consumer spending is expected to slow as the boon from China's reopening in 2023 fades and households in other developed markets can no longer count on excess savings accumulated in 2020-2021.

A 2.3% inflation-adjusted expansion of consumer spending is forecast for 2024, a come down from the 3%-plus pace in 2022-2023.

The rising prosperity of a growing urban middle class in Asia and the Middle East, explains Oxford, will provide the strongest consumer markets over 2024.

African markets are also expected to grow fast, but almost entirely due to rising populations, creating stronger growth opportunities for non-discretionary segments such as food staples and clothing, explains Oxford.

India will overtake Japan as the fourth-largest consumer market by the end of 2024, though Oxford remains sceptical on the country’s potential to become a dominant force in the global consumer market as demand for low-cost products is uppermost and local consumers are highly price-sensitive.

The consumer market in China (already three times bigger than that of India), notes Oxford, is on track to displace the Eurozone as the second biggest consumer market by 2027.

In western markets, Europe is showing signs of a revival following stagnation due to the cost-of-living crisis in 2023, though Oxford forecasts US growth will eventually cool down leading into 2025.

For most product segments, Oxford expects subdued volume growth, while price increases will need to be much more modest, following the past two years of increases which were responsible most of the revenue growth.

From among the thirty cities with the biggest consumer markets, the five fastest growing ones are in Asia Pacific, highlights Oxford Economics, but all of them are relatively small in terms of absolute size.

Within this region in 2024, Australian consumer markets are expected to outperform those in Japan and South Korea.

How is AI regarded by small and medium sized companies?

Small and medium-sized enterprises in Australia are already actively investing time and money in areas such as AI, machine learning, internet of things (IoT) and automation to help run their business operations, according to a special National Australia Bank ((NAB)) SME Business Insight report.

Perhaps surprisingly, over 40% of SMEs contacted for the report admitted to only a basic understanding of AI and its potential, picked up mainly from media/social media.

The main benefits of AI technology solutions are productivity and reduction of administrative tasks, according to around one in six SMEs, while only 5% envisage no benefits from using this technology.

The benefits appear clear for the majority of SME's contacted by NAB, yet almost half cite training as a barrier to usage, while around a third suggested a lack of time and understanding of the technology were hurdles, along with the cost.

Regarding industry sectors, all noted the requirement for training as the main barrier to using emerging technology solutions, except in the Health Services and Retail sectors, where time and lack of understanding, respectively, were regarded as greater hurdles, explains the NAB.

Basic awareness of AI in the NAB report ranged from 57% in the Retail and Wholesale sectors to 28% in Finance & Insurance. For both the Transport & Storage and Construction sectors, 21% had no awareness or understanding of AI compared to none in Finance & Insurance and only 3% in Business Services.

One of the oft-cited fears around AI is the potentially negative impact on employment.

Across the Accommodation & Hospitality and Manufacturing sectors just over 40% believe emerging technology solutions will reduce the need for staff, compared to around 21% in the Wholesale and Transport & Storage sectors.

Citi's commodity price forecasts

Despite ongoing weakness for Citi's global manufacturing indicators, and no meaningful catalysts so far from China's ongoing National People's Congress, the broker remains tactically bullish on copper, iron ore and zinc over the next couple of months.

Increased price forecasts have pushed up 12-month targets for stocks within the broker's research coverage of the A&NZ Metals and Mining sector.

Citi analysts anticipate resilience for China's credit data, softer upcoming US labour data and broader risk-asset strength, and believe investors will also fear missing out on the nadir for global manufacturing.

Overall, the broker doesn't expect a runaway commodity bull market for 2024, as several headwinds will temper the bullish impact from an easing in monetary policy on commodity prices.

Sharply rising debt service burdens and recessionary conditions in the mature economies will limit the upside, according to the analysts, along with only slight policy easing in China in reaction to private individual and housing sector weakness.

Citi's 2024 forecasts for copper and alumina rise by 11% to US$9,125/t and 7% to US$377/t, respectively, while the 2025 Brent oil and aluminium estimates fall by -14% to US$60/bbl and by -7% to US$2,600/t, respectively.

The analysts point to several supply concerns and disruptions (notably for oil and copper), generally low inventories (also for oil and copper), and bullish tailwinds (for oil in particular) from stronger-than-expected demand so far in 2024.

The broker's 2024 estimates for spodumene and lithium carbonate equivalent (LCE) fall by -18% to US$928/t and by -19% to US$11,875/t, respectively, with further sharp falls predicted for 2025.

Positive changes to Citi's 12-month target prices for commodity stocks include: BHP Group ((BHP)) to $48 from $46; Deterra Royalties ((DRR)) to $5.20 from $5.00 and Fortescue to $24.50 from $24.00.

Alumina Ltd's ((AWC)) target rises to $1.30 from $1.00 after the broker increased the valuation weighting to 75% from 50% of the implied valuation derived from Alcoa's share price following Alcoa's bid for Alumina Ltd. The Iluka Resources ((ILU)) target also increases to $7.70 from $7.60 on the back of lower Australian dollar projections.

Citi's target for Rio Tinto's ((RIO)) falls to $137 from $139 on the back of higher costs and aluminum price downgrades.

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WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 22-03-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

LIONTOWN RESOURCES LIMITED ((LTR)) Upgrade to Overweight from Market Weight by Wilsons.B/H/S: 0/0/0

Wilsons raises its target for Liontown Resources by $1.00 to $1.85 and upgrades the rating to Overweight from Market weight as the funding gap to positive cashflow has now been bridged, in the broker's view.

Management has announced execution of a facility agreement for a $550m debt facility with a syndicate of leading international and domestic commercial banks and government credit agencies.

The debt facility is designed, according to the company, to ensure the Kathleen Valley Lithium project is funded through to first production and ramp-up to the 3mtpa base case.

See also LTR downgrade.

SERKO LIMITED ((SKO)) Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

The year ahead will be an important one for Serko, points out Jarden, as the five-year agreement with Booking.com awaits renewal, but also, potentially, with the positive free cash flow milestone on the agenda.

First up, in order to meet FY25 financial targets, Jarden points out customer acquisitions need to accelerate. Reaching breakeven on the free cash flow measurement could well be achieved in FY25.

The broker has adopted a supportive view, and upgrades to Overweight from Neutral while adding NZ10c to its price target, now at NZ$4.95.

Downgrade

29METALS LIMITED ((29M)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

As per Jarden, persistent liquidity concerns have seen the broker downgrade its rating on 29Metals. While the stock has rallied more than 50% since reporting on its full year in late February, the broker expects this will provide shareholders little consolation.

The company has announced a new CEO, to commence from the start of May, and while the new hire seems a good fit, with more than 25 years of experience in the Australian mining industry, Jarden warns it could signal a 'clearing of the decks'.

The broker expects restitution of an appropriate capital structure and lower operating costs will be a priority.

The rating is downgraded to Neutral from Overweight and the target price of 38 cents is retained.

CORE LITHIUM LIMITED ((CXO)) Downgrade to Sell from Hold by Canaccord Genuity.B/H/S: 0/0/0

A challenging first half for Core Lithium, says Canaccord Genuity, with spodumene pricing taking a -75% tumble over the period. Negative earnings of -$11.5m were largely in line with the broker's expectations, but net losses of -$167.6 disappointed.

The steep lithium pricing decline saw the company undertake a strategic review, ultimately suspending mining at the Grants open pit. Core Lithium has noted it is unlikley it will be able to meet its offtake agreement obligations to Ganfeng and Yahua.

The rating is downgraded to Sell from Hold and the target price decreases to 14 cents from 19 cents.

LIONTOWN RESOURCES LIMITED ((LTR)) Downgrade to Underweight from Neutral by Jarden.B/H/S: 0/0/0

Liontown Resources has sourced a commitment letter for a reduced debt facility of $550m, after its banking syndicate withdrew its $760m package back in January. Both Westpac Bank ((WBC)) and ANZ Bank ((ANZ)) have withdrawn from the syndicate.

The company is working to complete preconditions ahead of drawdown, with a key precondition being provision of a new base case financial model by end of July, including revised mine plan and production, capital expenditure and operational expenditure estimates.

According to Jarden, the debt facility, alongside cash, will not be sufficient.

While possibly funded to first production in mid-2024, Liontown Resources would need to commission ahead of peers and lithium prices would need to be in excess of US$2,000 per dry metric tonne in order to generate sufficient free cash flow to meet repayments by October 2025.

The rating is downgraded to Underweight from Neutral and the target price of 91 cents is retained.

See also LTR upgrade.

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

Despite its newly lowered rating on the stock, Jarden continues to see Sandfire Resources as a core holding in the resources sector. The broker considers the outlook for copper pricing positive, with material supply disruptions late last year tightening concentrate supply.

Following the Motheo growth project, Jarden expects Sandfire Resources can deliver 28% copper production growth over the next two years to around 108,000 tonnes of copper.

It also anticipates copper pricing lifting as high as US$4.50 per pound in FY26, with a long-term price expectation of US$3.50 per pound.

The rating is downgraded to Neutral from Overweight and the target price of $6.50 is retained.

SOMNOMED LIMITED ((SOM)) Downgrade to Market Weight from Overweight by Wilsons.B/H/S: 0/0/0

Wilsons downgrades its rating for SomnoMed to Market Weight from Overweight and slashes its target to 45c from $1.25 due to a lack of continuity in the RestAssure campaign.

The broker's changes are also in reaction to unexpected changes within senior management ranks.

The long-awaited global regulatory clearances for the new RestAssure platform are expected this year. Wilsons believes management should raise at least $15m to launch RestAssure properly and support the broader business.

The company's 1H results were consistent with prior 1Q and 2Q disclosures, note the analysts, and management reiterated FY24 revenue and EBITDA guidance.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	LIONTOWN RESOURCES LIMITED	Buy	Neutral	Wilsons
2	SERKO LIMITED	Buy	Neutral	Jarden
Downgrade				
3	29METALS LIMITED	Neutral	Buy	Jarden
4	CORE LITHIUM LIMITED	Sell	Neutral	Canaccord Genuity
5	LIONTOWN RESOURCES LIMITED	Sell	Sell	Jarden
6	SANDFIRE RESOURCES LIMITED	Neutral	Buy	Jarden
7	SOMNOMED LIMITED	Neutral	Buy	Wilsons

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
ABB	Aussie Broadband	$3.80	Wilsons	4.77	5.80	-17.76%
ARU	Arafura Rare Earths	$0.21	Canaccord Genuity	0.40	0.50	-20.00%
BMN	Bannerman Energy	$3.50	Canaccord Genuity	3.71	3.59	3.34%
CMM	Capricorn Metals	$5.02	Jarden	4.75	4.77	-0.42%
CTM	Centaurus Metals	$0.32	Canaccord Genuity	0.80	N/A	-
CVW	Clearview Wealth	$0.58	Taylor Collison	0.92	0.83	10.84%
CXO	Core Lithium	$0.17	Canaccord Genuity	0.14	0.19	-26.32%
			Goldman Sachs	0.13	0.14	-7.14%
			Wilsons	0.10	0.15	-33.33%
DDR	Dicker Data	$11.24	Goldman Sachs	10.50	10.20	2.94%
DRE	Dreadnought Resources	$0.02	Canaccord Genuity	0.07	0.20	-65.00%
DYL	Deep Yellow	$1.39	Canaccord Genuity	1.53	1.60	-4.38%
EVN	Evolution Mining	$3.47	Canaccord Genuity	4.20	4.50	-6.67%
FCL	Fineos Corp	$1.71	Goldman Sachs	1.95	2.20	-11.36%
FSG	Field Solutions	$0.04	Canaccord Genuity	0.11	0.19	-42.11%
GOR	Gold Road Resources	$1.52	Canaccord Genuity	1.90	1.85	2.70%
HAS	Hastings Technology Metals	$0.62	Canaccord Genuity	2.20	2.50	-12.00%
ILU	Iluka Resources	$7.26	Canaccord Genuity	7.00	7.50	-6.67%
IMD	Imdex	$2.26	Jarden	2.10	2.00	5.00%
LEL	Lithium Energy	$0.55	Petra Capital	1.86	1.90	-2.11%
LIN	Lindian Resources	$0.12	Canaccord Genuity	0.50	0.70	-28.57%
LTR	Liontown Resources	$1.25	Jarden	0.91	1.19	-23.53%
			Wilsons	1.85	0.85	117.65%
LYC	Lynas Rare Earths	$5.83	Canaccord Genuity	6.90	7.50	-8.00%
MAQ	Macquarie Technology	$78.20	Goldman Sachs	93.00	82.20	13.14%
MEI	Meteoric Resources	$0.24	Petra Capital	0.38	0.42	-9.52%
MTS	Metcash	$3.87	Goldman Sachs	3.70	3.60	2.78%
			Jarden	4.20	4.30	-2.33%
NCK	Nick Scali	$15.09	Wilsons	16.20	11.30	43.36%
NST	Northern Star Resources	$13.71	Canaccord Genuity	16.35	16.30	0.31%
NTU	Northern Minerals	$0.03	Canaccord Genuity	0.05	0.03	66.67%
PEK	Peak Rare Earths	$0.22	Canaccord Genuity	0.70	0.90	-22.22%
RMS	Ramelius Resources	$1.73	Canaccord Genuity	2.10	2.15	-2.33%
			Canaccord Genuity	2.25	2.15	4.65%
SLC	Superloop	$1.33	Wilsons	1.61	1.17	37.61%
SOM	SomnoMed	$0.38	Wilsons	0.45	1.25	-64.00%
SPZ	Smart Parking	$0.43	Petra Capital	0.64	0.56	14.29%
THL	Tourism Holdings Rentals	$2.94	Wilsons	4.03	4.05	-0.49%
TIE	Tietto Minerals	$0.62	Canaccord Genuity	0.80	0.75	6.67%
TLX	Telix Pharmaceuticals	$13.27	Wilsons	14.28	12.48	14.42%
VHM	VHM	$0.50	Canaccord Genuity	1.20	1.40	-14.29%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

CVW CLEARVIEW WEALTH LIMITED

Insurance – Overnight Price: $0.58

Taylor Collison rates ((CVW)) as Outperform (2) -

Taylor Collison highlights shares of Clearview Wealth continue to trade at a now widening discount to embedded value despite new business market share rising to 10.9% from 9.2%. An attractive dividend yield is also noted.

The broker expects ongoing market share wins now that the company is fully focused on life insurance and given the industry is now
'rebased' following the Hayne Royal Commission.

Taylor Collison retains its Outperform rating and has increased its target to 92c.

This report was published on March 8, 2024.

Target price is **$0.92** Current Price is **$0.58** Difference: **$0.34**
If **CVW** meets the Taylor Collison target it will return approximately **59%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Taylor Collison forecasts a full year **FY24** dividend of **1.50** cents and EPS of **5.40** cents.
At the last closing share price the estimated dividend yield is **2.59%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **10.74**.

Forecast for FY25:

Taylor Collison forecasts a full year **FY25** dividend of **3.00** cents and EPS of **6.60** cents.
At the last closing share price the estimated dividend yield is **5.17%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.79**.

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

BGL BELLEVUE GOLD LIMITED

Gold & Silver - Overnight Price: $1.84

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

Canaccord Genuity points to the incongruity of recent record highs for both Australian dollar and US dollar gold prices and the ASX Gold Index which is currently around -13% below the 52-week high.

In a similar vein, gold companies under research coverage by the broker are all trading below their respective 52-week highs at an average discount of around -18%.

In selecting appropriate company exposures, the broker prefers those either in, or entering a free cash flow (FCF) harvest period. In the screening process, favourable mining jurisdictions and reasonable liquidity/market capitalisation were also looked upon favourably.

Canaccord prefers Buy-rated Perseus Mining, Regis Resources and Ramelius Resources. Bellevue Gold, which is on the cusp of commercial production, is also recommended as a Speculative Buy.

The target for Bellevue Gold is maintained at $1.80.

This report was published on March 13, 2024.

Target price is **$1.80** Current Price is **$1.84** Difference: **minus $0.04** (current price is over target).
If **BGL** meets the Canaccord Genuity target it will return approximately **minus 2%** (excluding dividends, fees and charges - negative figures indicate an expected loss).
The company's fiscal year ends in June.

Forecast for FY24:

Canaccord Genuity forecasts a full year **FY24** dividend of **0.00** cents and EPS of **9.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.44**.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **25.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.36**.

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

IMD IMDEX LIMITED

Mining Sector Contracting - Overnight Price: $2.23

Jarden rates ((IMD)) as Overweight (2) -

Jarden had already, cautiously, concluded Imdex's first half result suggested underlying momentum is improving. In follow-up research the analysts dare to predict the worst of the cycle might now be in the past.

With Imdex's balance sheet forecast to return to net cash in FY25, the broker sees scope for further accretive M&A, likely driven by complementary business services/products.

The share price is now trading above Jarden's price target, but the analysts are not worried and seek solace in their optimism and the fact the valuation remains below the stock's long-run average.

The Overweight rating is retained and target price is left untouched at $2.10.

This report was published on March 19, 2024.

Target price is **$2.10** Current Price is **$2.23** Difference: **minus $0.13** (current price is over target).
If **IMD** meets the Jarden target it will return approximately **minus 6%** (excluding dividends, fees and charges - negative figures indicate an expected loss).
Current consensus price target is **$2.18**, suggesting downside of **-2.5%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY24:

Jarden forecasts a full year **FY24** dividend of **3.60** cents and EPS of **11.00** cents.
At the last closing share price the estimated dividend yield is **1.61%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.27**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **11.3**, implying annual growth of **42.1%**.
Current consensus DPS estimate is **3.3**, implying a prospective dividend yield of **1.5%**.
Current consensus EPS estimate suggests the PER is **19.7**.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **4.40** cents and EPS of **13.00** cents.
At the last closing share price the estimated dividend yield is **1.97%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **17.15**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **12.7**, implying annual growth of **12.4%**.
Current consensus DPS estimate is **3.6**, implying a prospective dividend yield of **1.6%**.
Current consensus EPS estimate suggests the PER is **17.6**.

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

LIC   LIFESTYLE COMMUNITIES LIMITED

Aged Care & Seniors – Overnight Price: $15.40

Moelis rates ((LIC)) as Initiation of coverage with Buy (1) –

Moelis has initiated coverage on Lifestyle Communities with a Buy rating and $20 price target, describing the company as a high quality land-lease MHE developer and operator, supported by a highly accretive business model.

Unlike peers, explains the broker, Lifestyle Communities expenses infrastructure costs (rather than capitalising them), thereby
reducing development profit and increasing fair value gains.

The difference substantially reduces the tax burden, as fair value gains are only taxable upon sale of the asset (something which is not expected to occur).

The target market is expected to continue growing on the back of continuous growth in Australia's over-65 population.

This report was published on March 19, 2024.

Target price is **$20.00** Current Price is **$15.40** Difference: **$4.6**
If **LIC** meets the Moelis target it will return approximately **30%** (excluding dividends, fees and charges).
Current consensus price target is **$17.05**, suggesting upside of **10.7%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY24:

Moelis forecasts a full year **FY24** dividend of **12.00** cents and EPS of **55.10** cents.
At the last closing share price the estimated dividend yield is **0.78%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **27.95**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **61.4**, implying annual growth of **-21.2%**.
Current consensus DPS estimate is **12.8**, implying a prospective dividend yield of **0.8%**.
Current consensus EPS estimate suggests the PER is **25.1**.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **14.00** cents and EPS of **87.50** cents.
At the last closing share price the estimated dividend yield is **0.91%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **17.60**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **95.1**, implying annual growth of **54.9%**.
Current consensus DPS estimate is **17.3**, implying a prospective dividend yield of **1.1%**.
Current consensus EPS estimate suggests the PER is **16.2**.

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

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