WEEK 44

FINANCIAL NEWS, ANALYSIS & DATA

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Friday, 1 November 2024

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Rudi's View: Dealing With Risk

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FNArena
Financial News, Data & Analysis

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AUSTRALIA

The Market In Numbers - 26 Oct 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	26 Oct 2024	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
NZ50	12771.610	-0.41%	2.80%	2.80%	8.51%	9.00%
All Ordinaries	8467.30	-0.98%	-0.83%	-0.83%	8.15%	5.66%
S&P ASX 200	8211.30	-0.87%	-0.71%	-0.71%	8.17%	5.71%
S&P ASX 300	8151.60	-0.87%	-0.70%	-0.70%	8.17%	5.75%
Communication Services	1616.20	-0.11%	1.46%	1.46%	1.76%	7.66%
Consumer Discretionary	3672.10	-2.13%	-4.34%	-4.34%	13.33%	4.57%
Consumer Staples	12204.00	0.02%	-2.09%	-2.09%	-0.87%	-1.41%
Energy	8871.30	-0.91%	-2.82%	-2.82%	-16.49%	-11.57%
Financials	8545.60	-0.13%	3.95%	3.95%	27.20%	11.60%
Health Care	45215.10	-1.23%	2.59%	2.59%	6.79%	2.17%
Industrials	7311.60	-2.15%	-1.82%	-1.82%	6.49%	7.34%
Info Technology	2523.40	-3.98%	-7.14%	-7.14%	37.67%	7.77%
Materials	17324.70	-0.44%	-5.42%	-5.42%	-11.11%	2.65%
Real Estate	3947.70	-2.07%	-2.56%	-2.56%	17.92%	10.79%
Utilities	8591.60	-0.50%	-4.36%	-4.36%	5.04%	-7.47%
A-REITs	1802.70	-2.02%	-2.46%	-2.46%	19.99%	10.98%
All Technology Index	3459.00	-1.67%	-0.43%	-0.43%	28.40%	10.23%
Banks	3598.40	0.06%	4.58%	4.58%	29.46%	12.62%
Gold Index	9714.70	2.46%	11.39%	11.39%	31.86%	32.04%
Metals & Mining	5684.00	0.02%	-5.13%	-5.13%	-12.10%	2.41%

The World

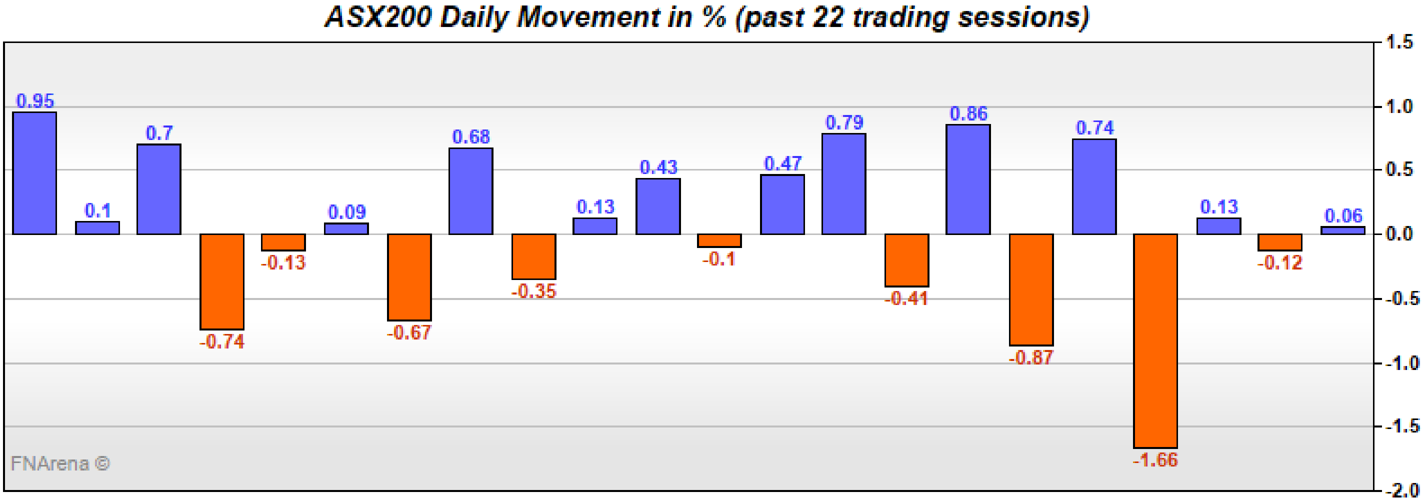
Index	26 Oct 2024	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
FTSE100	8248.84	-1.31%	0.14%	0.14%	6.67%	1.04%
DAX30	19463.59	-0.99%	0.72%	0.72%	16.19%	6.73%
Hang Seng	20590.15	-1.03%	-2.57%	-2.57%	20.78%	16.21%
Nikkei 225	37913.92	-2.74%	-0.01%	-0.01%	13.30%	-4.22%
DJIA	42114.40	-2.68%	-0.51%	-0.51%	11.74%	7.66%
S&P500	5808.12	-0.96%	0.79%	0.79%	21.77%	6.37%
Nasdaq Comp	18518.61	0.16%	1.81%	1.81%	23.36%	4.43%

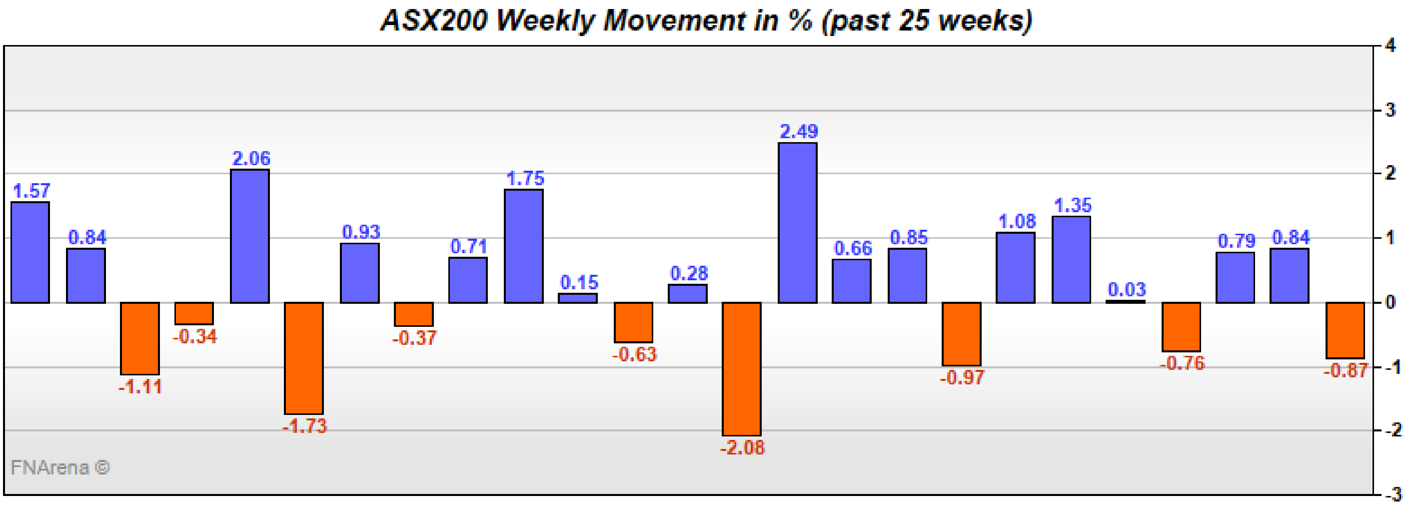
Metals & Minerals

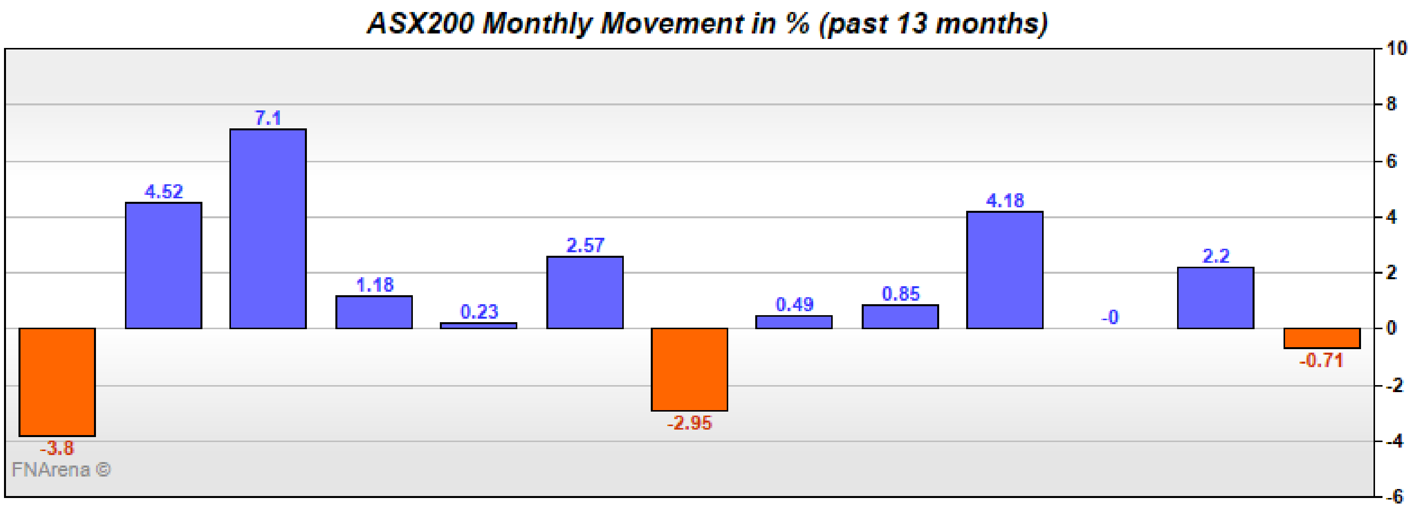
Index	26 Oct 2024	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
Gold (oz)	2748.85	1.50%	2.51%	2.51%	34.45%	17.58%
Silver (oz)	33.85	6.20%	6.06%	6.06%	38.82%	15.71%
Copper (lb)	4.3660	0.80%	-5.06%	-5.06%	14.65%	0.75%
Aluminium (lb)	1.1890	3.16%	0.20%	0.20%	22.29%	5.74%
Nickel (lb)	7.3200	-4.52%	-4.54%	-4.54%	-1.57%	-5.89%
Zinc (lb)	1.4329	4.42%	3.38%	3.38%	27.41%	8.05%
Uranium (lb) weekly	83.00	0.00%	1.22%	1.22%	-3.49%	-0.30%
Iron Ore (t)	104.40	-0.91%	12.28%	12.28%	-24.47%	-1.98%

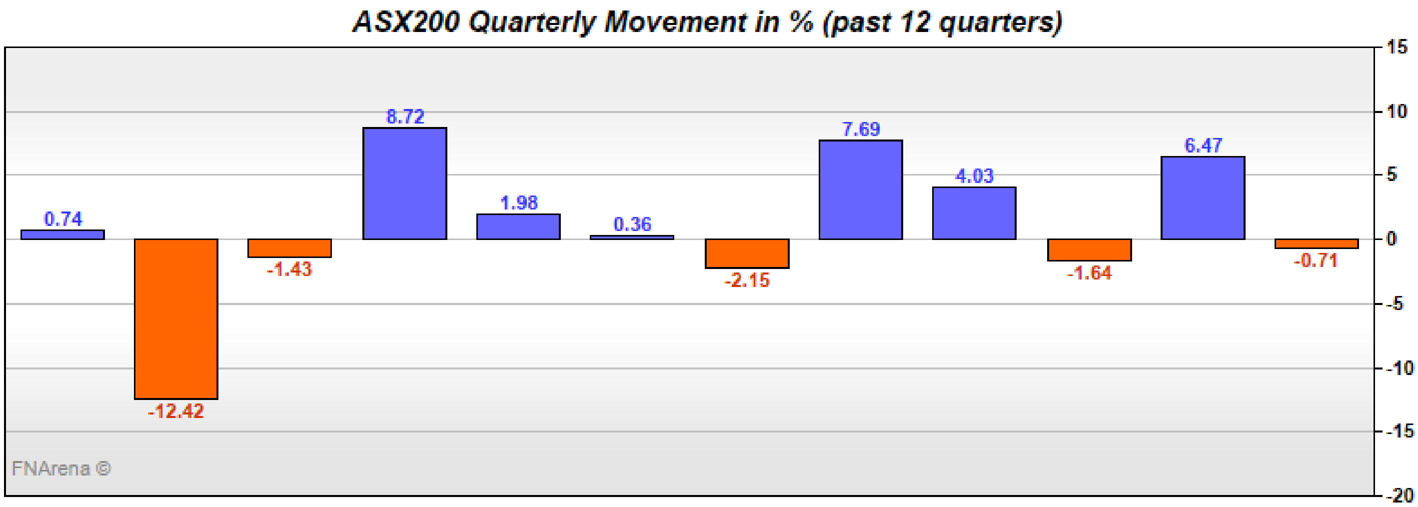
Energy

Index	26 Oct 2024	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2024)	Financial Year To Date (FY25)
West Texas Crude	70.33	-0.59%	2.46%	2.46%	-4.71%	-14.09%
Brent Crude	74.64	0.16%	4.33%	4.33%	-5.83%	-12.64%









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

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FNArena welcomes comments and suggestions at info@fnarena.com

AUSTRALIA

Brambles' Slow Start Of Little Concern

Brambles posted weaker than expected first quarter sales, but a number of impacting factors leave analysts confident FY25 guidance will be met as conditions improve.

-Brambles' first quarter sales below consensus/guidance
-Analysts suspect a pull-forward into the previous quarter
-New business wins and improving efficiency
-FY25 guidance unchanged

By Greg Peel

Brambles' ((BXB)) roots go back to 1875 and the development of a transport and logistics company. Brambles owes a lot to US forces stationed in Australia during World War II. When the war ended and the Americans departed, they left behind a bounty of wooden structures known as pallets. The Australian government adopted these marvels as part of its Commonwealth Handling Equipment Pool. In 1958, CHEP was sold to Brambles.

Today, the company engages in the pooling of unit-load equipment and associated services, focusing on the outsourced management of pallets, crates, and containers. It serves customers in the fast-moving consumer goods, fresh produce, beverage, retail, and general manufacturing industries in the Asia-Pacific, Americas, and Europe and the Middle East (EMEA).

Brambles last week reported first quarter FY25 revenue growth of 3% -- below consensus forecasts and management's full-year guidance of 4-6%. But despite the run-rate miss, full-year guidance has been maintained.

Slow Start

Guidance is left unchanged as a number of factors contributed to the slow start to the year.

With first quarter sales below the sales guidance range, Brambles now requires 4-7% growth for the remainder of FY25. But based on management's existing commentary that volumes would be more weighted towards the second half, particularly in winning new business, UBS suggests the slower start to the year is broadly consistent with the basis of guidance.

The first quarter FY25 was always going to be weaker than the first quarter FY24, in which Brambles posted a 13% sales increase on a 13% price increase, and is more consistent with 2% in the third quarter of FY24 and 5% in the fourth (on constant currency).

Citi suggests the slip in sales growth from 5% in the fourth quarter to 3% in the first implies pull-forward or timing benefit that may have assisted Brambles in achieving FY24 aspirations. Morgans notes softness in the US reflected an earlier produce season bringing forward volumes into the fourth quarter, as well as broader macroeconomic conditions resulting in lower manufacturer and retailer inventory levels, lower US produce volumes, a return to seasonal patterns and normalisation of pallets on hire in Australia.

A decline in like-for-like volumes of -1% aligns with recent results in the fast-moving consumer goods and bottler sectors, Ord Minnett notes.

Group sales only grew 3% in the first quarter due to a 3% price increase, with volumes flat. The Americas reported 5% growth and EMEA 1%, while APAC was flat. Like-for-like volumes were down -1% but offset by 1% growth in net new business, particularly in the US.

<u>New Business and Efficiency</u>

Brambles achieved 1% volume growth through new business wins in the US, driven by a strategy to activate dormant leads as pallet availability improved and white wood prices stabilised.

Management also pointed to improving industry dynamics - higher whitewood prices and lower availability of quality pallets are seen to encourage a shift to pooling. Dual sourcing activity is also moderating. Brambles expects an acceleration in new business wins through FY25 - thus far Americas and APAC have recorded 1% net new business wins, Macquarie notes, while EMEA's wins of 1% were neutralised by prior contract losses.

Price contributed 3% to revenue, partially offset by improved asset efficiency, which, despite impacting price, benefits margins and cash flow through better cycle times and lower loss rates, Ord Minnett notes.

Top-line performance was marginally below management expectations, Macquarie points out, as asset efficiency continues to improve. Management noted, specifically in EMEA, pricing mechanisms linked to asset efficiency led to lower revenues. But this has incentivised lower loss rates and better cycle times. Brambles is focused on getting IPEP (Irrecoverable Pooling Equipment Provision) to 2% of sales by FY28 and adding 50bps to margin through asset efficiency, while lower loss rates and productivity improvement are targeted to add 100bps in margin over the timeframe.

Jarden still sees overall profitability for Brambles being supported by the normalisation of IPEP charges through FY25 in conjunction with cost-to-serve benefits and network efficiency initiatives (improved procurement).

<u>Valuation</u>

With US$750m of buybacks per annum, Brambles anticipates approximately 15% earnings per share growth per annum and a balance sheet geared at 1.4x by FY27, within a target range of less than 2x.

For the first time in several years, notes UBS (Buy), Brambles' multiple has started to re-rate following the FY24 results day and subsequent investor day. However, at a 19x one-year forward PE, the stock is still trading -16% below the ASX Industrials (ex Financials/Healthcare), well below its pre-covid average premium of 12%.

UBS is not suggesting Brambles will return to or exceed that historical level in the near term, since the context and strategy have changed, but does expect the market to continue building confidence in Brambles' free cash flow generation, especially as the company delivers under more normal trading conditions.

UBS does not expect the softness in first quarter like-for-like volumes to impact free cash flow this year since it also means less need to buy more capacity/replacement pallets. The broker believes it's being conservative on the benefits from the growing budget of non-pooling capex (ie automation and digital), however it may take several years to properly observe the outcomes of these investments.

Morgans (Hold) notes Brambles is a global, defensive business with strong market positions and continues to demonstrate its ability to pass higher costs onto customers through increased pricing despite ongoing weak macroeconomic conditions. In addition, Morgans believes the structural improvements in asset efficiency will drive further operating leverage and free cash flow generation. But despite a stronger growth outlook, this broker currently sees the stock as fully valued.

Noting guidance is maintained, and given management's track record, Macquarie (Outperform) is confident the company will meet it, albeit at the lower end. New business momentum is to set to improve while efficiency and productivity appear to be driving expected operating leverage-driven gains.

Citi (Neutral) suggests, on first pass, it appears volume turn is evident and on track, however given flat European pricing, US pricing will need maintain strength through the second half to hit management's target.

Brambles has continued to manage the top line well with price, Morgan Stanley (Overweight) believes. As volumes, particularly net new business, gain traction, this broker thinks the company is well positioned to deliver top-line growth, incremental earnings leverage and strong cash flow.

That leaves four Buy or equivalent ratings among brokers monitored daily by FNArena, and two Hold. The consensus target is $19.01, on a range of $17.85 (Macquarie) to $20.60 (Ord Minnett).

Not monitored daily, Jarden notes its conversations with investors had anticipated an improving earnings outlook through FY25, and earnings upgrades, which may still come (primarily from operating leverage/margin improvement) at the first half result.

With only modest progress on Brambles' on-market share buyback, Jarden sees the share price as being largely supported in the near term. Key elements to the outlook remain: improvement in underlying volume performance; maintaining new business wins; and earnings margin initiatives.

Jarden is Overweight with a $17.90 target.

AUSTRALIA

ResMed’s Bounce-Back Complete

A stellar first quarter has underscored ResMed's share price bounce-back from last year's obesity drug panic, and perhaps put to bed the initial fear of GLP-1s.

-ResMed posts first quarter beats across the board
-Share price has now regained what was lost due to GLP-1s
-Earnings headwinds towards net cash in FY25
-New devices offer additional promise

By Greg Peel

From July to December 2023, ResMed's ((RMD)) share price fell some -37%, driven by the sudden rise of GLP-1 obesity drugs. Sleep apnoea is a condition suffered disproportionately by overweight people, and the assumption was GLP-1s would kill the market for ResMed's sleep apnoea devices. ResMed, it seemed, would become redundant.

Not all saw it that way nevertheless. Analysts at the time questioned the hyperbole, and the share price response. Aside from the fact GLP-1 drugs are expensive, thus limiting demand, and that weight would return as soon as patients stopped taking the drugs, many argued GLP-1s could actually work the other way for ResMed highlighting the availability of sleep devices as alternative or complementary treatment, thus increasing demand.

Well, they were right, at least to the extent that ResMed's share price is not just back to its July 2023 price but beyond it, and its valuation multiples at the time have also been regained.

At a 20x enterprise value to earnings multiple, says Wilsons, the stock has "done nothing other than recapture what it should never have lost, amid last year's GLP-1 driven nonsense". In 16 years of covering the stock, the broker continues, "we've never seen secular demand drivers to match what's happening now externally and internally".

While it remains "early days", Morgans continues to view ResMed as well positioned to leverage growing awareness of sleep conditions from consumer wearables and weight loss drugs via the use of data analytics, moving upstream in diagnostic pathway to help patients better access information on screening, diagnosis and eventually treatment.

Over the medium to longer term, suggests Macquarie, revenue growth is expected to be complemented by demand generation initiatives, with GLP-1 medication and consumer OSA (obstructive sleep apnoea) detection technology supportive of new patient diagnosis/flow.

That said, there remains a slight element of uncertainty.

While the medium-term challenge from obesity drugs remains uncertain, says JP Morgan, this broker expects ResMed's PE multiple to continue to expand supported by the strong earnings growth and diminishing fears GLP-1s will negatively affect demand.

Given that GLP-1s and the existence of a potentially "lighter society" in the long term are still largely seen as negative by UBS, and by investors, the broker believes a positive thesis on ResMed needs to be founded in the potential for earnings upgrades rather than substantial PE multiple expansion from current levels.

But on the other hand, UBS sees data pointing towards real benefits coming through short to mid-term from either GLP-1 use or wearables being a major positive and driver of such upgrades, and this broker is waiting to see if anything like this emerges.

Citi continues to view GLP-1s as a potential risk medium/long term, which needs to be balanced with the strong near-term operating performance and earnings momentum.

Jarden is contemplating whether the awareness of OSA caused by GLP-1s and the potential additional upside from wearable technologies will be enough to offset the longer term GLP-1 impact the broker incorporated into forecasts back in October 2023. At the time, Jarden downgraded its earnings forecasts, impacting valuation by -16%.

To date, there has been no noticeable impact from GLP-1s, Jarden notes, which is consistent with the broker's expectations, having incorporated slowing growth from FY26. Jarden will continue to assess this but, in the meantime, ResMed remains one of this broker's preferred picks.

Whatever their views, brokers do agree on one thing. ResMed posted a cracker of a first quarter performance.

Beat Across the Board

ResMed's first quarter report featured an 11% beat on consensus revenue forecasts and 34% on earnings.

Strong growth was seen across key geographies and product segments, Morgans notes, with masks benefiting from new patient set-ups, resupply and new products, devices supported by AirSense 10 and 11 cloud-connected platforms, and the HME (home medical equipment) channel driving residential software.

Sleep and respiratory sales rose by 11% in both the Americas and rest-of-world. Across product categories, masks grew by 10% and devices by 11%. SaaS sales grew by 13%, benefiting from strength in Medifox Dan as well as the HME channel (Brightree).

Gross product margin surprised to the upside (yet again, Morgans notes), as numerous tailwinds, such as manufacturing efficiencies, cost control, and higher advanced sleep-wake phase disorder (ASP) diagnosis, offset ongoing freight headwinds. The gross product margin is expected to gradually improve throughout FY25.

Gross margin increased 10 basis points sequentially to 59.2% to be in line with consensus and guidance. ResMed continues to expect ongoing manufacturing efficiencies and component cost improvements. Growing more AirSense 11 volumes should help unlock further scale advantages, Jarden points out, as the cost of goods sold on the AirSense 11 is less than on the AirSense 10 by some -10%.

Freight remains the only headwind at this point, which can be mitigated by further shifts from air freight to sea freight but also the recent strategy to build pockets of inventory globally. Importantly, says Jarden, ResMed acknowledged in time gross margin can grow beyond 60% as further efficiencies and freight rates eventually unwind.

The momentum in Medifox Dan and Brightree could deliver gross margin upside in the SaaS business, Jarden suggests.

Onward Ever Upward

Public awareness of the availability of obesity drugs has risen rapidly, notes JP Morgan, but as yet the impact on rates of sleep apnoea diagnosis have been modest. This broker expects this to change in 2025 after the impending label expansion which JP Morgan expects to be accompanied by widespread consumer marketing campaigns, lifting awareness of sleep apnoea and its links to weight.

This in turn should drive a noticeable lift in patients seeking sleep tests and supporting strong demand for ResMed's sleep therapies.

Consensus is forecasting revenue growth to decelerate to 8%/7%/6% over FY25-27 due to the return of competitor Philips to the US market, and the headwind from GLP-1s on devices and masks. This seems too conservative, in Citi's view.

Over 2010-19, both devices and masks grew at an average rate of 10%. In devices (52% of revenue), the shift to AirSense 11 will likely remain a revenue tailwind (higher ASP) to FY25 and FY26, Citi suggests, after which growth will be dependent on volume growth.

In masks (35% of revenue), the launch of new products (AirTouch fabric mask in the second quarter) and ongoing resupply efforts should result in high single-digit to low double-digit sales growth, Citi believes.

SaaS (13% of revenue) growth is expected to remain high single digit to low double-digit accretive to overall group growth. Potential bolt-on M&A could also enhance revenue growth. Citi now forecasts FY25-27 revenue growth of 10%/9%/8%.

Solid Balance Sheet

ResMed will be net cash by end-FY25 on UBS' estimates and, per company commentary, during the second half of FY25. Share buybacks will continue at the increased rate of US$75m per quarter for the remainder of FY25 (up from US$50m previously). UBS thinks the company's net cash position by year-end increases the likelihood of more substantial buybacks later on, and more so as the business becomes more cash generative.

Given unchanged commentary around the possibility of bolt-on acquisitions, UBS believes the company is likely to go this route only when an M&A war chest and the R&D budget are amply serviced.

ResMed delivered $325m of operating cash flow in the quarter and remains on track for over $1.5bn in FY25. With the remaining debt at attractive fixed rates, JPMorgan expects cash to start to build, explaining the expanded buyback program.

Trading on a 20.4x PE, ResMed's multiple has regained everything it lost to the GLP-1 "panic" a year ago, Wilsons notes. To frame the multiple historically, one would need to go back to late 2019 after ResMed had usurped Philips as global leader in CPAP (continuous positive airway pressure) via the AirSense10/AirView/Brightree "connected care" campaign, but was yet to encounter/endure the volatility of covid, the Philips recall, and associated supply disruptions.

Wilsons has an Overweight rating on ResMed with an increased target of $42.18. The broker concludes its summary of the first quarter result with "Keep buying ResMed".

JPMorgan retains Overweight, lifting its target to $41.00 from $37.00. Jarden is on Overweight, with a target increase to $36.60 from $33.83.

Among brokers monitored daily by FNArena, Morgans has an Add rating, Macquarie is on Outperform and Ord Minnett has Accumulate, which is one notch below Buy.

The two brokers still a little concerned about GLP-1s, UBS and Citi, are both on Neutral.

The current consensus target price is $38.84, up from $36.14 previously, however this is complicated by the fact UBS quotes a target in US dollars and thus is not included and Morgan Stanley (Overweight; $33.70) has not updated on ResMed since June.

If we exclude both UBS and Morgan Stanley the remaining consensus target is $40.12.

AUSTRALIA

Structural Demand Favours ARB, Amotiv & Bapcor

New research points to numerous tailwinds for companies in the automotive aftermarket space.

-Structural product demand for ARB Corp, Amotiv and Bapcor in the automotive aftermarket space
-All three have core A&NZ businesses with global upside
-RBC Capital sees greater offshore potential for ARB and Amotiv
-Buy ratings all round for Amotiv in FNArena broker coverage

By Mark Woodruff

Investors in ASX-listed companies operating in the automotive aftermarket should not be deterred by recent sales declines in key vehicles and negative car dealer commentary, according to RBC Capital Markets, which last week launched inaugural research on three ASX-listed companies in the space.

Weighing opposing forces impacting on industry demand, this broker concludes less kilometres travelled since covid is more than countered by a growing overall market and an increase in older vehicles on the road.

Interestingly, the average age of a motor vehicle in Australia has increased by 60% over the last 20 years to 11.4 years in 2024.

During that time the total number of registered vehicles on the road has grown at a compound annual growth rate (CAGR) of 2.4%, driven by an increasing number of cars per capita and a growing population.

Put another way, **less kilometres travelled means less regular servicing and repairs, while an older fleet and the rising population are having the opposite and greater impact.**

The net outcome is a tailwind for the likes of ARB Corp ((ARB)), Bapcor ((BAP)) and Amotiv ((AOV)), formerly named G.U.D. Holdings, which have market caputalisations of $3.4bn, $1.6bn and 1.5bn, respectively.

A further tailwind is via the current consumer trend towards higher independent and chain mechanic usage, explains RBC, particularly benefiting Amotiv and Bapcor.

For example, Bapcor's Trade segment focuses on automotive aftermarket parts distribution for these independent and chain mechanic outlets, notes Macquarie.

Recent trading updates for ARB, Amotiv, and Bapcor revealed only a slight miss for sales growth in the September quarter against expectations, resulting in moderate EPS downgrades by broker Morgans.

FNArena covered ARB's result at: https://fnarena.com/index.php/2024/10/21/arb-investing-for-us-growth/

Nominating Amotiv as its favoured exposure in the sector, this broker assured investors stronger second half skews for earnings are in prospect for all three companies.

Both Amotiv and top pick ARB are rated Outperform by RBC partly because of recent initiatives involving a pivot towards international markets with much larger penetration potential.

In agreement, Wilsons recently suggested ARB is well placed to capitalise on the structural shift toward 4WD vehicles and the significant market opportunity in the USA, underpinned by a broad range of growth initiatives across product and distribution.

Analysts in general were pleased by management's recent effort to widen distribution of 4WD accessories into the US, and, in a separate deal, pick-up a local US brand with more potential appeal to the US consumer than its own legacy brand.

Regarding Amotiv's international aspirations, RBC is confident in the 4WD Accessories and Trailering (4WDAT) strategy given a strong market position and recent South Africa expansion. where the broker sees additional upside from incremental contract wins.

The broker observes the market appears less confident in Amotiv's Lighting, Power and Electrical (LPE) division expansion relative to the estimated size of the opportunity.

This division (which includes well-established brands like Vision X and Projecta, known for their high-quality lighting products, power inverters, and battery chargers) plays a key role in Amotiv's international expansion strategy, particularly targeting the North American and European markets.

Along with the burgeoning international expansion for Amotiv and ARB, one factor providing an edge relative to Bapcor is a higher proportion of products tied to fuel-agnostic vehicle types, RBC highlights.

The analysts also remind investors of ARB's strong market position and demonstrated track record of outperformance, which should provide insulation against the recent decline in Australian new vehicles sales.

Summary comparison points

For comparative purposes, and as an aid to reading the more detailed summaries of ARB, Amotiv, and Bapcor in the following section, below are the key factors as identified by RBC Capital's sector analysis:

-Rising usage of SUVs and light commercial vehicles - good for ARB and Amotiv
-Fewer new car sales - positive for ARB and to a lesser extent Amotiv (AutoPacific Group division revenues tied to new vehicle sales) due to more servicing and repairs. A key driver of growth for Bapcor are older cars
-Fewer new car sales (yes, this is a repeat) - negative for ARB and to a lesser extent Amotiv as accessory fitment rates tend to be highest for new cars

Overview of market players

ARB, Amotiv, and Bapcor operate their core businesses in the A&NZ market which, as highlighted by RBC, is defined by global leading car ownership metrics and steady growth.

For ARB, Wilsons remains confident of sustained sales growth, with drivers including the ongoing structural shift to SUVs, new vehicle model releases, expanded distribution, and new product launches including in collaboration with original equipment manufacturers (OEMs).

The company specialises in the sale of premium accessories for 4x4 vehicles. Its premium product range commands a strong brand loyalty from the customer base given quality and durability are non-negotiable when off-roading, explains RBC.

The vertically integrated and global operations distribute into over 100 countries.

The analysts believe management is well placed to drive growth with increased control of retail distribution, expanded logistical capacity and a growing reputation following collaborations with the second largest OEM by sales (Toyota) in the USA.

Already, RBC notes, ARB has the highest organic CAGR relative to peers.

For Amotiv, Wilsons likes the core exposure to resilient earnings from 'wear & repair' activity coupled with attractive growth opportunities across auto electrical and 4WD accessories.

The company's strong brand portfolio and market position also bolster the investment case, in this broker's view.

RBC describes Amotiv as a leading manufacturer, wholesaler and distributor of automotive products, which has become increasingly diversified through a series of strategic acquisitions.

The AutoPacific Group segment, a core part of the company's automotive portfolio, is focused on manufacturing and marketing products like towing, trailering, and functional accessories across A&NZ

By comparison, Bapcor engages in the sale and distribution of motor vehicle parts and accessories, automotive equipment and services, and motor vehicle servicing at approximately 1000 sites across the A&NZ region and Thailand.

Bapcor's operating segments are Trade, Bapcor New Zealand, Specialist Wholesale, and Retail.

RBC believes there is additional potential upside from further rollouts and greater private label penetration in the Retail and Trade segments. Penetration rates remain below key comparable companies in the US such as O'Reilly Automotive and AutoZone.

<u>Outlook</u>

Regarding Bapcor, Citi sees potential for new management to execute a turnaround though evidence of this will likely be more visible in the second half of FY25, when cost-out is able to be measured against management's -$20-30m target.

Turning to Amotiv, here Morgans is attracted to the investment case given a resilient earnings base, strong product development capabilities, long-term structural industry tailwinds, and ongoing accretive M&A optionality.

For ARB, following a modest decline in first quarter profit, Ord Minnett noted a strong order book, accelerating Export sales and bolt-on acquisitions should drive medium-term earnings growth.

Citing further expansion of ARB's Australian aftermarket network, significantly increased distribution capabilities in the US and a strong pipeline of new products, this broker retained a Buy rating.

Including Ord Minnett, ARB Corp has six covering brokers updated daily in the FNArena database with three Buy or equivalent ratings, two Holds and one Sell.

FNArena's consensus price target currently sits at $43.175 suggesting 6.8% upside ex-dividends from today's share price.

Outside of daily monitoring, Wilsons is Overweight rated while Canaccord Genuity and Goldman Sachs are Hold or equivalent, with and average target for the three of $42.86.

For Amotiv, there are four Buys or equivalent in the FNArena database and an average target of $13.02, suggesting just over 23% share price upside.

Wilsons, Canaccord Genuity and Goldman Sachs complete a clean sweep of Buys for Amotiv with an average $13.37 target.

Bapcor has had a rather tumutuous existence in recent times, with no doubt plenty of disappointed shareholders on the register today. No surprise thus, Neutral ratings dominate with three under daily coverage (and three not rated due to research restriction) and two outside of daily coverage with average targets of $5.24 and $5.00, respectively, compared to a $4.55 share price.

RBC Capital Markets, which is outside of FNArena's broker coverage, initiated research last week with an Outperform rating for ARB Corp and Amotiv and Sector Perform for Bapcor, with targets of $50, $14 and $4.80, respectively.

The research report has identified one key risk to monitor for the sector in the months ahead: the **introduction of efficiency standards in Australia on 1 January 2025**. RBC analysts believe the preferred picks are better placed, given a higher proportion of their products are tied to fuel agnostic vehicles types.

FEATURE STORIES

A Golden Era For Engineering Services?

Defence, energy, digitalisation industries collide with sustainability to provide a very positive investment spending backdrop for Australia's engineering services companies.

-Major infrastructure spending is back
-Defence budgets on the rise due to geopolitics
-Net zero targets equal more investment
-The future is digital
-Which companies are set to benefit?
-Worley chasing the sustainability dollar

By Danielle Ecuyer

Ramping up investment in Australia's future

The rather un-glamorous sector of engineering services might be entering a golden era of major infrastructure spending across what can only be considered as "critical" industries for Australia's well-being and future.

A big topic with even bigger financial carrots is hanging in the offing.

In the latest deep dive sector research conducted by RBC Capital, focusing on "disruptive forces", the broker explores opportunities for engineering services in the defence, energy and digitalisation industries.

The report offers a cursory observation of the shifting sands of geopolitics, explains the need for energy systems to be decarbonised and climate event resilient, as well as the ongoing rise of digital demand across industries, including the burgeoning growth in data centres.

These factors underpin sizable tailwinds for companies exposed.

RBC takes a top-down approach to set the scene for why its analysts have initiated coverage on **Ventia Services Group** ((VNT)), **Downer EDI** ((DOW)) and **Service Stream** ((SSM)); each in possession of downstream exposure to the industries mentioned.

Goldman Sachs shines an ESG light on **Worley** ((WOR)) investigating whether the company is an "underappreciated solutions provider" to the global greening agenda.

Industry-by-industry outlook

Defence budgets are rising in Australia.

Around 18-months ago I sat with a renowned stockbroker for a coffee at Sydney's Australia Square who explained to me just why Darwin was the hot new investment capital of Australia.

His observations were prescient.

RBC highlights rising geopolitical tensions, think China/Taiwan as one example in the Indo-Pacific region, which are leading to substantial investments in infrastructure. Australia has consistently spent between 1.8% to 2% of GDP on defence over the last 20 years, compared to the US at 3.5% and Russia at 4.1% of GDP in 2022.

The latest estimates from the 2024 National Defence Strategy and 2024 Integrated Investment Program explain a $5.7bn rise in defence spending over the next four years and an increase of $50.3bn over the next decade.

This equates to a rise in spending to 2.4% of GDP by 2033.

RBC explains the opportunities for Ventia, Downer and Service Stream that exist through the $14bn-$18bn spend for the infrastructure and adjacent facilities for the Northern Territory Bases; the $17bn-$18bn on what the broker refers to as enabling facilities such as training, and $15bn-$20bn in Theatre Logistics.

At the midpoint of $53.5bn, this implies only 14% of a total $375bn has thus far been allocated.

Notably, Darwin is rated highly as a significant strategic location and contractors with existing Defence relationships tend to have more "sticky" contracts given the high barriers to entry.

RBC points to the top five defence reportable contract providers as BAE Systems, Boeing, **Ventia**, RTZ (formerly Raytheon) and Thales.

Tackling decabonisation

When it comes to the carbon challenges for Australia's energy infrastructure, multiple factors come into play in meeting the country's legislated greenhouse gas emission targets for a -43% reduction versus 2005 levels by 2030, and net zero emissions by 2050.

The government is targeting 82% renewable energy in the Australian electricity grid by 2030 with RBC explaining renewable energy produced reached 31.4% in 2Q24 based on National Electricity Market data. In 4Q23 it was as high as 42.7%.

Coal fired power stations are reaching the end of their "useful life" and up to 90% of them are forecast to retire before 2035, and the entire fleet before 2040.

Replacing coal fired power stations requires new utility scale generation and storage because of the intermittent renewable energy generation. This decade the grid has added 12.5GW of new generation and 1.3GW of storage with 490km of newly constructed transmission lines.

Current coal fired power stations have 21GWs of capacity, so a mind boggling 20GW of generation and storage with 2090km of transmission lines need to be built.

RBC details the added complexity of the changing demand forecasts. Residential consumption from the gird is anticipated to be basically flat in 2050 because of rooftop solar.

Business, industry, the switch to electrification and emerging hydrogen production are forecast to add additional demand of 45Twh, 65Twh and 55Twh, respectively.

Nuclear energy was placed on the agenda in June by the Liberal Party. This is not viewed a realistic opportunity for Ventia, Downer or Service Stream.

Going digital is a journey

In the latest iteration of the National Broadband Network, the Commonwealth Government announced an additional optic fibre to 1.5m premises or a $2.4bn investment to transition to fibre-to-the-premise from fibre-to-the-node.

Currently 6,000 homes/businesses are upgrading each week, including yours truly a few months ago. In June 2024, 2.3m premises had the new connection with an additional 3.5m premises anticipated by June 2025.

While your mind is probably debating how good or bad the NBN is, ultimately the future lays in the fastest connectivity for devices and use of generative artificial intelligence.

Enter one of the biggest investment spends this decade: data centre build outs. FNArena has written extensively on the topic, see also the dedicated Gen.Ai section on the website: https://fnarena.com/index.php/tag/gen-ai/

Suffice to say energy supply is integral to the build out, as are defence and cyber security.

RBC points to the 2023-30 **Australian Cyber Security Strategy** which highlighted during the 18-months to December 2023 one cybercrime was reported every six minutes. Ransomware causes -$3bn in damages to the Australian economy every year.

The estimated cost to businesses is advancing at circa 14% per annum.

The broker believes part of the solution is improvements and/or construction of digital infrastructure. Since June 2019, aggregate data consumption has increased at 1.20% compound average growth rate and is only expected to rise.

Just think how many streaming services are in your house.

In the Defence sector digital infrastructure is used via defence data centres, the cloud such as AWS or Microsoft Azure, and hybrids of data centres and the cloud.

Ventia: the all-rounder with quality tilt

Ventia Services Group was created from a merger in 2015 between Leighton Contractors Services, Thiess Services and Visionstream. In June 2020, in what was a reverse takeover, Ventia acquired Broadspectrum (formerly Transfield) from Ferrovial for $465m. The company IPO'ed on November 18, 2021.

Current market capitalisation stands slightly below $4bn with 35,000 people in action across 400 sites in A&NZ. The suggestion made is Ventia occupies a sweet spot for investors with favourable exposure across the three major infrastructure sectors.

Highlighting the strength of the group's defence exposure, Canaccord Genuity detailed a six-year, $564m contract with the Department of Defence for firefighting services. It is a continuation of an existing contract, starting in 2004 with options to go past 2030.

The new contract at around $94m p.a. marks an increase of $35m-$40m p.a. and represents one of five contracts the group is seeking to renew with the Department of Defence, valued at around $550m annually in defence property and asset management services.

RBC explains Ventia is the largest engineering services company to Defence currently, managing 60k plus social housing units in NSW, and with the largest private firefighting unit domestically. The company services all four of the defence departments including Digital Group, Joint Logistics Command, Security & Estate and Capability Acquisition and Sustainment Group.

Looking at the company's first half results, Canaccord stated strong growth in Defence & Social Infrastructure and Telecommunications boosted 11% growth in revenues and a 9% increase in EBITDA. Macquarie observed the results met expectations with an upgrade to 2024 guidance to 10-12% from 7-10%, although consensus was already positioned for 11% growth pre the result.

Morgans noted the results were slightly below expectations and consensus but with $17bn work-in-hand the outlook is for earnings growth across all sectors the group operates in.

Ventia is highlighted by RBC as being the provider for Transpower NZ's Transmission Grid Services (the high-voltage transmission network) for around 25-plus years. The contract was renewed in May 2022 for another five years with an additional five-year option.

RBC envisages the group can make inroads into the Australian market. With a relatively smaller share, it will benefit from growth in the overall market, as outlined in the expansion for the domestic transmission line network.

Regarding the digital exposure, Ventia has designed, installed and commissioned over 50,000kms of fibre across Australia and connected around 6m premises to the network.

With "vast" wireless capabilities and skills in fixed network technology and energy infrastructure, RBC believes

Ventia is "well positioned" to service both energy needs and service digital infrastructure.

FNArena daily monitored brokers are all Buy-equivalent rated, except Ord Minnett with a Hold rating.

RBC Capital initiated coverage with an Overweight rating and a $5.25 target price. The analyst explains a track record of stable earnings, shareholder returns and a position to benefit from structural tailwinds offset a perceived negative by some, as well as a lack of time in the public market.

The FNArena consensus target price is $4.56 with Canaccord at $4.75 and Buy rated. At current price levels ($4.56) the stock is trading on 2025 prospective price-to-earnings ratio of 16.4x and 4.5% dividend yield.

Downer EDI: Can what's old be new again?

RBC details the transition Downer EDI has been conducting with new CEO Peter Thompkins, including exiting the Rail Freight and Mining businesses, the divestment of -70% of its commercial laundry business and addressing ICAC investigations and accounting anomalies. The company is now concentrating on Transport, good for around 52% of FY24 revenue, Utilities at 20% of FY24 revenue and Facilities at 28% of FY24 revenues.

Management is also implementing a -$175m cost out program in FY25 with a target EBITDA margin over 4.5% for FY25/26.

The share price has been responding from a low around $4 in January to current levels around $5.75 which equates to a $3.7bn market capitalisation.

Drawing a comparison with Ventia and Service Stream, RBC's analyst emphasises Downer has a more "capital-intensive approach" to its business model, leaving it open to greater construction risks while the road services business needs more fixed assets.

FNArena daily monitored brokers, Ord Minnett, Macquarie and UBS, acknowledged management's profitability enhancement targets at the FY24 results, which Macquarie viewed as better than consensus expectations.

UBS pointed to depletion of low-cost contracts in water and Vic gas as benefiting the company alongside its cost out program. While Ord Minnett pointed to the priorities in the energy transition and utilities segment.

All are Hold-equivalent rated with an average target price of $5.623. At current price levels, the stock is trading on a FY25 prospective price-to-earnings ratio of 14.3x and a 4.1% dividend yield.

RBC initiated coverage with an Hold-equivalent rating and $6 target price.

Service Stream slides into other sectors

With a long-established exposure in telecommunications where NBN represented 74% of FY24 telecommunications revenues and wireless the balance, Service Stream's strategy as detailed by RBC is to expand into other industries such as utilities including water, industrial and electricity, roads transport and more defence, recently.

Add-on acquisitions are part of the strategic thrust with Comdain Infrastructure in 2018 ($160m) and Lendlease Services in 2021 ($310m). As the company diversifies its earnings stream, RBC believes a re-rating is possible.

Macquarie observed at the FY24 results Service Stream secured over $2.2bn in contract works over the period and earnings rose 13.2% on a year earlier, some 2.85% above the broker's forecast due to strength in telco and utilities. Going into FY25, the work-in-hand pipeline reached $5.2bn across all major markets.

Citi was equally upbeat, highlighting no shortage of positives from FY24 results, notably robust cash conversion, better utilities margin and an improved 2H24 telco performance.

Ord Minnett highlighted a strengthening balance sheet with an increasing share of revenue generated from less-capital intensive operations and maintenance works at 70%. This allows for improved transparency of earnings and cash flow.

The FNArena consensus target price stands at $1.593 with two buys; Citi ($1.70 target price) and Ord Minnett ($1.67 target price). Macquarie has a Hold-equivalent rating ($1.41 target price).

Service Stream has around a $960m market capitalisation and trades on FY25 prospective price-to-earnings ratio of 16.1x and 3.6% dividend yield.

Sustainability funds hold a US$2trn key for companies

Goldman Sachs estimates the Sustainable Fund universe is worth US$2trn with a wider ranging classification of Sustainable assets under management across asset classes under different mandates and strategies from PWC and GASIA at US$18trn and US$30trn, respectively.

For Worley ((WOR)), the classification of "sustainability" has implications for the stock's re-rating potential, the broker explains. The company is currently **"36% underweight by global sustainability funds"** against its benchmark weighting.

Worley is highlighted for the FY26 goal to generate 75% of revenues from sustainability-related projects compared to 52% in FY25.

Due to investor feedback at the FY24 August earnings presentations, Worley has broken down sustainability-related categories into "transitional", essentially natural gas, and "sustainable".

Goldman Sachs explains the company's category of "sustainable" ex "transitional" represents 34% of aggregated revenues in FY24. The broker also views the role of natural gas as a significant transition fuel to firm renewables as energy supplies transition from coal-fired power generation.

Under the EU's Corporate Sustainability Reporting Directive Regulation from FY26, the new Worley classification has the potential to attract increased Sustainable Fund ownership, the analyst argues.

Addressing concerns over a slowdown in near-term green capex projects, Worley's sales pipeline is viewed as "solid" with a slant towards sustainability-related works at 41% as at June end and 44% transitional, or 85% in total.

Equally, the broker estimates $4.2trn of annual incremental green capex is required this decade to achieve global net zero, water and infrastructure goals.

Worley's exclusion from Sustainable Funds relates to a view the company is still oil services based, despite the shift to more sustainable projects and a legacy Ecuador business.

On balance, the broker believes Worley is a green enabler for higher emitting industries, Energy, Resources and Chemical, with potential to build low carbon businesses and/or reduce the environmental footprint, by employing its low carbon expertise.

At the latest 3Q2024 update, Worley revealed a decline in 2H24 backlog and lowered FY25 expectations. Goldmans Sachs observes it's a "cyclically challenged" macro environment. The CP2 LNG terminal project by Venture Group LNG could generate over $6bn to the company's backlog as the project edges towards a final investment decision.

Macquarie believes Worley will reiterate FY25 guidance at the upcoming Nov 21 AGM for a split of net profit of 45:55 between 1H25 and 2H.

The broker expects 5% revenue growth over the current fiscal year versus double-digit growth in FY23/FY24.

FNArena daily monitored brokers all have a Buy-equivalent rating with an average target price of $18.26. Goldman Sachs is also Buy rated with an $18 target.

RUDI'S VIEWS

Rudi's View: Dealing With Risk

Dealing With Risk

By Rudi Filapek-Vandyck, Editor

It's roughly one more week before Americans vote in person on who will be their next President, but don't hold your breath, it's more than just likely the world won't know the definitive outcome until days after the event.

And that's assuming Kamala doesn't win and team Trump starts its carefully constructed strategy to contest the election outcome.

Markets usually don't like uncertainty. I doubt whether they will like such an outcome, at least in the initial phase.

Of course, Trump might win and then the next question becomes: what about Congress?

Either president with a divided Congress is usually the market's preferred outcome as it limits the room for dramatic changes. If Trump wins, investors will have to weigh up the future benefits from lower taxes and less regulation (as promised) against the negative impacts from import tariffs (as promised too).

In direct conflict with common economic theory, Trump has made it clear he loves tariffs, and not only for cheap Chinese products. Is it possible bond yields rising this month can be partially explained by investors hedging their risks? The answer is probably 'yes' but both candidates are likely to further increase budget deficits, and that probably requires higher bond yields as well.

Nothing is 100% straightforward this year. The opposition in Queensland has just achieved a landslide victory while in Japan the Liberal Democratic/Komeito coalition has lost its majority in parliament for the first time since 2009. Before the election on the weekend, such an outcome had only been given a 35% probability, but it has happened regardless.

Common logic and history suggest high inflation and elongated pressure on household budgets make it a lot harder for government incumbents to get re-elected. In the example of Japan, the ruling party had also been damaged by a scandal about a secret slush fund that facilitated party members misappropriating funds from supporters.

It's not a great celebration for democracy when that same LDP/Komeito coalition might now align with other conservative parties and still form the next government, albeit likely with a new prime minister.

Everybody makes her/his own choices when faced with short-term uncertainty. Whatever is right or wrong often only becomes apparent when looking back in hindsight. To those that like to take some risk off the table or otherwise make portfolio adjustment: there's still time.

The other key events pre-election next week will be US corporate results with the likes of PayPal, McDonald's, Pfizer, Alphabet, AMD, Meta, Microsoft, Apple, Amazon, Exxon Mobil and Chevron scheduled to report, among many others. US corporate earnings are the essential ingredient to keep equities on an upward sloping trajectory over the year(s) ahead.

For what it's worth, US analysts at RBC Capital have dubbed the US quarterly reporting season thus far as "mildly disappointing".

One factor that is all too often overlooked when markets have a stellar year and valuations are well above average is how key characteristics for the underlying companies have changed over time. The graphic below is just one such example.

The Australian Experience

Over in Australia, the seasonal AGM period of October and November has effectively been transformed into a mini-results season for ASX-listed companies. This is the outcome from more companies being dual-listed on foreign bourses, as well as the increasingly common feature of updating investors and shareholders on a quarterly basis.

The latter is also closely intertwined with the fact the ASX now counts significantly more small cap technology companies.

Add most banks, retailers, and your standard out-of-season cyclicals such as GrainCorp, Incitec Pivot, Nufarm, Orica and Elders, plus the fact most company boards nowadays feel compelled to at least update on fresh trading insights thus far and there's a lot more to digest in between August and February for Australian investors.

More transparency and timely insights should be welcomed, of course, but during times of ongoing pressures and challenges this also means a lot more disappointments are being communicated that negatively impact on share prices.

October thus far has seen a large number of disappointing updates, ranging from Audinate Group ((AD8)) and Chrysos Corp ((C79)), to Newmont Corp ((NEM)) and Paladin Energy ((PDN)), to Flight Centre ((FLT)) and Web Travel Group ((WEB)), Brambles ((BXB)), Metcash ((MTS)), and a number of others.

Not all market updates by definition turn into a negative event, as also yet again proven by ResMed's ((RMD)) release of September quarter financials on Friday morning. The shares are up by more than 55% since January 1st and last week's Weekly Insights reported ResMed is still Australia's most highly rated by local analysts and model portfolio stockpickers.

Yet another better-than-forecast quarterly performance has vindicated why. Three of four brokers that have updated by Monday morning lifted their price targets above $40, as did Wilsons.

This might no longer look an attractive proposition after 55% in gains and with the share price approaching $39, but at least ResMed did not issue a profit warning or disappoint otherwise, unlike numerous others, plus there remains more growth on the horizon for this multi-decades long growth story.

A timely reminder for local investors: most parts of the ASX are struggling without extra stimulus or support and this is reflected in consensus forecasts that have low-to-negative growth penciled in for the majority of sectors and companies on the local bourse over the twelve months ahead.

Sectors including Insurance, Technology, Engineering and Contractors, and Healthcare are standing head and shoulders above the crowd, often offering the prospect for double-digit growth as well as robust increases in dividends, a la ResMed.

More stimulus from China might close the gap for today's share market laggards, as might lower taxes in the US and rate cuts from the RBA, but none of these factors is currently in place. Looking at the precedents from corporate Australia thus far in October, it's hard not to conclude the short-term risk for individual companies looks biased to the downside.

This means, assuming we all have a portfolio of 10-25 individual stocks, we are likely to see at least one of our exposures taking a dive this or next month. The key characteristic of an unexpected disappointment is that it is impossible to predict with an 100% certainty, so let's focus on what to do next instead.

How should one respond to the market announcement that drags the share price to a (much) lower price level?

What Not To Do

My personal *modus operandi* dictates to never sell when others are selling in large numbers, just like I never join-in on a rallying share price. Taking away the impulsive urge to react when negative news hits the portfolio is the right strategy under most circumstances.

Let the market do whatever it needs to. Better to let the news sink in and assess with a calmer mindset. History shows bad news often impacts over 2-3 days, with shares often recovering from that initial punishment.

The next step is trying to assess the importance and impact from what just happened. The most difficult task at hand is making this assessment without letting the share price doing all the talking.

On my observation, most investors focus too much on what happens to the share price. If the share price is all you care about, you'll always be led by present momentum and miss out on the opportunities that are mis-priced, under-appreciated and temporarily out of fashion.

If all you care about is the share price, you are also likely to sell out too soon, or you start adopting high-risk strategies such as dollar-cost averaging into falling share prices in order to bring your average purchasing price down.

Throwing more money at a failed investment doesn't improve the fundamentals underneath your investment. What it does achieve is it increases your exposure to one concentrated, single, painfully failed purchase. Years ago, I spoke to an investor who'd managed to turn $400,000 into $50,000.

His strategy?

Dollar-cost averaging in order to improve the optics (which is essentially what you're trying to do: to make it look less ugly for your own perception).

I reminded myself of the dangers of such high-risk strategies when I looked up the share price of Tyro Payments

((TYR)) last week. Having mostly fluctuated between $3 and $4 during the first two years after listing, the Tyro share price has since trended south and rarely breaches the $1 level on the upside these days.

Imagine you'd be throwing more money at it on the relentless trend downwards. That, in a nutshell, is how you turn $400k into $50k, with very little prospect of regaining those heavy losses too.

Better to take a broad portfolio perspective that allows you not to get obsessed with any singular disappointments. Your next allocation should go where your investment instinct tells you the highest return is likely to be achieved. This might not be in the share price that just got clobbered.

My personal experiences tell me it is rather unlikely that the share price that just got punished will be the next stellar performer in your portfolio. Or as one smart cookie declared a while ago on social media: if simply putting more money into a falling share price was all we needed to do as investors, we'd all be rich in no time.

For good measure: there never is a 100% certainty, but there are ways to assess whether it is worth holding on after disappointment has struck; maybe we might even buy some extra shares. Not to pull the average purchase price down, but to take advantage from a lower entry price once we have concluded there still remains a healthy investment thesis beyond the short-term clouds.

Two things come to mind:

The motto from legendary investor Peter Lynch: Know what you own, and why you own it. Advice from a recent social media post: "Don't marry your stocks, but date them long enough to get to know them really, really well".

The message is the same: make sure you know more about the companies you own than simply their share price. When disappointment strikes, this should help you with your assessment about what to do.

Post The Share Price Punishment

The easiest assessment should be when market sentiment temporarily depresses a share price.

Current examples are supermarket operators Coles Group ((COL)) and Woolworths Group ((WOW)). Both are under public scrutiny (and worse) from regulators, politicians and shrinking household budgets, but only that last factor should be seriously considered as it is rather unlikely this industry will be carved-up and handcuffed, with no more growth avenues left.

As one smart investor once said: worst case scenarios have a habit of, in most cases, not materialising.

Another almost perfect example was seen in WiseTech Global ((WTC)) shares earlier this month, leading to its share price falling from $139 in September to below $100 as the public humiliation of founder/CEO Richard White unfolded.

White, for those who haven't paid attention, has essentially been unmasked as your typical self-made billionaire; a bullying control freak with too much taste for female companionship (pre-marriage). White's social life quickly turned into a public scandal, with lots of juicy details to devour, putting a lot of pressure on the share price.

The real question for investors hadn't changed, however: is this company still on schedule to keep growing at big numbers in the years ahead?

FNArena's consensus forecasts are projecting 48.8% in EPS growth this year and 38.5% next year. If nothing happens to these projections, what are the chances the market is exaggerating in its response?

I think we all know the answer. On Friday, when the announcement came White has stepped back as CEO and director and taken up a function within the company as 'consultant', the share price instantly rallied to $113. Equally unsurprising, both Bell Potter and Citi upgraded to Buy on the day, as did RBC Capital, as did Goldman Sachs.

Of course, there still is some remnant risk White has done something legally wrong, like maybe misappropriating money that belongs to the shareholders, or this month's C-suite upheaval does have an impact on the day-to-day operations. For this reason the share price should trade at a discount for a while until more certainty has been achieved.

This is why the consensus price target has pulled back to $118.77 from $121.95 pre-scandal. The real question, of course, is whether any of this has changed the longer-term growth trajectory that to date has made WiseTech Global one of the largest companies on the ASX.

Some critics might argue White's punishment for bad behaviour is too light. He remains on the same salary package. The flipside is WiseTech Global without him would bring about a lot more uncertainties, most definitely in the short term, and investors would not like it.

That same argument applies to Mineral Resources ((MIN)) where billionarire founder and MD Chris Ellison is being linked to an alleged tax evasion scheme. This is a much more serious scandal and could ultimately land him in criminal court. MinRes is itself investigating the matter and will release findings next Monday.

I am a lot less confident in how this matter will be resolved at MinRes, with the share price equally weighed down by balance sheet matters (too much debt) and the cyclicality of the business.

Another company where my personal risk assessment has deteriorated this month is Audinate Group ((AD8)) with today's share price less than half of what it was in March this year when the financial result in February literally put a rocket under the share price.

What has followed next are two profit warnings, and now a lot of uncertainty about what possibly follows next.

What we do know is customers are not buying Audinate products; or at least they are not doing it in the amounts management would like them to. There's no indication this might change anytime soon.

I think this now makes owning shares in this small cap company (annual sales less than $100m) a much higher risk proposition and investors who own the shares should question whether this suits their own strategy and risk appetite.

Equally important: such assessment needs to be made irrespective of when the shares were bought and at what price.

Making such decisions is never easy, but if we decide the risks are simply too high, we need to follow-through and sell the shares, and move on.

In the first year of the **FNArena-Vested Equities All-Weather Model Portfolio** a similar crisis situation had emerged at Slater & Gordon ((SGH)), up until that point one of the best performing inclusions in the portfolio. From memory, I think the portfolio sold at a loss of something like -15%.

That crisis would ultimately break the firm and the share price would end up losing -96% of its value. This is why one of my credos is: it's never too late to sell.

Nothing of the above makes investing any easier, but knowing our companies' fundamentals and making the right risk assessments can get us a long way.

All-Weather Model Portfolio

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

Prior years:

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

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

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

Video: Why FNArena & All-Weather Stocks

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

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

Model Portfolios, Best Buys & Conviction Calls

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

FNArena Subscription

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

(This story was written on Monday, 28th October, 2024. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

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

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

RUDI'S VIEWS

Rudi's View: US Earnings & The Election

By Rudi Filapek-Vandyck, Editor

Momentum has stalled for equities in October. One obvious conclusion to draw is quarterly corporate results are no longer eliciting additional enthusiasm from investors to buy more shares, which seems true, but isn't there also an all-important election looming next week?

From what we can gather at FNArena, admittedly from a limited sample in research that catches our attention, it still seems like there remains plenty of positive momentum on display inside the US corporate results season.

One eye-catching positive read-through for companies on the local bourse remains the ongoing robust demand for cloud services, in addition to firm capex intentions at Big Tech companies in the USA.

As also pointed out by Citi analysts on Thursday morning, megatech giant Google reported an acceleration in cloud revenues to 35% growth in the September quarter versus 29% growth in the three months prior. By comparison, Microsoft's Azure business grew revenues by 34% over the quarter.

Here comes the psychology of today's investor: strictly taken Google's performance was better, but also: Azure's revenues had grown by 35% in the previous quarter. You can all see where this is going, right?

In Microsoft's defence, capacity constraints are keeping a lid on growth with management anticipating the division's pace of growth will be higher in 2025. In more encouraging news, 70% of Fortune 500 companies are now using Microsoft 360 Copilot and customers are adopting the latest AI tool at a faster rate than any new Microsoft 365 suite in the past.

As Evans and Partners released their inaugural deep dive on Gen.Ai this week, the conclusion is this is not a bubble. Investors better make sure they start looking in the right direction and get their head around what this fresh new megatrend entails.

Google management is directing investors towards ongoing sizeable investments to be made in 2025, albeit the rate of growth in capex is expected to slow. Google's capex grew by 60% in FY24 and is forecast to grow by 15% in FY25, so that slowing in pace should not come as a big surprise.

Meta's capex spending fell short of projections in the September quarter, but here too management continues to forecast significantly more capex in 2025.

As per Citi's commentary, capex by Amazon, Google, Meta and Microsoft is expected to grow to US$240bn in FY26 (current market consensus), with strong increases for each of FY24 and FY25 in the meantime.

The direct read-through for investors in Australia is that companies including Goodman Group ((GMG)), NextDC ((NXT)), Macquarie Technology ((MAQ)), and others should continue to reap the benefits from what still appears to be a megatrend in relative infancy.

Citi also refers to Megaport ((MP1)) as one company that should benefit from all of the above, albeit with a soft warning. As more and more data centres are being build, the global cloud density increases and this, ultimately, could make the services provided by a company such as Megaport less attractive.

But that's nothing that should show up in the immediate term.

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Irrespective of the above, if you do have the impression US corporate results are not quite hitting it out of the park this month so far, you are correct. Apart from rather lacklustre price action, broadly sideways with a slight negative bias, some number crunching by RBC Capital analysts reveals underlying momentum is slowing, albeit in moderate fashion.

With circa one third of the S&P500 having reported, RBC believes 76% of all results has beaten on EPS and 58% on sales/revenues. Remember, the numbers in the US always look this spectacular when compared against performances in Australia, but the comparable percentages are 80% and 61% for the previous Q2 season.

So, the numbers are still good, but not as great as they were earlier in 2024.

RBC analysts also report adjustments to analysts' forecasts have a downward bias with less than half of all amendments resulting in higher forecasts for the year ahead. Share price-wise, companies that manage to outperform expectations are now seen as underperforming the broader market, reports RBC.

RBC strategists still believe US equities could be ripe for a pullback, if only because investor sentiment had become a little overheated earlier.

In conversations with long-only funds, it has become clear most have not made any changes or preparations ahead of next week's presidential election. This might still come, once the outcome is clear. RBC's advice to investors has not changed in the weeks and months leading up to the event: be prepared for all outcomes.

****

Analysts at Morgan Stanley have tried to outline the major issues, potentially, for economies in Asia from a potential second-term Trump presidency. A win by Kamala is seen as mostly a continuation of the current status and relationships.

No surprise, the document almost exclusively mentions tariffs and their potential impacts, including how China might respond.

The good news, or so it appears, is that any implementation of tariffs will still take time as most US laws require prior investigations by a federal agency to justify any tariff responses. Such process can take up roughly twelve months, the report suggests.

US public policy strategists, Michael Zezas and Ariana Salvatore, do point out some authority is already in place, so in some cases some tariffs could come quicker. Recall that in 2018-19, US tariffs on China were implemented within 3.5 months of announcement, the policy strategists point out.

Believe it or not (this is, after all, America), the idea of a universal tariff of, say, 10% on all imports could be actioned on national security grounds, Morgan Stanley believes.

Ironically, the direct impact on economic growth for countries across Asia, including China, is likely to be less than what one would assume, suggest the analysts, as also shown by the experience throughout Trump version 1. The largest impact stems from an expected slow down in global capex and in global trade as corporate confidence takes a hit.

China, once hit with the US tariffs, is likely to retaliate with matching tariffs, allow its currency to weaken somewhat, accelerate exports to emerging markets, boost efforts to diversify supply chains and boost domestic demand through a combination of fiscal and monetary policies.

More stimulus thus!

Other Asian countries are expected to also allow their currencies to weaken against a stronger US dollar. Morgan Stanley's FX strategists believe that KRW, THB, MYR, TWD, and also AUD are more exposed because those economies are export oriented, run large trade surpluses with the US, and have product mixes that are more exposed to tariff risks, plus these currencies are sensitive to Chinese currency movements.

Sectors likely to be most heavily affected include electronics, industrial machinery, mechanical appliances and textiles.

Overall, the largest impact on Asia might stem from a stronger US dollar, posits the report, as this brings upon the region a general tightening in financial conditions while central banks throughout the region would be limited in their ability to cut rates.

Concludes the report: "The modest upside to Asia's exports from stronger US fiscal impulse would likely come only in 2026, and might not provide sufficient offset in any case."

As both the ECB and BOE are expected to continue to cut their rates, the expectation is that any rise in US Treasury rates might remain limited.

****

From a strategy update by Citi:

"The S&P 500 continues to look fully valued. Given the fundamental uncertainty we expect in a Trump + red sweep scenario, we are inclined to lighten into any post-election rally.

"For Harris + split, we expect a negative sentiment impact from current, which may present a buying opportunity."

***

Part One of Weekly Insights this week: https://fnarena.com/index.php/2024/10/30/rudis-view-dealing-with-risk/

Best Buys & Conviction Calls

Ord Minnett's most preferred choices on the ASX:

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

****

Wilsons Highest Conviction investment ideas:

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

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

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

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

****

Wilsons' Australian Equity Focus Portfolio consists of the following:

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

****

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

****

The full list of UBS's <u>Most Preferred Best Stock Ideas:</u>

<u>In Resources:</u>

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

In Financials:

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

Industrials:

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

The list of **Least Preferred exposures**:

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

****

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

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

Plus:

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

****

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

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

-Macquarie Group ((MQG))

-Suncorp Group ((SUN))

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

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

-James Hardie ((JHX))

-Orica ((ORI))

-Coles Group ((COL))

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

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

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

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

****

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

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

****

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

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

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

****

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

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

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

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

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

****

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

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

****

Macquarie's ASX Quality Compounders:

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

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

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

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

-ARB Corp ((ARB))
-Breville Group ((BRG))
-Johns Lyng ((JLG))

****

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

****

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

-IGO Ltd ((IGO))
-TPG Telecom ((TPG))
-Domino's Pizza ((DMP))
-Bapcor ((BAP))
-Endeavour Group ((EDV))
-Santos ((STO))
-ASX Ltd ((ASX))
-Aurizon Holdings ((AZJ))
-Brambles ((BXB))
-Dexus ((DXS))
-SiteMinder ((SDR))
-APA Group ((APA))
-Fineos Corp ((FCL))
-ResMed ((RMD))

****

Ord Minnett's Conviction Calls:

-Alliance Aviation Services ((AQZ))
-ARB Corp ((ARB))
-Cosol ((COS))
-EQT Holdings ((EQT))
-Electro Optic Systems Holdings ((EOS))
-Lindsay Australia ((LAU))
-Pinnacle Investment Management ((PNI))
-Qoria ((QOR))
-Red 5 (RED)
-Regis Healthcare ((REG))
-SiteMinder ((SDR))
-SRG Global ((SRG))
-Stanmore Resources ((SMR))
-Waypoint REIT ((WPR))

In addition, research analyst Athena Kospetas, recently communicated the following Key Preferred Ideas per sector:

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

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

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

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

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

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

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

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

****

Jarden's Best Ideas among **emerging companies** (small and mid-cap):

-IPH Ltd ((IPH))
-Temple & Webster ((TPW))
-EVT Ltd ((EVT))
-Dicker Data ((DDR))
-Universal Store ((UNI))
-Nick Scali ((NCK))
-AUB Group ((AUB))
-Webjet ((WEB))
-Integral Diagnostics ((IDX))
-Capricorn Metals ((CMM))
-Michael Hill ((MHJ))
-NRW Holdings ((NWH))
-Light & Wonder ((LNW))
-Pointsbet ((PBH))
-National Storage ((NSR))
-Ingenia Communities ((INA))
-Karoon Gas ((KAR))
-Domain Holdings Australia ((DHG))
-Pepper Money ((PPM))
-Telix Pharmaceuticals ((TLX))

****

Barrenjoey's Top Picks:

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

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

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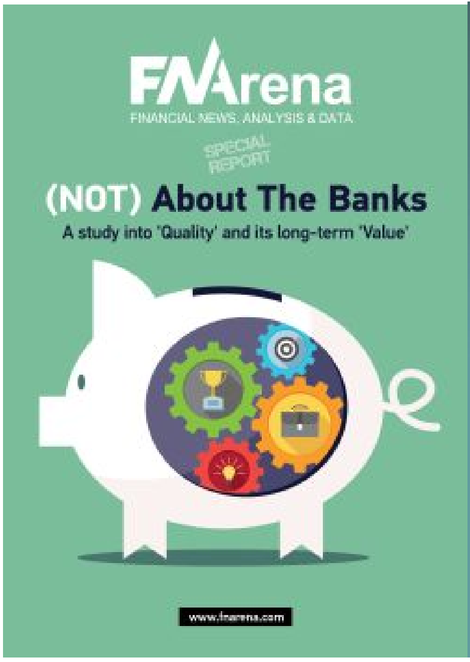

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FNArena is proud about its track record and past achievements: Ten Years On

SMALL CAPS

Paladin Energy's Storm In A Teacup

Paladin Energy shares fell precipitously on disappointing first quarter results. Now analysts are questioning whether the sell-off was an over-reaction.

--Paladin Energy's production delayed not canceled
-Systemic risks or predicable hiccups?
-New contracts maintain future momentum
-Fission acquisition remains under scrutiny
-Brokers still bullish

By Danielle Ecuyer

Production down but not out

Life wasn't meant to be easy' or so the saying goes and recommissioning the Langer Heinrich operation is proving to be a case in point with unanimous "disappointment" from brokers following Paladin Energy's ((PDN)) 1Q25 production miss; the result from unexpected problems.

The market certainly disliked the update sending the shares down over -15% on the day, with more selling pressure on the following day.

Consensus production estimates of 917.9klbs dwarfed the miner's reported 640klbs quarterly update, compared to June quarter production of 520klb.

Bell Potter hits the nail on the head, when the analyst poses the questions *"are these issues systemic, or can they be addressed and meet FY25 guidance?"*

Therein lies the conundrum for investors.

Observing the problems, Shaw and Partners isolates the two main issues. Firstly, Paladin is using stockpiled ore with variable grades. Although the inventory was extensively surveyed, the feed grade in this quarter came up short of expectations at 422ppm versus the guided average range of 470-510ppm.

Secondly, lower than expected tailings water exacerbated water shortages.

On balance, Shaw and Partners believes the problems amount to essentially **"run-of-the-mill"** commissioning issues with the water problems already addressed.

Costs rose to US$41.9/lb from Paladin's guidance at US$31/lb resulting from the two issues, as well as lower recoveries of 69% with processed tonnage down -10% below Bell Potter's estimates.

Macquarie points to other teething problems in the counter-current decantation circuit (a process to separate liquids from solids) of a minor nature, relating to pump and pipe sizing, as well as maintenance for screens and filters.

A two-week shutdown in November is targeted to address the problems.

Macquarie concludes Paladin would need to hit over 85% of nameplate capacity in 3Q/4Q25 to achieve the lower end of FY25 guidance. The analyst suggests while possible, the probability is low given the stockpile grade variances with plant adjustments and de-bottlenecking.

Morgan Stanley forecasts Paladin to reach nameplate capacity of 6mlb in 4Q2026. With mining expected to recommence in 2026, forecast for the September quarter, the broker believes the challenges around variable stockpiles will dissipate.

According to Shaw, the crushers are operating without problems which is emphasised as one of the biggest risks to achieving full capacity and one of the historical problems at Langer Heinrich.

A tick of approval for quality and new contracts

When it comes to ore sales of 620klbs, Paladin reported a first shipment to China National Nuclear Corporation of 319klbs and Bell Potter assumes the balance to European and North American contracts. Feedback suggests the quality was good, which Shaw highlights as another positive.

Citi points to ongoing development of Paladin's contract commitments with three additional sale agreements this quarter and 23mlb contracted through to 2030.

Although the company reported negative free cash flow this quarter of -US$18.6m, the situation is expected to reverse to positive cash flow in the December quarter as uranium sales proceed. At quarter end, Paladin had US$55m available in cash and US$55m in un-drawn loans.

Shaw expects the 620klbs sold in this quarter will yield revenues of US$46m in the coming quarters.

Although management has not changed FY25 guidance, most of the hit to earnings forecasts is in the current fiscal year, with across-the-board earnings downgrades from FNArena daily monitored brokers. There are less downgrades to estimates for FY26 and FY27.

Bell Potter has adopted a conservative approach with a decline of -35% to FY25 EPS estimates and -4% in FY26. Citi and Shaw are more aligned at a circa decline of -11% in EPS forecasts for FY25.

Regarding the Fission deal, Paladin is waiting for the Canadian government's decision. Post quarter end, a notice from the Minister of Innovation, Science and Industry ordered a national security review of the proposed Fission acquisition. Both Paladin and Fission have made submissions.

Brokers positive on uranium and Paladin

FNArena's daily monitored brokers are singing from the same song sheet when it comes to the share price fall, concluding the market's response was an **"overreaction"** or **"disproportionate"**. Morgan Stanley states the share price fall was **"outsized"** and the investment case for Paladin, beyond the short term, remains intact.

While Macquarie is under research restriction, Citi, Morgan Stanley, Shaw and Partners and Bell Potter all have a Buy-equivalent ratings with an average target price of $13.62, down -52c post result.

Shaw is the most upbeat as shown by its $16 target, alongside a Buy, High risk rating. Morgan Stanley at $12.30 has the most conservative price target.

Unanimously the brokers are upbeat on the medium-to-longer term outlook for the uranium market. Shaw states *"there is not enough supply to meet current demand, let alone increased demand from reactor restarts"*.

Morgan Stanley believes as global uranium projects resume/restart production, *"higher costs (and slower ramp ups) than prior studies have indicated"* are likely and will support the cost curve.

Paladin remains the preferred exposure in the uranium sector for Shaw and Partners.

Check out our latest weekly uranium report:

https://fnarena.com/index.php/2024/10/29/uranium-week-us94lb-spot-in-reach/

The author owns Paladin shares.

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TREASURE CHEST

Treasure Chest: Ansell

FNArena's Treasure Chest reports on money making ideas from stockbrokers and other experts. Today's idea is on Healthcare Equipment & Services company Ansell.

Whose Idea Is It?

RBC Capital Markets

The subject:

RBC Capital initiates coverage of Ansell ((ANN)) with an Outperform rating

More info:

Ansell is one of the largest manufacturers of personal protection equipment (PPE) in the world. Since the start of covid, there has been, understandably, significant volatility in the global PPE market.

We recall that when scientists initially declared covid to be surface-borne, there was a huge global surge in the production of hand sanitiser. Many a company switched production capacity to join in the sanitiser boom.

Actually no, the scientists soon said covid is airborne. Thus there was a commensurate surge in demand for PPE from masks for the general populace to more extensive protection for healthcare workers. Indeed, there was an early shortfall in global supply leading to desperation in demand.

Then covid ended, sort of. Whether or not covid has gone away, in the wake of the pandemic the world has seen an oversupply of PPE, resulting in destocking and price reductions.

From late 2019, pre-covid, to a peak in 2021, Ansell's share price rose over 50%. It then fell right back down again into 2022. Having bottomed in late 2023, the share price has been on the rise once more.

In August this year, Ansell posted an FY24 earnings result ahead of consensus forecasts. Most importantly for Ord Minnett at the time, the company posted a strong rise in organic growth in the June half after a protracted period of struggle, which had triggered a downgrade of the broker's rating, suggesting destocking in gloves and life sciences was complete.

Ord Minnett subsequently upgraded back to Hold from Lighten.

Morgans found the FY24 results mixed, but noted industrial sales and margins both improved on manufacturing efficiencies and carryover pricing that offset declining sales and contracting margins in healthcare as well as industry destocking.

Note that Ansell's PPE range extends well beyond healthcare into a range of industries requiring some form of employee protection equipment.

While Ansell's momentum across key divisions in FY24 was encouraging, Morgans cited numerous uncertainties make forecasting challenging and retained a Hold rating.

Citi pointed out the wide range in FY25 earnings guidance was indicative of the uncertainty being faced at the macro level amid Ansell's integration of its Kimberly-Clark (KBU) acquisition. Citi thus retained Neutral.

Among brokers monitored daily by FNArena, only Macquarie had a positive (Outperform) rating, noting the second half of FY24 proved to be considerably stronger, featuring better healthcare revenues following destocking. The company's productivity program also served up significant savings.

There has recently been little news out of Ansell, and nor have the above brokers found any cause to update their views. Their consensus target still sits at $29.85, with the stock currently trading above that level.

RBC Capital Markets has nonetheless this week initiated coverage of Ansell with an Outperform rating and $38.00 target. RBC believes post-covid negative trends are over.

The destocking cycle is over, declares RBC, and Ansell can report positive organic revenue growth (constant currency) in FY25 and beyond, with the Life Sciences/Cleanroom division having already reported positive double-digit revenue growth in the second half of FY24.

The broker expects Ansell's healthcare global business unit margins to start to recover in FY25 as the destocking cycle is now finished and as price cuts subside, and expects margins will return to pre-covid levels.

The company's group margins will be supported by ongoing benefits from management's Transformation Program (cost reductions, manufacturing efficiencies, product portfolio rationalisation) and contribution from the higher-margin KBU business.

Ansell is a highly cashflow-generative company, RBC points out, enjoying strong cash conversion and low capex requirements. The broker sees Ansell's leverage falling from 1.5x in FY25 to 1.1x in FY26 and thus expects the company to be in a strong capital position to either undertake further acquisitions or return capital to shareholders.

In RBC's view, the fragmented markets in which Ansell operates offers many opportunities for bolt-on acquisitions.

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 25-10-24

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 October 21 to Friday October 25, 2024
Total Upgrades: 8
Total Downgrades: 9
Net Ratings Breakdown: Buy 59.86%; Hold 32.09%; Sell 8.05%

For the week ending Friday October 25, 2024, FNArena recorded eight upgrades and nine downgrades for ASX-listed companies by brokers monitored daily.

Percentage falls in average earnings forecasts far outweighed rises while target price changes were broadly equal as can be seen in the tables below.

After a tumultuous week for WiseTech Global after ongoing revelations about the private life of CEO Richard White, the average broker target only fell by around -3%, while both Citi and Bell Potter upgraded their ratings to Buy from Hold (or equivalent) following action at board level.

As investors began to focus more on the health of the underlying business, the share price bounced back to close Friday at $112 from a low around $98 the day prior. The shares had reached a high of just above $139 at the beginning of the month.

"Given the nature of enterprise software and the difficulty in shifting to a different solution we regard the prospect of any negative impact on the business as minimal", noted Bell Potter.

This broker felt the WiseTech Global board made "the right move" now the former CEO/founder and director has stepped down from both roles and is becoming a consultant to the company.

While the board and Richard White have reached a solution whereby strategy and governance have been divided, explained Citi, this analyst didn't see any risk to earnings or the outlook for the company.

For the second week in a row, falls in average earnings forecasts by analysts largely related to stocks in and around the Mining sector (seven of ten downgrades).

Unlike last week when falls were largely due to brokers updating commodity sector outlooks, the reasons were many and diverse this time around.

Chrysos, known for its PhotonAssay technology which uses high-energy X-rays to measure gold content in ore samples, is second on the earnings downgrade table after first quarter revenue only slightly missed forecasts by Ord Minnett and Bell Potter.

Management maintained FY25 guidance.

The percentage fall in average earnings forecast in the FNArena database for Chrysos was exaggerated by the small forecast numbers involved.

This exaggeration also applies to the percentage falls in average earnings forecasts for third and fourth placed Meteoric Resources and Pilbara Resources.

Ord Minnett only slightly lowered its FY24 earnings forecast for Meteoric when updating forecasts around the company's optimised scoping study for its Caldeira project in Brazil, which added in additional high-grade ore from its Figueira lease.

Pilbara Minerals was impacted by Morgans' September quarter preview of results for lithium miners and marking-to-market of earnings forecasts for a US$850/t spodumene price assumption.

Despite this adjustment, the company remains the broker's top pick in the sector partly due to a strong balance sheet.

Perhaps the most serious earnings downgrade related to 29Metals given the nature of accompanying broker commentary.

Gearing on the balance sheet is set to rise to 54% in 2025 from 37% in 2024, prompting analyst at Morgan Stanley to downgrade to Equal-weight from Overweight, given rising risk from a forecast for negative cash flow in 2025.

The balance sheet remains a genuine risk, agreed Macquarie. While Citi could see risk to debt covenants, this analyst highlighted management is revisiting senior debt facilities now there is only one operating asset.

From among Industrial stocks, Audinate Group featured atop the earnings downgrade list while Nick Scali was number seven.

Commenting after Audinate's first quarter results missed expectations, Shaw and Partners highlighted the opaque outlook for a return to growth.

The trading update implied to the analysts the business is tracking below management's target to achieve slightly lower US$ gross profit growth in FY25. Management now expects the second quarter will match the first and the second half will be modestly stronger than the first though the magnitude remains unclear.

This broker suggested the cash break even in FY24 was only achieved due to unusually positive customer ordering patterns pulling forward demand.

Over at UBS, analysts are maintaining the faith in the group's longer-term fundamentals but recognise near-term uncertainties need to be worked through after a "soft" first quarter update.

It's felt lower gross profit guidance resulted from ongoing challenges including softer demand, shorter lead times and increased inventory.

Incremental positives, according to UBS, include Dante certification and training programs remaining strong, while new AVIO products and a premium version of Dante Virtual Scorecard will contribute to second half earnings.

While Nick Scali's gross margins have been impacted by materially higher-than-expected freight rates, such headwinds are not expected to feature permanently.

For a more comprehensive summary of brokers' views:
https://fnarena.com/index.php/2024/10/24/nick-scalis-transitory-freight-headwind/

On the flipside, the leading companies on the earnings upgrade table are Mirvac Group, Bellevue Gold, and Boss Energy.

Citi opened a 30-day short-term positive view on Mirvac given Victorian stamp duty relief and potential sales for the Harbourside project in NSW, but also noted current tailwinds will likely benefit FY26 the most.

In the broker 's view, the group's future sales and residential revenue are supported by last week's first quarter results showing a 32% year-on-year rise for residential sales and 111 conditional sales in WA and QLD.

While UBS felt consensus expectations are too high for Mirvac, like Citi, the broker anticipated solid growth into FY26 due to a subsiding capitalised interest headwind and the "rolling-off" of low-margin residential projects.

For Bellevue Gold, Ord Minnett highlighted a better-than-expected first quarter result and appreciated the completion of problems with ventilation at the Bellevue Gold project which allows for increased production and mill volume.

This broker kept a $1.35 target price and downgraded to Lighten from Hold due to the recently strong share price.

Boss Energy, now the second most shorted stock on the ASX, revealed first quarter sales of 200klbs for $24.3m, which was better-than-anticipated by Bell Potter, while operating cash flow of $9.5m was also deemed a positive.

Shaw and Partners noted the Honeymoon mine ramp-up is proceeding in line with expectations, with no change to management's FY25 guidance of 850klb of uranium production.

The two largest positive changes to average target price last week were for Insignia Financial and MA Financial, while AIC Mines and Flight Centre Travel received the largest average declines.

New research coverage by Bell Potter on copper exploration and mining company AIC Mines with a Buy rating and 60 cent target dragged down the average target of now three brokers in the FNArena database to 77 cents.

Management has a good track record of asset development (relevant for its 100%- owned Eloise Copper project in WA), highlighted the analyst, with experience in acquisition and organic-based growth.

Flight Centre's average target fell as challenging economic conditions were weighing upon the Corporate division in the first quarter, explained Ord Minnett.

A negative factor for earnings in both the Corporate and Leisure divisions, explained the broker, is a material decline in airfares which makes some overrides (a portion of the commission earned by the sub-agent) more difficult to achieve.

Insignia Financial's average target rose following a quarterly business update.

Suspending the dividend makes the balance sheet more resilient, in Citi's view, and additional cost savings will likely be targeted at the November 13 investor day.

Also noting upside potential from cost-cutting initiatives, as well as easing concerns around gearing, UBS raised its price target to $3.10 from $2.30 and upgraded to Neutral from Sell.

MA Financial has momentum going into the second half, observed UBS, following a third quarter operating update. It's felt the establishment of a $1bn real estate credit vehicle for institutional investors will provide visibility on the FY26 asset management target of $15bn.

Ord Minnett declared "an earnings recovery is well underway", (consistent with the broker's prior expectation), despite slightly lower-than-expected net flows in Asset Management.

Asset Management fund inflows (ex-institutional) for the nine months to September 30 were up by 25% on the previous corresponding period, noted Morgans, while third quarter gross flows rose by 11%.

Total Buy ratings in the database comprise 59.86% of the total, versus 32.09% on Neutral/Hold, while Sell ratings account for the remaining 8.05%.

Upgrade

DATA#3 LIMITED. ((DTL)) Upgrade to Neutral from Sell by UBS .B/H/S: 1/2/0

UBS upgrades Data#3 to Neutral from Sell on the back of a fall of -18% in the stock price since August results with much of the election risk now discounted in the share price.

The analyst reiterates belief in the company as being well run with exposure to structural IT spend which should support an 11% compound average growth rate in EPS from FY25 to FY28.

Some weakness is flagged as possible for FY25 with a risk of budget cuts from the Qld government and risks to Federal Government spending in in late 2025, post election.

Target price falls -8% to $8. Neutral rated.

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

A lack of transparency from EVT Ltd around property values, earnings volatility and extraneous, uncontrollable events such as Hollywood strikes, are believed to contributing factors to the share price trading at a discount to fair value, according to Citi.

The analyst believes there are signs from management a change is building with a shift to prioritising hotels and moving cinemas to non-core.

The target price is increased to $12.37 from $11.32 with an upgrade to Buy from Neutral. EVT Ltd Chairman indicated at the AGM he would like to see a higher share price, Citi notes.

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

Following Insignia Financial's release of 1Q25 update, UBS highlights the update is showing stabilised Wrap flows following the MLC Expand migration, with a net gain of $522m.

However, the broker highlights a headwind from flagged client transitions, with an expected further -$1.4bn in outflows for FY25.

Despite these challenges, the broker sees upside potential from cost-cutting initiatives, as well as easing concerns around gearing.

UBS has upgraded its rating to Neutral from Sell and raised its price target to $3.10 from $2.30. Financial forecasts for FY25-27 have been increased by 7.5%-26%.

JUMBO INTERACTIVE LIMITED ((JIN)) Upgrade to Buy from Neutral by Citi .B/H/S: 4/0/0

With shares trading on a PE multiple -32% below the historical average, Citi raises its target for Jumbo Interactive to $14.70 from $14.25 on increased market multiples and upgrades to Buy from Neutral.

The analysts see limited downside to 1H FY25 results next February even if jackpots stay subdued as consensus expectations were rebased lower post the FY24 result.

The broker also sees upside potential from Daily Winners should management be successful in converting current free users to
the $15/mth premium tier.

REECE LIMITED ((REH)) Upgrade to Neutral from Underperform by Macquarie .B/H/S: 0/2/3

Macquarie views Reece's 1H25 guidance update as "disappointing", coming in at $300m-$320m, well below the broker's forecast at $338.6m.

The analyst points to the surprise decline in US dollar denominated sales of -6.5% with weaker repair & remodeling markets and softness in the smaller end of new construction builds.

A&NZ sales were flat in 1Q25 with weaker volumes offset by M&A additions. Macquarie lowers EPS forecasts by -8% and -6% for FY25/FY26, respectively.

The stock is upgraded to Neutral from Underperform with a rise in target price to $24.10 from $22.85 due to higher valuation multiples on lower earnings forecasts. The earnings downgrade is highlighted as a "clearing event" by the broker.

TREASURY WINE ESTATES LIMITED ((TWE)) Upgrade to Buy from Neutral by Citi .B/H/S: 5/1/0

Citi observes September quarter bottled red wine exports by volumes to Asia advanced 210% on the previous quarter, a lift from a rise of 144% in the June quarter.

The broker explains China is the main driver of demand which is a positive for Treasury Wine Estates and viewed as meeting the AGM commentary last week.

Excluding China, bottled red wine exports continued to decline by -3% in the September quarter. Thailand, Taiwan and Vietnam were the softest, down -31%, -25% and -30%, respectively. Hong Kong, Singapore and Malaysia markets grew.

Citi upgrades the stock to Buy from Neutral because of the decline in share price. No change to earnings forecasts.

Target price $12.97.

WISETECH GLOBAL LIMITED ((WTC)) Upgrade to Buy from Neutral by Citi and Upgrade to Buy from Hold by Bell Potter.B/H/S: 4/3/0

While acknowledging governance issues create uncertainty as well as the leadership transition at WiseTech Global, Citi believes the board and Richard White have reached a solution whereby strategy and governance have been divided.

Some near-term negative share price reaction might occur on uncertainty on the transition but the analyst does not see any risk to earnings and the outlook for the company. Industry freight volumes remain a tailwind also for growth in FY25.

Citi upgrades the stock to Buy from Neutral. Target price is lowered -10% because of reduced longer-term earnings growth forecasts to $124.50.

Bell Potter comments both Richard White and the WiseTech Global board have made "the right move" in the now former CEO and director stepping down from both roles and becoming a consultant to the company.

It's not a perfect solution but it's the best of a bad situation, the broker exclaims.

Price target is lowered by -7% to $123.75 to account for any negative impacts from the saga, potentially. Upgrade to Buy from Hold. No changes made to forecasts.

Bell Potter: "[...] given the nature of enterprise software and the difficulty in shifting to a different solution we regard the prospect of any negative impact on the business as minimal".

Downgrade

29METALS LIMITED ((29M)) Downgrade to Equal-weight from Overweight by Morgan Stanley .B/H/S: 1/3/0

29Metals reported 3Q2024 results which showed robust zinc production, gold was in line, and annualised year-to-date copper production is above guidance but meeting Morgan Stanley's expectations.

With gearing on the balance sheet rising to 54% in 2025 from 37% in 2024, the analyst envisages risks rising as the company is forecast to generate negative cash flow in 2025.

Target price 45c.The stock is downgraded to Equal-weight from Overweight with the stock trading around the target price Industry view: Attractive.

BELLEVUE GOLD LIMITED ((BGL)) Downgrade to Lighten from Hold by Ord Minnett .B/H/S: 2/0/0

Ord Minnett observes Bellevue Gold reported a better-than-expected 1Q25 result. Notably, the analyst liked the completion of problems with ventilation at the Bellevue Gold project mine which allows for increased production and mill volumes.

The broker lifts EPS estimates by 4% in FY25 and 2% in FY26.

Rating downgraded to Lighten from Hold due to the share price appreciation. Target price $1.35.

BLUESCOPE STEEL LIMITED ((BSL)) Downgrade to Neutral from Buy by Citi .B/H/S: 2/1/1

Citi downgrades its rating for BlueScope Steel to Neutral from Buy given US steel price momentum is stalling, and Asian spreads continue to be pressured by high Chinese exports.

Chinese steel consumption is contracting at a faster rate than production, note the analysts thereby boosting net steel exports.

As steel spreads normalise and North Star and Australian domestic volumes lift, the broker points out valuation metrics remain supportive for BlueScope Steel. Citi's $23 target is kept.

FORTESCUE LIMITED ((FMG)) Downgrade to Sell from Hold by Bell Potter .B/H/S: 2/2/3

Fortescue reported a fall in 1Q25 production of -12% on the previous quarter with shipments lower than Bell Potter's expectations and costs higher than forecast.

The analyst views the result as "soft", exemplifying some of the headwinds the company will face in FY25 as cost inflation remains stubborn and production declines despite a lift from Iron Bridge.

Bell Potter lowers EPS forecasts by -19% in FY25 and -10% in FY26 due to lower prices realised and higher cost assumptions.

The stock is downgraded to Sell from Hold with a reduced target price of $17.04 from $17.58.

ARCADIUM LITHIUM PLC ((LTM)) Downgrade to Neutral from Buy by Citi .B/H/S: 0/6/0

Citi downgrades lithium earnings forecasts on the back of a cautious short-term outlook and reduced lithium price expectations. The broker forecasts a balanced market in FY26, post the deferral of planned projects from troubles with financing.

The analyst stresses some de-stocking in the peak Sept-Oct season, but production has started to trend higher, which is likely to increase inventories into year end.

Arcadium Lithium is downgraded to Neutral from Buy with the stock trading near target price. Citi's estimates highlight the Rio Tinto ((RIO)) bid implies a longer-term lithium price of US$20k/t or US$1699/t spodumene.

Patriot Battery Metals ((PMT)) is the only Buy rating left in the sector but Pilbara Minerals ((PLS)) is the preferred lithium company exposure as the broker believes Pilbara is most exposed to any change in market sentiment such as an EV stimulus.

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

Citi downgrades lithium earnings forecasts on the back of a cautious short-term outlook and reduced lithium price expectations. The broker forecasts a balance market in FY26, post the deferral of planned projects from troubles with financing.

The analyst stresses some de-stocking in the peak Sept-Oct season, but production has started to trend higher, which is likely to increase inventories into year end.

Mineral Resources is downgraded to Neutral from Buy with the stock trading around the target price.

Patriot Battery Metals ((PMT)) is the only Buy rating left in the sector but Pilbara Minerals ((PLS)) is the preferred lithium company exposure as the broker believes Pilbara is most exposed to any change in market sentiment such as an EV stimulus.

NETWEALTH GROUP LIMITED ((NWL)) Downgrade to Equal-weight from Overweight by Morgan Stanley .B/H/S: 1/6/0

Morgan Stanley raises its target for Netwealth Group to $27.50 from $23.50 and downgrades to Equal-weight from Overweight on valuation. The share price has risen by 80% in 2024.

The lower rating in no way diminishes the broker's regard for the group. In fact Netwealth is considered one of the best software businesses in Australia. Management's execution is praised, and structural tailwinds still prevail, note the analysts.

Overweight rating. Industry view: In-Line.

ST. BARBARA LIMITED ((SBM)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 0/2/0

An extended shutdown, although planned, led to weak results from St. Barbara in 1Q25. Macquarie highlights production came in below forecasts by -30% and costs at Simberi were above estimates by 22%.

Management has retained FY25 guidance at 65-75koz and all-in-sustaining costs of $3200-$3600/oz. Macquarie expects a considerably stronger 2H25 with EPS estimated to gain 55%.

The stock is downgraded to Neutral from Outperform due to a doubling of the share price over the last three months. Macquarie notes the company's leverage to the gold spot price, but believes risks around funding and permitting remain.

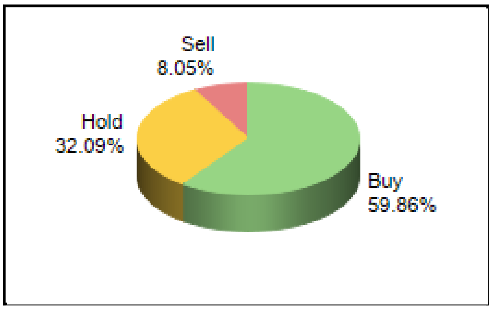
Target price rises 48% to 49c due to less assumed shares on issue.

SEEK LIMITED ((SEK)) Downgrade to Accumulate from Buy by Ord Minnett .B/H/S: 5/0/0

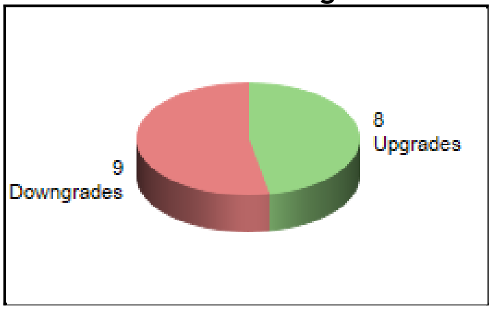
Following recent share price strength, Ord Minnett downgrades its rating for Seek to Accumulate from Buy on valuation and maintains the $27 target.

The overall impact of the analyst's forecast changes is minor. One positive adjustment relates to higher listings growth assumptions by the broker in the Australasian market.

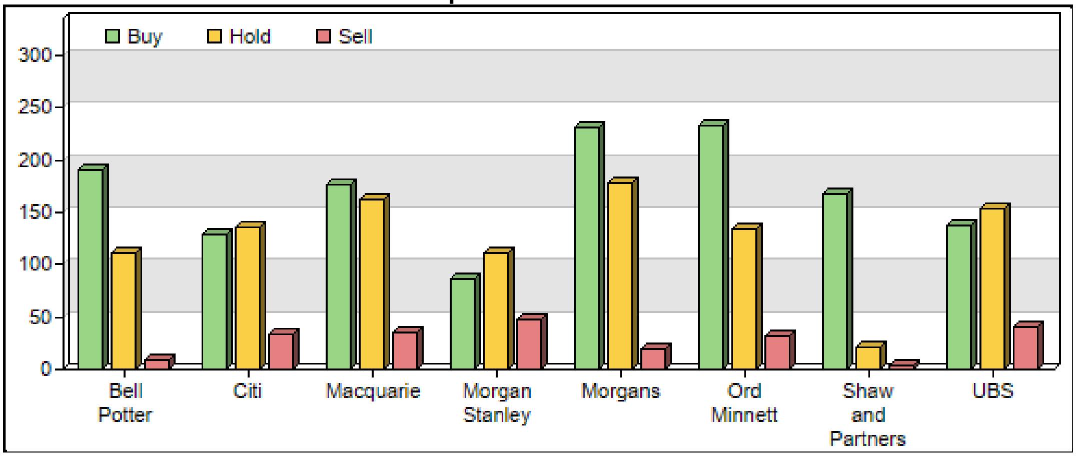
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	DATA#3 LIMITED.	Neutral	Sell	UBS
2	EVT LIMITED	Buy	Neutral	Citi
3	INSIGNIA FINANCIAL LIMITED	Neutral	Sell	UBS
4	JUMBO INTERACTIVE LIMITED	Buy	Sell	Citi
5	REECE LIMITED	Neutral	Sell	Macquarie
6	TREASURY WINE ESTATES LIMITED	Buy	Neutral	Citi
7	WISETECH GLOBAL LIMITED	Buy	Neutral	Bell Potter
8	WISETECH GLOBAL LIMITED	Buy	Neutral	Citi
Downgrade				
9	29METALS LIMITED	Neutral	Buy	Morgan Stanley
10	ARCADIUM LITHIUM PLC	Neutral	Buy	Citi
11	BELLEVUE GOLD LIMITED	Sell	Neutral	Ord Minnett
12	BLUESCOPE STEEL LIMITED	Neutral	Buy	Citi
13	FORTESCUE LIMITED	Sell	Neutral	Bell Potter
14	MINERAL RESOURCES LIMITED	Neutral	Buy	Citi
15	NETWEALTH GROUP LIMITED	Neutral	Buy	Morgan Stanley
16	SEEK LIMITED	Buy	Buy	Ord Minnett
17	ST. BARBARA LIMITED	Neutral	Buy	Macquarie

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	IFL	INSIGNIA FINANCIAL LIMITED	2.753	2.440	12.83%	4
2	MAF	MA FINANCIAL GROUP LIMITED	6.740	6.153	9.54%	3
3	RRL	REGIS RESOURCES LIMITED	2.450	2.279	7.50%	7
4	ADH	ADAIRS LIMITED	2.213	2.075	6.65%	4
5	BGL	BELLEVUE GOLD LIMITED	1.633	1.533	6.52%	3
6	MGR	MIRVAC GROUP	2.320	2.212	4.88%	5
7	SGM	SIMS LIMITED	13.090	12.513	4.61%	5
8	PRU	PERSEUS MINING LIMITED	3.225	3.088	4.44%	4
9	ORA	ORORA LIMITED	2.658	2.550	4.24%	5
10	ALL	ARISTOCRAT LEISURE LIMITED	59.467	57.467	3.48%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	A1M	AIC MINES LIMITED	0.767	0.850	-9.76%	3
2	FLT	FLIGHT CENTRE TRAVEL GROUP LIMITED	23.810	25.670	-7.25%	5
3	MIN	MINERAL RESOURCES LIMITED	46.857	50.429	-7.08%	7

4	RHC	RAMSAY HEALTH CARE LIMITED	44.404	46.984	-5.49%	5
5	NCK	NICK SCALI LIMITED	15.510	16.260	-4.61%	3
6	LTR	LIONTOWN RESOURCES LIMITED	0.942	0.975	-3.38%	6
7	WTC	WISETECH GLOBAL LIMITED	118.779	121.957	-2.61%	7
8	SHV	SELECT HARVESTS LIMITED	4.400	4.517	-2.59%	3
9	DTL	DATA#3 LIMITED.	8.883	9.117	-2.57%	3
10	PPT	PERPETUAL LIMITED	22.702	23.270	-2.44%	5

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	MGR	MIRVAC GROUP	12.075	10.225	18.09%	5
2	BGL	BELLEVUE GOLD LIMITED	11.100	9.700	14.43%	3
3	BOE	BOSS ENERGY LIMITED	15.960	14.060	13.51%	5
4	BPT	BEACH ENERGY LIMITED	17.200	15.950	7.84%	7
5	MIN	MINERAL RESOURCES LIMITED	-45.100	-48.917	7.80%	7
6	GMD	GENESIS MINERALS LIMITED	18.120	16.940	6.97%	5
7	PRU	PERSEUS MINING LIMITED	37.395	35.453	5.48%	4
8	CAR	CAR GROUP LIMITED	98.480	93.540	5.28%	6
9	IFL	INSIGNIA FINANCIAL LIMITED	35.500	33.767	5.13%	4
10	ADH	ADAIRS LIMITED	14.267	13.767	3.63%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	AD8	AUDINATE GROUP LIMITED	-2.525	1.225	-306.12%	4
2	C79	CHRYSOS CORP. LIMITED	-0.100	1.300	-107.69%	3
3	MEI	METEORIC RESOURCES NL	-0.767	-0.450	-70.44%	3
4	SHV	SELECT HARVESTS LIMITED	1.800	3.767	-52.22%	3
5	PLS	PILBARA MINERALS LIMITED	1.860	2.820	-34.04%	6
6	A1M	AIC MINES LIMITED	4.167	5.850	-28.77%	3
7	NCK	NICK SCALI LIMITED	75.250	89.400	-15.83%	3
8	KAR	KAROON ENERGY LIMITED	37.596	44.644	-15.79%	5
9	RRL	REGIS RESOURCES LIMITED	21.933	25.133	-12.73%	7
10	29M	29METALS LIMITED	-12.100	-11.133	-8.69%	4

Technical limitations

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WEEKLY REPORTS

Uranium Week: US$94lb Spot In Reach?

Spot market participants are awaiting the International Uranium Fuel Seminar, but macro continues to underpin robust investment requirements for nuclear power projects.

-Spot uranium market quiet as a mouse
-Climate goals drive nuclear power investment
-Supply shortages are real
-The Boss's Honeymoon hums

By Danielle Ecuyer

Lack of participation drives price fall

Industry consultants TradeTech report a -US$2lb decline in the spot U308 price last week to US$81lb with only one transaction reported. Instead, all eyes are focusing on this week's upcoming **International Uranium Fuel Seminar** which is being hosted by the Nuclear Energy Institute in Kansas City, Missouri.

The seminar is expected to cover a wide-ranging series of topics relating to U308 markets, including Uranium Market Dynamics, Nuclear Fuel Technology, Regulatory and Policy issues, Environmental and Sustainability Considerations as well as Economic and Financial aspects.

TradeTech's Mid-Term U308 price indicator is US$86lb with a Long-Term price indicator of US$82lb.

The spot price has traded in a range between high-US$70's and mid-US$80lb since the middle of 2024, the consultants observe, with the price up 10% on a year earlier.

Nuclear energy news in focus

NextEra Energy's CEO reiterated at the quarterly earnings call the company is continuing to "investigate" re-opening the Duane Arnold Nuclear Power Plant in Iowa. The CEO stated "We're very interested in recommissioning the plant" noting the plant's reactor is of a simpler design which lends support to recommissioning at an affordable cost and without too much risk.

TradeTech highlighted the latest report, *Climate Change and Nuclear Power 2024*, from the International Atomic Energy Agency which stated nuclear power investment needs to advance to US$125bn a year by 2030 to meet global climate goals.

Investment is required in both new nuclear builds and ongoing operation of existing reactors from current levels of US$50bn p.a. to help realise the goals of a 2.5x times increase in nuclear capacity by 2050.

Taking a big picture approach

Global X ETF provider served up a bullish summary at the end of the September quarter on uranium prices which concentrates on the rising role of geopolitics in supply chains.

Uranium primary production is highlighted as below global nuclear reactor demand since 1991. Production in 2024 is estimated to be only 89% of global reactor demand.

The "disconnect" between demand and supply has been permitted to exist due to secondary supplies from a Cold War production boom which built up inventories prior to supply excesses post-Fukushima.

Decommissioning of weapons and tactical supplies satisfied as much as 50% of global demand between 1991 to 2013. Global X points to research from UxC which highlights commercial uranium supplies peaked in 2021 at 65mlbs during global lockdowns and have since declined to 17.5mlbs or 9% of total supply in 2024.

The prospect of uranium supply shortages is expected to be emphasised in 2024. Global nuclear reactors demand 176mlbs with uranium mine supply forecast to stop short at 156mlbs this year.

The World Nuclear Association is forecasting increasing energy consumption and decarbonisation will underpin uranium demand to around 40mlbs per annum in 2040.

US sanctions against Russian imports and a shifting Kazatomprom supply chain to the East from the West, as outlined in last week's Uranium Weekly (link below), pose supply risks and potential upward pressure on uranium prices.

Citi also provided commodity price updates, highlighting an ongoing upbeat stance on uranium prices. The broker sees upside to US$94lb in the next three months with 12-month prices reaching US$104lb.

The broker envisages demand continuing to rise as big tech expands its move into various aspects of nuclear energy assets.

Possible Russian export bans or limitations on uranium supply flows from Kazakhstan and Uzbekistan to western markets could have material impacts on prices.

Citi emphasises nuclear energy has bi-partisan support in the US *"a rare exception during an election year"*.

A mining milestone downunder

Boss Energy ((BOE)) reported a "milestone" quarterly result this week with Honeymoon achieving the first shipments and cash flow in the 1Q25 activities report.

Bell Potter noted production "in circuit" of 110klbs and drummed production of 89.5klbs, with the ramp up proceeding in line with expectations. The 2nd column is in operation and the 3rd column is under construction for 2Q2025 commissioning which is anticipated to underwrite expansion up to 2.45mlbs.

Morgan Stanley noted Boss Energy remains largely un-contracted offering gearing to potentially rising U308 prices. The company inked a new market-linked contract with a US power utility for sales of circa 3.5mlbs of uranium for 2024/2033 against Honeymoon's nameplate capacity at around 2.45mlbs.

Shaw and Partners remains Buy rated with a Hold equivalent rating from Morgan Stanley. The average FNArena target price for Boss Energy stands at $4.28.

For more details on Kazatomprom:

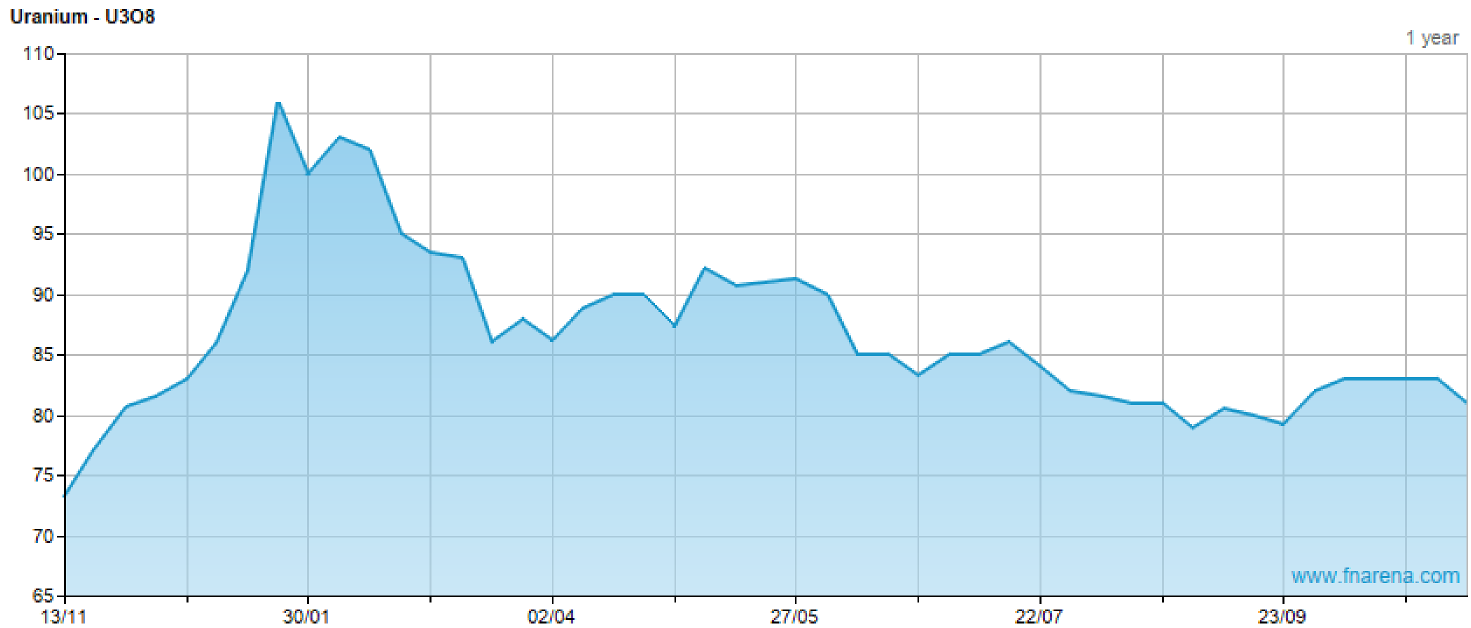
https://fnarena.com/index.php/2024/10/22/uranium-week-battle-royal-shorts-versus-sprott/

The author owns Paladin Energy shares.

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	25/10/2024	0.0500	▼-16.67%	$0.19	$0.03			
AEE	25/10/2024	0.1600	▼-13.51%	$0.33	$0.11			
AGE	25/10/2024	0.0500	▼- 6.00%	$0.08	$0.03		$0.100	▲100.0%
AKN	25/10/2024	0.0100	0.00%	$0.07	$0.01			
ASN	25/10/2024	0.0700	▼- 6.58%	$0.20	$0.07			
BKY	25/10/2024	0.3800	▼- 5.00%	$0.45	$0.26			
BMN	25/10/2024	3.1000	▼- 5.09%	$4.87	$1.90		$7.400	▲138.7%
BOE	25/10/2024	3.4500	▼- 3.72%	$6.12	$2.38	21.5	$4.280	▲24.1%
BSN	25/10/2024	0.0320	0.00%	$0.21	$0.02			
C29	25/10/2024	0.0800	▼-12.50%	$0.12	$0.06			
CXO	25/10/2024	0.1100	▼- 8.33%	$0.40	$0.08		$0.090	▼-18.2%
CXU	25/10/2024	0.0100	▼-50.00%	$0.06	$0.01			
DEV	25/10/2024	0.1400	0.00%	$0.45	$0.11			
DYL	25/10/2024	1.3800	▼- 7.14%	$1.83	$0.91	-77.2	$1.900	▲37.7%
EL8	25/10/2024	0.3400	▼- 5.26%	$0.68	$0.26			
ERA	25/10/2024	0.0030	▼-25.00%	$0.08	$0.00			
GLA	25/10/2024	0.0100	0.00%	$0.04	$0.01			
GTR	25/10/2024	0.0040	▲25.00%	$0.02	$0.00			
GUE	25/10/2024	0.0700	▼-22.22%	$0.18	$0.05			
HAR	25/10/2024	0.0500	0.00%	$0.28	$0.03			

I88	25/10/2024	0.5000	▲ 2.00%	$1.03	$0.14			
KOB	25/10/2024	0.1200	▲ 9.09%	$0.18	$0.07			
LAM	25/10/2024	0.8300	▲ 4.43%	$1.04	$0.48			
LOT	25/10/2024	0.2600	▼-15.87%	$0.49	$0.20		$0.547	▲110.3%
MEU	25/10/2024	0.0400	▲ 2.44%	$0.06	$0.04			
NXG	25/10/2024	11.4500	▼- 6.82%	$13.66	$7.89		$16.200	▲41.5%
ORP	25/10/2024	0.0400	0.00%	$0.12	$0.04			
PDN	25/10/2024	10.1100	▼- 6.00%	$17.98	$8.15	20.0	$14.160	▲40.1%
PEN	25/10/2024	0.0900	▼- 6.67%	$0.15	$0.07		$0.260	▲188.9%
SLX	25/10/2024	5.0900	▼- 3.39%	$6.74	$3.01		$7.200	▲41.5%
TOE	25/10/2024	0.3000	▲ 6.67%	$0.70	$0.01			
WCN	25/10/2024	0.0200	▼- 8.33%	$0.03	$0.01			



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

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

WEEKLY REPORTS

The Short Report - 31 Oct 2024

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

Summary:

Week Ending October 24th, 2024 (most recent data available through ASIC).

10%+

PLS 19.62
BOE 15.26
IEL 14.49
PDN 13.82
SYR 12.94
LTR 10.32
MIN 10.02

9.0-9.9%

LYC
DYL

Out: LOT

8.0-8.9%

KAR
LOT
?DMP
SYA
BGL

In: ?DMP, LOT

7.0-7.9%

CTD
LIC
SGR
SEK
ADT

In: CTD, SGR Out: ?DMP

6.0-6.9%

GMD
STX
CTT
RIO
JLG
WBT
WEB
AD8
FLT
IMU
CUV

In: AD8, CUV, JLG Out: CTD, CHN, SGR

5.0-5.9%

CHN
NUF
SLX
SFR
APE
NVX
IDX
DXS

In: APE Out: A2M, CUV, JLG

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.3	0.4	NAB	0.8	0.8
ANZ	0.6	0.6	QBE	0.5	0.5
BHP	0.4	0.5	RIO	6.5	6.4
CBA	1.4	1.4	STO	1.0	1.0
COL	0.9	0.6	TCL	0.8	0.7
CSL	0.4	0.4	TLS	0.2	0.2
FMG	1.0	1.0	WBC	0.9	0.9
GMG	0.6	0.7	WDS	2.2	2.1
JHX	0.7	0.8	WES	0.7	0.8
MQG	0.5	0.6	WOW	0.4	0.4

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

Guide:

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

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

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

IMPORTANT INFORMATION ABOUT THIS REPORT

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

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

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

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

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

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

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

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

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

WEEKLY REPORTS

In Brief: Newmont, Xero, Temple & Webster And Kelsian

Dipping into the hits and misses this quarterly/AGM season with four diverse companies.

-Newmont Corp lobs an earnings bomb
-Xero's positive outlook
-Temple & Webster retains growth
-Kelsian back in the groove

By Danielle Ecuyer

Quote of the week from E&P report **"AI - a hot topic that will get hotter".**

"We believe a lot of Generative AI doubters have misunderstood what to look for. A lot of internet and software companies are facing existential threats from competition if they don't invest, so return on capital is declining across certain pockets of the technology world as a platform shift occurs."

Newcrest acquisition, at what cost?

Newmont Corp ((NEM)), which late last year acquired **Newcrest** Mining, has delivered one of the eye-catching disappointments thus far in October. In the words of Barrenjoey, the stock price experienced a "severe" reaction, tumbling down by over -20%.

The broker points toward the acquired Newcrest assets, Lihir and Brucejack, as the key culprits, going as far as to query the "merits" of the acquisition.

Dissecting the production math, Barrenjoey points to the lack of perceived derived synergies with pre-takeover Newmont operations producing 6moz p.a. versus Newcrest at 2moz p.a. with -1.5moz p.a. of non-core assets being divested.

The result is a streamlined business producing 6.5moz p.a. for a cost of -US$19.2bn pre divestments.

The latest 1H25 downgraded outlook is for 5.6moz p.a. with a return to 6moz envisaged.

Although Barrenjoey is positive on Newmont's asset quality, the good locality of assets with the price of gold at an all-time high which boosts the saleability of assets, the analyst is circumspect around the loss of momentum, and the extent of the multi-year downgrade in production outlook. Barrenjoey explains concerns that management has yet to obtain a handle on Lihir's problems.

Nevada (a joint venture with Barrick Gold) is also stressed as a smoking gun with the possibility of another downgrade when Barrick, the managing partner, presents at its strategy day on Nov 18. Barrenjoey believes there has been a lack of clarity about the size and duration of problems at Nevada.

Target price is lowered to $80 from $90 with a downgrade to Neutral from Overweight. This broker remains concerned over a potential de-rating of the stock if there is a loss of confidence in management and/or the operations.

Thriving despite macro headwinds

New Zealand-born accountancy cloud software services provider **Xero** ((XRO)) is due to report 1H25 earnings results on Nov 14 with Jarden looking under the hood for what investors can expect from the company.

The broker believes the company could surprise on subscriber growth and operating costs. Excluding 150k "idle" subscribers, Jarden expects growth of 202k subscribers, which is below consensus.

Operating costs are forecast at -$758m which is derived from the company's definition of 20% year-on-year growth and 76.2% of revenue. With two XeroCon events the company hosted, 1H25 costs will be impacted.

The analyst notes with the caveat around hiring, if Xero does not recruit as quickly, the opex guidance may be reduced.

Jarden updates earnings estimates for forex changes and the proposed Swft acquisition with 2%-to-4%-point increases in EPS forecasts for FY25/FY26, respectively, Including changes to the risk-free rate.

Target price moves to $151 from $144.

Sales momentum positive but moderates

Temple & Webster ((TPW)) updated investors with year-to-date trading results ending Oct 24. Sales growth slowed to 21% year-on-year from 28% in the first eight weeks of FY25. This implies growth of 18% on the previous year for weeks seven to seventeen, Petra Capital points out.

Most retail companies can only dream of such robust growth, but it is all about context and valuation.

The company is cycling robust growth in 1H23 which will make annual growth rates more challenging. From Oct 1 to Nov 27, 2023, sales advanced 42% annually with a heavier weighting to November.

The broker believes Temple & Webster is on the right pathway to the targeted $1bn in annual sales within 3-5 years from FY23, representing a compound average growth rate of 20% to 36% per annum.

Changes to the uplift in margins have led to more conservative assumptions. Petra Capital lowers FY26 EPS estimate by -15% and moves the target price to $13 from $13.10.

Jarden has also made some downward revisions post the AGM update with around a decline of -4% to circa -7% for EBITDA forecasts from FY25 to FY27. Target price clipped to $14.01 from $14.30. Both brokers have a Buy rating on the stock.

When no news is good news

Canaccord Genuity breathed a sigh of relief regarding **Kelsian Group**'s ((KLS)) AGM update stating *"commentary pleasingly had little new information to discern."*

The Chairman's statement expressed a level of "contrition", known as humble pie in layperson's parlance, on the capital management plans to meet the group's strategic goals. There is also portfolio review to establish pathways to improved returns, i.e. sale and lease back of depots in Western Australia.

Management highlighted the Bankstown rail replacement project in Sydney has commenced and is on budget. The US Bustang & Pegasus service contracts in Colorado have been executed, the analyst states, with the industrial construction project ramping up.

Marine & Tourism infrastructure and vessel construction are on track with the Fraser Island, K'gari Illumina light show launched.

The broker highlights FY25 guidance was maintained, with Kelsian noting the pipeline of organic growth opportunities across public transport in A&NZ, the US and UK offer attractive opportunities. Contract wins in US and UK have potential to redeem sunk operational cost overheads in the International Bus business. The analyst believes better labour management will assist the Australian Bus business.

Canaccord forecasts a mid-to-high single-digit EBITDA growth profile for Kelsian in the medium term at estimated 9% growth in FY25 and FY26. The stock is buy rated with a $4.10 target price.

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 01-11-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

ADAIRS LIMITED ((ADH)) Buy by Canaccord Genuity.B/H/S: 0/0/0

Adairs' trading update pleased Canaccord Genuity, with a particularly strong sales performance the highlight, complemented by gross margins pacing ahead of a year ago despite headwinds from FX and initial impacts from higher freight costs.

The broker remains optimistic on the near-term outlook, while cautioning that we are entering peak retail trading at year-end. Canaccord has taken the view that management's initiatives to turn around Adairs and Mocka will outweigh continuing cost of living pressures.

The broker is nonetheless cautious on Focus forecasts given weak recent trading. In the medium term, Canaccord sees material top-line optionality and room for operating leverage. Target rises to $2.80 from $2.50, Buy retained.

MICHAEL HILL INTERNATIONAL LIMITED ((MHJ)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

Jarden comments Michael Hill has shown improved trading momentum in the first 14 weeks of FY25, with group sales growth accelerating to 4.3% year-on-year, up from 3.2% in the first eight weeks.

As per the broker, Australia and Canada led the way with strong same-store sales growth of 6.3% and 4.7%, respectively, while New Zealand's same-store sales contracted by -4.2%, though this represents an improvement from -6.2% previously.

Gross margin has also shown a "meaningful improvement," and management remains confident in achieving the FY25 gross margin target of circa 62%.

The broker has upgraded its rating to Buy from Overweight and raised the price target to NZ$0.80 from NZ$0.78, driven by positive earnings revisions and margin recovery progress.

PREMIER INVESTMENTS LIMITED ((PMV)) Upgrade to Neutral from Sell by Goldman Sachs.B/H/S: 0/0/0

Goldman Sachs believes there is greater visibility on Premier Investments' earnings.

The analyst expects higher EBIT margins for Peter Alexander and Smiggle as well as a clearer growth path for Apparel Brands.

The analyst lifts FY25-27 EPS estimates by -1% to 10%, respectively. A more omni-channel sales model for Apparel should help a turnaround in declining market share via data and loyalty led strategies.

The stock is upgraded to Neutral from Sell. Target price rises to $32.20 from $28.26.

WHITEHAVEN COAL LIMITED ((WHC)) Upgrade to Buy from Neutral by Goldman Sachs.B/H/S: 0/0/0

Whitehaven Coal's Q1 FY25 showed robust coal production, according to Goldman Sachs, with run-of-mine (ROM) output 10% above estimates, strong metallurgical and thermal price realisations, and unit costs near the low end of guidance at $145/t.

Production guidance remains unchanged, but higher Queensland production estimates and debt reduction initiatives provide a favourable outlook, in the analyst's opinion.

Goldman upgrades Whitehaven to Buy from Neutral, and sets a price target of $7.90, a rise of 23%. The Buy rating is based on attractive free cash flow (FCF) potential and sustained demand for metallurgical coal, explains the broker.

WISETECH GLOBAL LIMITED ((WTC)) Upgrade to Buy from Neutral by Goldman Sachs.B/H/S: 0/0/0

Goldman Sachs reaffirms WiseTech Global's competitive positioning which is reinforced by its CargoWise software, poised for adoption across large freight forwarders, with ARPU expansion anticipated through new offerings like Container Transport Optimizer.

The EBITDA margin is forecasts to rise to 54% by FY26, supported by efficiency improvements.

The stock is upgraded to Buy from Neutral post the recent sell off on concerns around CEO/Founder Richard White. Target price $138 (retained).

Downgrade

BLUESCOPE STEEL LIMITED ((BSL)) Downgrade to Neutral from Overweight by Jarden.B/H/S: 0/0/0

BlueScope Steel has issued a first half earnings guidance downgrade of -25% as steel spreads and inflationary costs weigh on earnings. Unfortunately, suggests Jarden, it appears operating performances have exacerbated weaker steel spreads.

North Star's expected volume improvements have yet to offset lower-than-expected spreads, while its coatings business's performance remains below the company's expectations.

Whie surprisingly still experiencing steady demand in Australia, lower spreads, higher energy costs and non-cash accounting adjustments are suppressing returns, Jarden notes. No recovery has been noted across either NZ or the Asian operations.

A cost-out program is pending. Jarden remains constructive long term and confident BlueScope can respond to short-term cyclical pressures while building higher, less volatile earnings streams via a disciplined capital allocation process over time.

Target falls to $21.90 from $23.00, downgrade to Neutral from Overweight.

LYNAS RARE EARTHS LIMITED ((LYC)) Downgrade to Neutral from Buy by Goldman Sachs.B/H/S: 0/0/0

Goldman Sachs downgrades Lynas Rare Earths to Neutral post the company's 1Q25 update.

Lynas Rare Earths reported rare earth sales at 2.8kt and revenue at $121m, both slightly below expectations due to deferred NdPr sales and lower prices.

The broker observes Mt Weld expansion remains on schedule for completion in FY25, with a ramp-up at Kalgoorlie aligned with Mt Weld's progress.

Management's production guidance for FY25 NdPr is lowered to 6.8kt from 7.5kt. Goldman Sachs lowers EPS forecasts FY25-27 by up to -43%.

Target price declines -1% to $7.30. Neutral rated.

REGIS RESOURCES LIMITED ((RRL)) Downgrade to Hold from Buy by Canaccord Genuity.B/H/S: 0/0/0

Regis Resources' quarterly group production of 94.5koz was pre-reported and in line with Canaccord Genuity. Group costs of $2,495/oz were -5% below driven by lower costs at Tropicana. FY25 production guidance is maintained at 350-380koz at costs of $2,440-2,740/oz.

Regis noted that while guidance for McPhillamys expenditure has been updated, the project remains under review with the updated guide reflecting the cost to maintain the asset while work is undertaken to identify and evaluate an alternate location for the Tailings Storage Facility.

On incorporating the result and rolling its model forward, Canaccord's target increases to $2.65 from $2.55 but the broker downgrades to Hold from Buy, while continuing to highlight Regis Resources' strong free cash flow yields in FY25/26E of 10%/15%.

SANDFIRE RESOURCES LIMITED ((SFR)) Downgrade to Hold from Buy by Canaccord Genuity.B/H/S: 0/0/0

Canaccord Genuity downgrades Sandfire Resources to Hold from Buy, while increasing the target price to $11.25 from $11.00.

First quarter results showed flat copper equivalent production quarter-on-quarter, with a 5% increase in copper output from Matsa offset by lower copper grades at Motheo.

Earnings (EBITDA) of US$121m missed the broker's expectations due to lower revenues and higher costs.

Canaccord adjusts financial forecasts to reflect updated production and cost estimates, citing stable near-term growth as Sandfire focuses on consolidating recent expansions.

The broker sees limited upside in the near-term but anticipates potential future entry points if the stock pulls back.

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

Following a period of restriction, Jarden introduces revised estimates for Synlait Milk, which include the recent FY24 results and additional equity support from existing key shareholders Bright (65.3%) and a2 Milk ((A2M)) (19.8%).

Key drivers for Jarden are lower North Island losses, modest ongoing growth from Dairyworks and South Island improvement in Ingredients margin, growth in Foodservice and infant formula base powders.

The broker reduces its FY25 net debt forecast to NZ$231mn post recapitalisation and assuming further working capital improvement. Neutral with an NZ45c target.

SUPER RETAIL GROUP LIMITED ((SUL)) Downgrade to Underweight from Market Weight by Wilsons.B/H/S: 0/0/0

Super Retail's AGM revealed sales growth has deteriorated since July/August, given increased "competitive intensity" in its key vertical, Supercheap Auto (39% of sales), implying near-term gross margin headwinds are building, Wilsons notes.

While Rebel sales remain positive on improved footwear and apparel, Wilsons posits momentum will need to improve meaningfully in November/December to offset higher costs and avoid a profit margin squeeze in FY25.

Looking forward, Wilsons tempers expectations for the positive impact of loyalty programs on sales growth (given ongoing softness in Rebel) and downgrades gross margin assumptions ahead of Super Retail's peak sales period.

Target falls to $12.90 from $16.10, downgrade to Underweight from Market Weight.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	ADAIRS LIMITED	Buy	Neutral	Canaccord Genuity
2	MICHAEL HILL INTERNATIONAL LIMITED	Buy	Buy	Jarden
3	PREMIER INVESTMENTS LIMITED	Neutral	Sell	Goldman Sachs
4	WHITEHAVEN COAL LIMITED	Buy	Neutral	Goldman Sachs
5	WISETECH GLOBAL LIMITED	Buy	Neutral	Goldman Sachs
Downgrade				
6	BLUESCOPE STEEL LIMITED	Neutral	Buy	Jarden
7	LYNAS RARE EARTHS LIMITED	Neutral	Buy	Goldman Sachs
8	REGIS RESOURCES LIMITED	Neutral	Buy	Canaccord Genuity
9	SANDFIRE RESOURCES LIMITED	Neutral	Buy	Canaccord Genuity
10	SUPER RETAIL GROUP LIMITED	Sell	Neutral	Wilsons
11	SYNLAIT MILK LIMITED	Neutral	Buy	Jarden

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
29M	29Metals	$0.42	Jarden	0.30	0.33	-9.09%
ADH	Adairs	$2.66	Canaccord Genuity	2.80	1.92	45.83%
			Wilsons	2.40	1.95	23.08%

BLX	Beacon Lighting	$2.93	Jarden	3.00	2.70	11.11%
BSA	BSA	$1.04	Canaccord Genuity	1.75	1.62	8.02%
BSL	BlueScope Steel	$20.31	Goldman Sachs	25.10	28.20	-10.99%
			Jarden	21.90	23.00	-4.78%
BXB	Brambles	$18.36	Goldman Sachs	16.30	14.45	12.80%
CAR	CAR Group	$37.78	Goldman Sachs	44.50	40.90	8.80%
CMM	Capricorn Metals	$6.31	Goldman Sachs	6.15	5.55	10.81%
			Jarden	7.03	6.62	6.19%
CRD	Conrad Asia Energy	$1.08	Canaccord Genuity	2.17	1.92	13.02%
CUV	Clinuvel Pharmaceuticals	$14.20	Moelis	23.00	22.05	4.31%
CXO	Core Lithium	$0.11	Jarden	0.07	0.08	-12.50%
DTL	Data#3	$7.33	Goldman Sachs	8.25	8.15	1.23%
EVN	Evolution Mining	$5.24	Jarden	3.54	3.25	8.92%
FBU	Fletcher Building	$2.72	Goldman Sachs	2.75	3.00	-8.33%
FEX	Fenix Resources	$0.27	Petra Capital	0.42	0.44	-4.55%
FFM	FireFly Metals	$1.28	Canaccord Genuity	1.95	1.40	39.29%
FMG	Fortescue	$19.17	Goldman Sachs	15.40	15.50	-0.65%
GOR	Gold Road Resources	$2.00	Goldman Sachs	2.25	2.05	9.76%
IEL	IDP Education	$13.93	Goldman Sachs	19.00	19.85	-4.28%
IFL	Insignia Financial	$3.31	Jarden	3.25	3.30	-1.52%
IGO	IGO Ltd	$5.25	Goldman Sachs	6.20	6.40	-3.13%
ILU	Iluka Resources	$5.87	Goldman Sachs	7.70	9.00	-14.44%
INR	ioneer	$0.29	Canaccord Genuity	0.40	0.35	14.29%
JHX	James Hardie Industries	$48.86	Goldman Sachs	55.00	55.85	-1.52%
KAR	Karoon Energy	$1.39	Goldman Sachs	2.15	2.03	5.91%
			Jarden	2.05	2.10	-2.38%
			Jarden	2.15	2.10	2.38%
LYC	Lynas Rare Earths	$7.60	Goldman Sachs	7.30	7.00	4.29%
MAH	Macmahon	$0.38	Petra Capital	0.43	0.38	13.16%
MGH	Maas Group	$4.70	Wilsons	5.66	5.59	1.25%
NST	Northern Star Resources	$17.73	Canaccord Genuity	21.95	22.05	-0.45%
			Goldman Sachs	16.60	13.70	21.17%
			Jarden	13.10	12.30	6.50%
NWS	News Corp	$44.37	Goldman Sachs	52.00	48.90	6.34%
PDN	Paladin Energy	$10.20	Canaccord Genuity	16.30	16.50	-1.21%
PMV	Premier Investments	$33.75	Goldman Sachs	32.20	26.00	23.85%
			Petra Capital	33.75	34.25	-1.46%
PNI	Pinnacle Investment Management	$20.13	Wilsons	20.50	19.70	4.06%
PPS	Praemium	$0.68	Canaccord Genuity	0.95	0.85	11.76%
PXA	Pexa Group	$13.61	Goldman Sachs	16.20	15.70	3.18%
PYC	PYC Therapeutics	$0.19	Canaccord Genuity	0.24	0.22	9.09%
REA	REA Group	$226.92	Goldman Sachs	245.00	223.00	9.87%
REH	Reece	$22.81	Goldman Sachs	23.10	23.70	-2.53%
RMD	ResMed	$36.92	Wilsons	42.18	40.25	4.80%
RMS	Ramelius Resources	$2.39	Canaccord Genuity	3.25	3.20	1.56%
RRL	Regis Resources	$2.71	Canaccord Genuity	2.65	2.55	3.92%
			Goldman Sachs	2.05	1.85	10.81%
RSG	Resolute Mining	$0.82	Canaccord Genuity	1.75	1.85	-5.41%
RWC	Reliance Worldwide	$5.21	Goldman Sachs	5.93	5.35	10.84%
SDR	SiteMinder	$6.63	Goldman Sachs	6.10	5.70	7.02%
SDV	SciDev	$0.60	Canaccord Genuity	0.74	0.68	8.82%
SEK	Seek	$24.94	Goldman Sachs	21.50	19.50	10.26%
SFR	Sandfire Resources	$10.37	Canaccord Genuity	11.25	11.00	2.27%
			Jarden	9.20	8.80	4.55%
STN	Saturn Metals	$0.28	Petra Capital	0.79	0.77	2.60%
STX	Strike Energy	$0.22	Wilsons	0.31	0.33	-6.06%
SUL	Super Retail	$14.54	Goldman Sachs	17.60	18.60	-5.38%
			Jarden	16.60	17.30	-4.05%
			Wilsons	12.90	16.10	-19.88%
SYA	Sayona Mining	$0.03	Canaccord Genuity	0.05	0.05	-10.00%
TCL	Transurban Group	$12.71	Jarden	12.30	12.40	-0.81%
TPW	Temple & Webster	$11.55	Petra Capital	13.00	13.10	-0.76%

VEA Viva Energy	$2.63	Goldman Sachs	3.30	3.50	-5.71%
WHC Whitehaven Coal	$6.81	Goldman Sachs	7.90	6.80	16.18%
WOR Worley	$14.00	Goldman Sachs	18.00	17.75	1.41%
WOW Woolworths Group	$29.96	Goldman Sachs	36.20	38.90	-6.94%
XRO Xero	$149.50	Jarden	151.00	144.00	4.86%
Company	Last Price	Broker	New Target	Old Target	Change

More Highlights

ACE ACUSENSUS LIMITED

Transportation & Logistics Overnight Price: $0.94

Canaccord Genuity rates ((ACE)) as Buy (1)

Canaccord Genuity highlights Acusensus reported "strong" 1Q25 revenue of $14m, up 17% year-on-year and 10% quarter-on-quarter, tracking ahead of expectations for FY25 revenue growth of 14% to $57m.

The company's revenue growth is driven by long-duration government contracts, the broker explains, with no contract churn and high cross-sell success.

The broker nominates as the domestic highlight for the quarter a $9.4m, 3-year contract with the WA government, which will add $3m per annum in incremental revenue starting in 3Q25.

Internationally, the US business achieved two new long-term contracts and a UK pilot program is underway. The broker maintains a Buy rating and has kept the price target unchanged at $1.30. No material changes were made to financial forecasts.

This report was published on October 23, 2024.

Target price is **$1.30** Current Price is **$0.94** Difference: **$0.355**
If **ACE** meets the Canaccord Genuity target it will return approximately **38%** (excluding dividends, fees and charges).
The company's fiscal year ends in July.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 1.40** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 67.50**.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **minus 0.90** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 105.00**.

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

ARX AROA BIOSURGERY LIMITED

Pharmaceuticals & Biotech/Lifesciences Overnight Price: $0.59

Canaccord Genuity rates ((ARX)) as Buy (1)

Aroa Biosurgery reported its 2Q25 result in line with Canaccord Genuity's expectations. Myriad sales appear to be progressing well with the combination of a maturing salesforce, focus on trauma/higher value procedures and commitment to generating validating
clinical data beginning to play out.

Delays to TELA Bio's inventory work-through will likely be behind us, the broker suggests, and while 2Q was relatively weak on some one-off impacts, the longer-term structural growth story continues to impress with 2024 guidance of 27-31% growth maintained.

Guidance to a maiden profit in FY25 is maintained, with Canaccord expecting operating leverage and scale to come through in FY26. Buy and $1.00 target retained.

This report was published on October 24, 2024.

Target price is **$1.00** Current Price is **$0.59** Difference: **$0.405**
If **ARX** meets the Canaccord Genuity target it will return approximately **68%** (excluding dividends, fees and charges).
The company's fiscal year ends in March.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 0.37** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 161.68**.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **1.93** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **30.80**.

This company reports in **NZD**. All estimates have been converted into AUD by FNArena at present FX values.
Market Sentiment: **1.0**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

BSA BSA LIMITED

Industrial Sector Contractors & Engineers Overnight Price: $1.02

Canaccord Genuity rates ((BSA)) as Buy (1)

BSA reported a strong 1Q25 result, Canaccord Genuity suggests, with underlying earnings up 48% year on year and up 3% on the prior quarter, and guidance provided for FY25. As a result, the broker has lifted FY25 earnings forecasts.

BSA also recently announced it would team with UGL to tender for the upcoming NBN Field Services contract, which will combine the complementary capabilities of the two groups, both currently providers to NBN.

Current estimated timelines indicate the NBN Field Services contract will not commence before September 2025 and therefore this tender process is not expected to materially impact BSA's FY25 performance.

Canaccord notes BSA continues to position itself for future opportunities in the electric vehicle market. Target rises to $1.75 from $1.62, Buy retained.

This report was published on October 25, 2024.

Target price is **$1.75** Current Price is **$1.02** Difference: **$0.73**
If **BSA** meets the Canaccord Genuity target it will return approximately **72%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **19.40** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **5.26**.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **21.20** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **4.81**.

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

CIP CENTURIA INDUSTRIAL REIT

REITs Overnight Price: $3.06

Moelis rates ((CIP)) as Buy (1)

Moelis highlights Centuria Industrial REIT reported strong re-leasing spreads of 54% on recent agreements, underscoring the resilience of its infill industrial assets.

The REIT experienced 97.2% occupancy with a weighted average lease expiry of 7.5 years at the 1Q25 quarterly update.

Moelis expects continued growth through three development projects slated for FY25 and Centuria divested two properties at a 5% premium to book value, further supporting its asset valuation.

No changes to the analyst's forecasts. Buy rated with $3.72 target price.

This report was published on October 29, 2024.

Target price is **$3.72** Current Price is **$3.06** Difference: **$0.66**
If **CIP** meets the Moelis target it will return approximately **22%** (excluding dividends, fees and charges).
Current consensus price target is **$3.51**, suggesting upside of **14.7%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **16.20** cents and EPS of **17.60** cents.
At the last closing share price the estimated dividend yield is **5.29%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **17.39**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **17.7**, implying annual growth of **133.5%**.
Current consensus DPS estimate is **16.2**, implying a prospective dividend yield of **5.3%**.
Current consensus EPS estimate suggests the PER is **17.3**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **16.50** cents and EPS of **18.10** cents.
At the last closing share price the estimated dividend yield is **5.39%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **16.91**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **18.1**, implying annual growth of **2.3%**.
Current consensus DPS estimate is **16.5**, implying a prospective dividend yield of **5.4%**.
Current consensus EPS estimate suggests the PER is **16.9**.

Market Sentiment: **0.3**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

GOZ GROWTHPOINT PROPERTIES AUSTRALIA

Infra & Property Developers Overnight Price: $2.63

Moelis rates ((GOZ)) as Buy (1)

Growthpoint Properties Australia reported a "solid" quarterly update reflecting approximately 96,000 sqm of completed leasing across the portfolio, Moelis notes.

The portfolio has a weighted average lease expiry of 5.8 years, boosted by a key tenant's exercise of a five-year option.

Despite minor occupancy declines in the office segment, demand in Brisbane remains robust, the broker observes, and recent asset sales and capital release initiatives have reduced gearing to 37.9% from 41.7%.

Management retains FY25 guidance. Buy. Target price $3.32.

This report was published on October 29, 2024.

Target price is **$3.32** Current Price is **$2.63** Difference: **$0.69**
If **GOZ** meets the Moelis target it will return approximately **26%** (excluding dividends, fees and charges).
Current consensus price target is **$2.65**, suggesting upside of **0.8%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Moelis forecasts a full year **FY25** dividend of **20.30** cents and EPS of **22.50** cents.
At the last closing share price the estimated dividend yield is **7.72%.**
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.69**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **19.8**, implying annual growth of **N/A**.
Current consensus DPS estimate is **19.3**, implying a prospective dividend yield of **7.3%.**
Current consensus EPS estimate suggests the PER is **13.3**.

Forecast for FY26:

Moelis forecasts a full year **FY26** dividend of **18.50** cents and EPS of **23.70** cents.
At the last closing share price the estimated dividend yield is **7.03%.**
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.10**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **20.4**, implying annual growth of **3.0%.**
Current consensus DPS estimate is **18.7**, implying a prospective dividend yield of **7.1%.**
Current consensus EPS estimate suggests the PER is **12.9**.

Market Sentiment: **0.7**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

IEL IDP EDUCATION LIMITED

Education & Tuition Overnight Price: $13.93

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

Goldman Sachs assesses the revised regulatory constraints impacting the international student market, notably in Canada and Australia for IDP Education.

The company's recent entry into China's IELTS testing market presents a growth opportunity, with breakeven expected at around 15% market share, the broker highlights.

Goldman Sachs' FY25 earnings forecast assumes a -14% decline in student placement volumes, aligning with sector headwinds, but potential recovery is foreseen from FY26 as regulatory impacts stabilise.

EPS forecasts by the analyst fall by -1% in FY25 and -6% in FY26. Buy rating unchanged. Target price slips -4% to $19.

This report was published on October 30, 2024.

Target price is **$19.00** Current Price is **$13.93** Difference: **$5.07**
If **IEL** meets the Goldman Sachs target it will return approximately **36%** (excluding dividends, fees and charges).
Current consensus price target is **$18.04**, suggesting upside of **29.5%**(ex-dividends)

The company's fiscal year ends in June.

Forecast for FY25:

Goldman Sachs forecasts a full year **FY25** dividend of **28.00** cents and EPS of **47.00** cents.
At the last closing share price the estimated dividend yield is **2.01%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **29.64**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **47.4**, implying annual growth of **-0.6%**.
Current consensus DPS estimate is **34.2**, implying a prospective dividend yield of **2.5%**.
Current consensus EPS estimate suggests the PER is **29.4**.

Forecast for FY26:

Goldman Sachs forecasts a full year **FY26** dividend of **33.00** cents and EPS of **55.00** cents.
At the last closing share price the estimated dividend yield is **2.37%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **25.33**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **53.3**, implying annual growth of **12.4%**.
Current consensus DPS estimate is **39.9**, implying a prospective dividend yield of **2.9%**.
Current consensus EPS estimate suggests the PER is **26.1**.

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

KLS KELSIAN GROUP LIMITED

Transportation & Logistics Overnight Price: $3.92

Canaccord Genuity rates ((KLS)) as Buy (1)

Canaccord Genuity retains a Buy rating for Kelsian with an unchanged target price of $6.10, following the company's AGM where EBITDA guidance was reiterated at $283-295m.

The broker notes a review of capital management, with plans to optimise leverage, dividend payout, and capital returns.

Projects in Sydney and Colorado are progressing on budget, observes the analyst, and Kelsian's Marine & Tourism division anticipates further growth from domestic tourism.

This report was published on October 30, 2024.

Target price is **$6.10** Current Price is **$3.92** Difference: **$2.18**
If **KLS** meets the Canaccord Genuity target it will return approximately **56%** (excluding dividends, fees and charges).
Current consensus price target is **$5.10**, suggesting upside of **30.1%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **17.00** cents and EPS of **35.00** cents.
At the last closing share price the estimated dividend yield is **4.34%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.20**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **34.7**, implying annual growth of **61.6%**.
Current consensus DPS estimate is **18.0**, implying a prospective dividend yield of **4.6%**.
Current consensus EPS estimate suggests the PER is **11.3**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **20.00** cents and EPS of **40.00** cents.
At the last closing share price the estimated dividend yield is **5.10%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **9.80**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **38.9**, implying annual growth of **12.1%**.
Current consensus DPS estimate is **24.0**, implying a prospective dividend yield of **6.1%**.
Current consensus EPS estimate suggests the PER is **10.1**.

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

SDV SCIDEV LIMITED

Industrial Sector Contractors & Engineers Overnight Price: $0.59

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

Canaccord Genuity reiterates a Buy rating on SciDev, lifting the target price to 74c from 68c, despite a slight revenue dip due to project timing in Q1.

Quarterly gross margins strengthened to 29% from around 26% in 4Q24, while earnings (EBITDA) increased by 29% quarter-on-quarter, indicating operational resilience.

The broker expects tailwinds from upcoming per-and polyfluoroalkyl substances (PFAS) contracts, with potential margin expansion from a steady project pipeline.

This report was published on October 30, 2024.

Target price is **$0.74** Current Price is **$0.59** Difference: **$0.145**
If **SDV** meets the Canaccord Genuity target it will return approximately **24%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **2.90** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **20.52**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **4.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **14.87**.

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

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