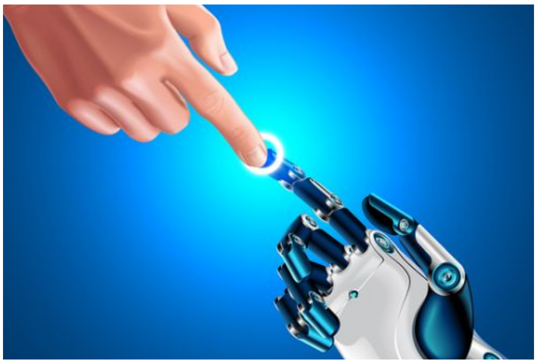
WEEK 19

FNArena
FINANCIAL NEWS, ANALYSIS & DATA

STORIES TO READ FROM FNArena

Friday, 10 May 2024

Goodman Group Powers On



Part Two: Generative AI, Investing in the 21st Century Megatrend

Rudi's View: Opportunity In Data Centres

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FNArena
Financial News, Data & Analysis

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AUSTRALIA

The Market In Numbers - 4 May 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	03 May 2024	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
NZ50	11938.080	1.13%	-0.16%	-1.38%	1.42%	0.18%
All Ordinaries	7897.50	0.77%	-0.43%	-3.14%	0.87%	6.70%
S&P ASX 200	7629.00	0.70%	-0.46%	-3.39%	0.50%	5.91%
S&P ASX 300	7583.30	0.73%	-0.45%	-3.37%	0.63%	5.95%
Communication Services	1482.70	0.09%	-1.32%	-6.10%	-6.64%	-3.56%
Consumer Discretionary	3439.50	2.14%	0.22%	-4.90%	6.15%	16.84%
Consumer Staples	11598.70	-2.28%	-2.95%	-6.14%	-5.78%	-12.75%
Energy	10070.80	-1.81%	-1.89%	-6.53%	-5.20%	-6.99%
Financials	7216.00	1.33%	0.28%	-3.25%	7.41%	16.02%
Health Care	42141.80	1.10%	-0.53%	-2.99%	-0.47%	2.06%
Industrials	6868.50	0.28%	-0.41%	-4.35%	0.04%	1.06%
Info Technology	2203.50	2.31%	0.67%	-3.23%	20.22%	20.44%
Materials	17832.10	-0.30%	-1.21%	-0.61%	-8.51%	-1.11%
Real Estate	3563.70	3.17%	0.67%	-7.13%	6.45%	17.08%
Utilities	8629.10	-0.20%	-0.57%	4.16%	5.50%	-1.20%
A-REITs	1618.30	3.14%	0.65%	-7.19%	7.71%	19.46%
All Technology Index	3016.30	1.55%	0.05%	-2.56%	11.96%	24.82%
Banks	3014.20	2.16%	1.09%	-2.30%	8.44%	20.72%
Gold Index	7460.20	-4.88%	-4.63%	3.01%	1.26%	12.73%
Metals & Mining	5850.80	-0.56%	-1.50%	0.16%	-9.52%	-3.41%

The World

Index	03 May 2024	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
FTSE100	8213.49	0.90%	0.85%	3.28%	6.21%	9.05%
DAX30	18001.60	-0.88%	0.39%	-2.65%	7.46%	11.48%
Hang Seng	18475.92	4.67%	4.01%	11.69%	8.38%	-2.33%
Nikkei 225	38236.07	0.79%	-0.44%	-5.28%	14.26%	15.21%
DJIA	38675.68	1.14%	2.27%	-2.84%	2.62%	12.40%
S&P500	5127.79	0.55%	1.83%	-2.41%	7.50%	15.22%
Nasdaq Comp	16156.33	1.43%	3.18%	-1.36%	7.63%	17.18%

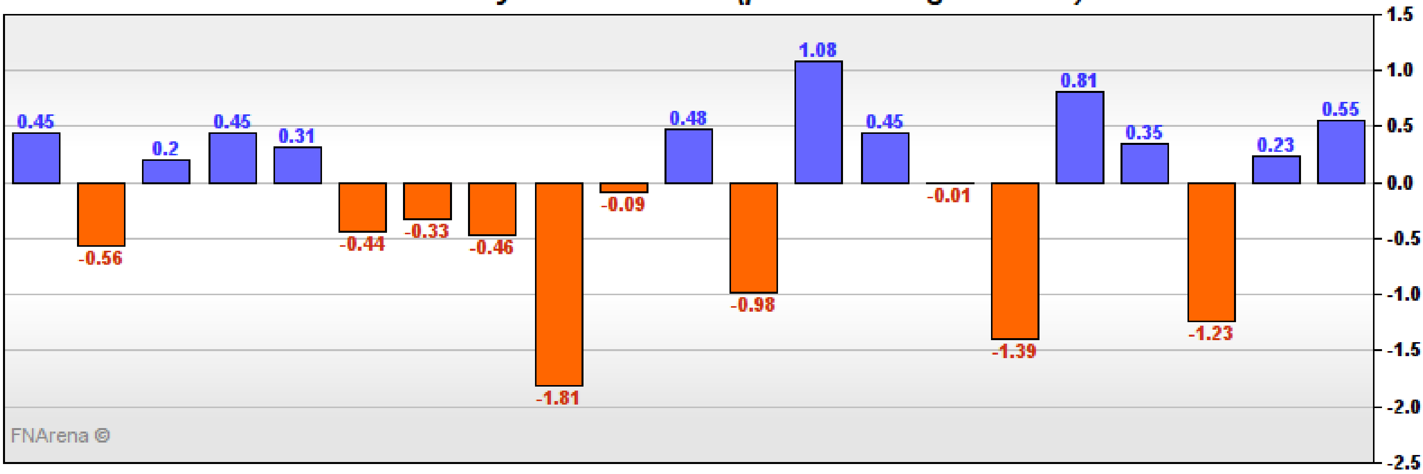
Metals & Minerals

Index	03 May 2024	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
Gold (oz)	2303.30	-1.22%	-1.37%	4.98%	12.66%	20.71%
Silver (oz)	26.65	-2.70%	-1.62%	8.42%	9.31%	18.29%
Copper (lb)	4.4140	-0.99%	-3.58%	10.56%	15.91%	18.75%
Aluminium (lb)	1.1435	-1.46%	-2.00%	10.10%	17.61%	19.39%
Nickel (lb)	8.4564	-2.08%	-2.56%	12.91%	13.71%	-4.98%
Zinc (lb)	1.3099	2.03%	-1.36%	18.91%	16.48%	24.92%
Uranium (lb) weekly	87.35	-2.94%	0.00%	-0.74%	1.57%	55.43%
Iron Ore (t)	118.08	7.66%	6.82%	16.21%	-14.58%	3.66%

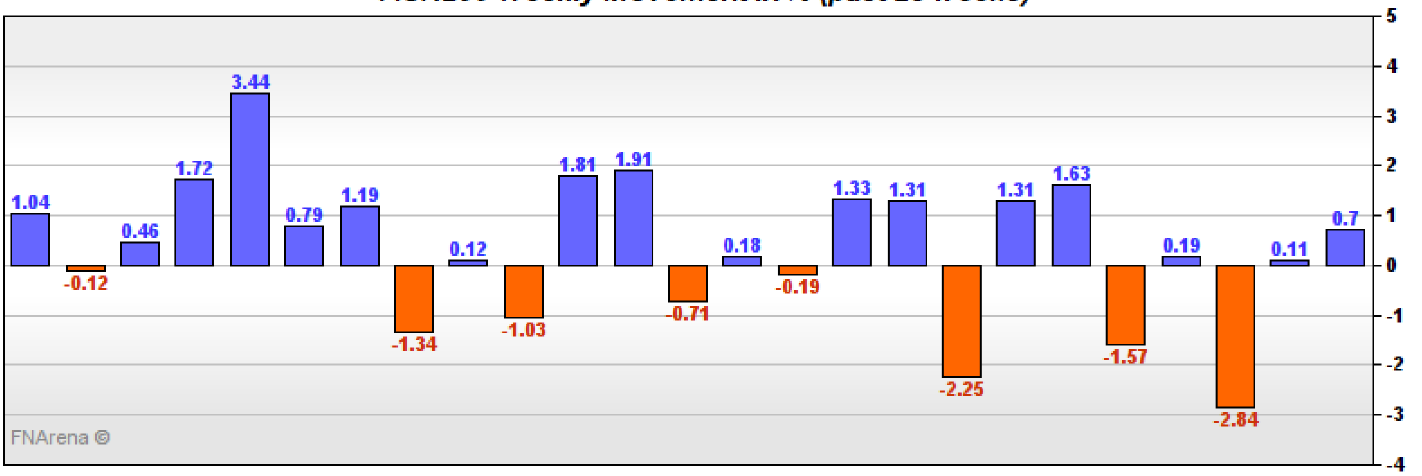
Energy

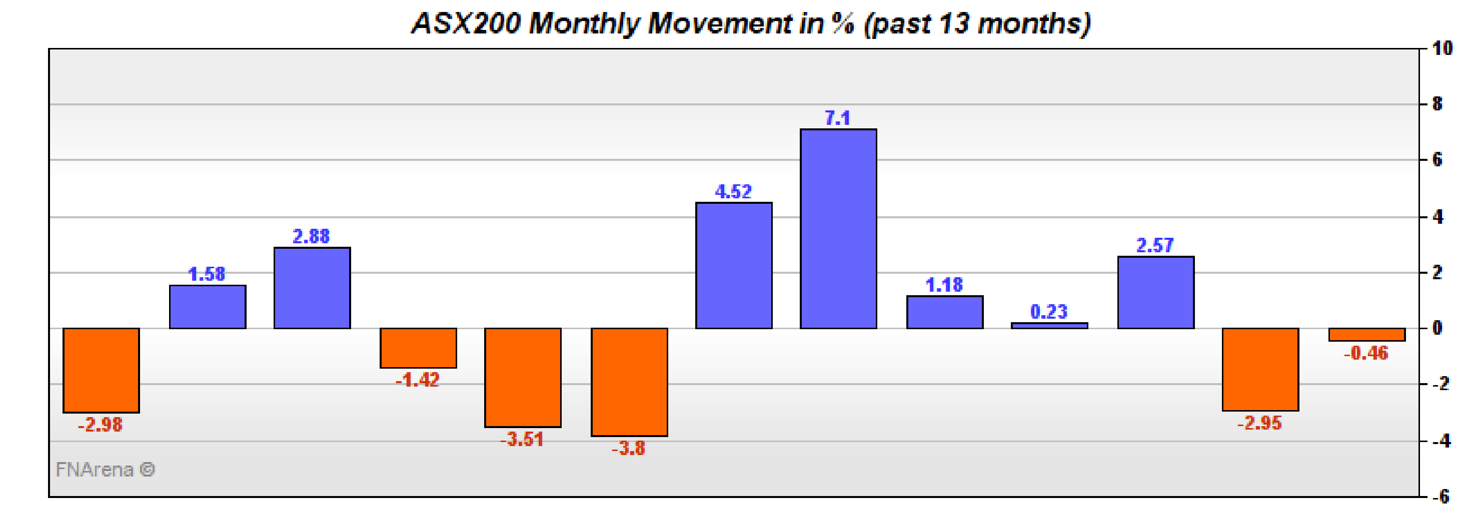
Index	03 May 2024	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2024)	Financial Year To Date (FY24)
West Texas Crude	78.95	-5.53%	-4.45%	-3.39%	6.96%	13.01%
Brent Crude	83.65	-6.29%	-5.50%	-3.13%	5.54%	12.57%

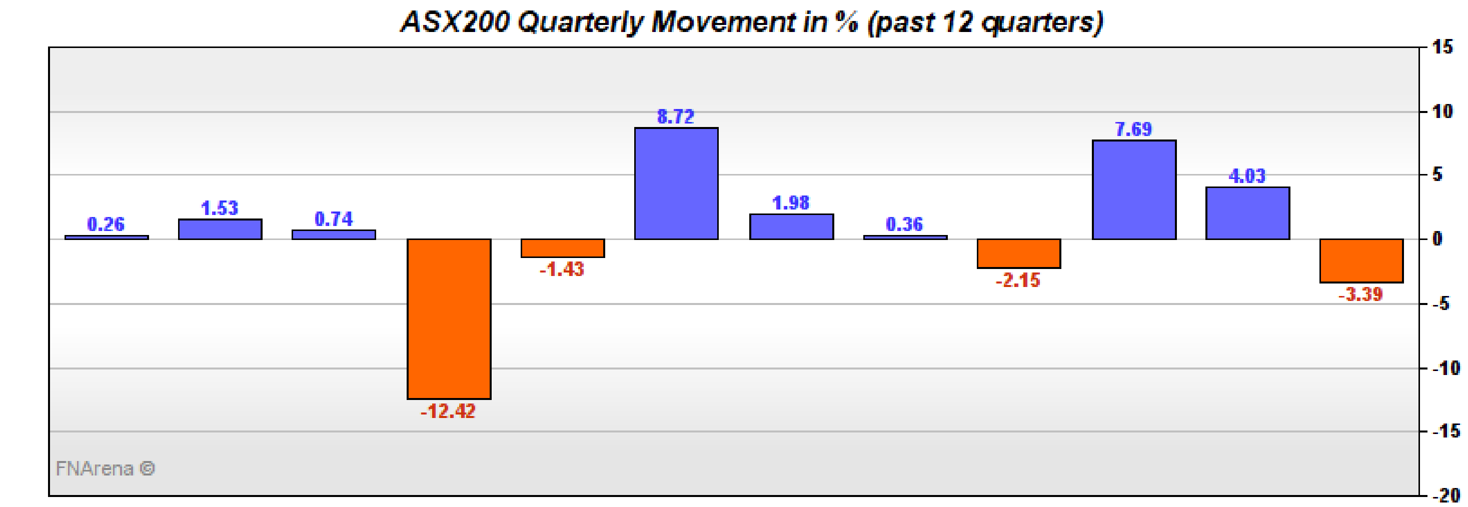
ASX200 Daily Movement in % (past 21 trading sessions)



ASX200 Weekly Movement in % (past 25 weeks)







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

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FNArena welcomes comments and suggestions at info@fnarena.com

AUSTRALIA

April In Review: The Bond Market Roared

Rising bond yields meant interest rate-sensitive equities were out of favour in April, while investors sought inflation-protection in mining stocks and commodities.

-ASX outperforms US, but underperforms versus Europe and Emerging Markets
-Stubborn inflation is changing the market narrative, impacting on forecasts for rate cuts
-Investor sentiment no longer exuberant, but remains positive
-EPS growth forecasts beyond FY24 are highest for small caps

By Rudi Filapek-Vandyck

April marked the end of a global share markets rally that lasted five consecutive months. By the close of trading on April 30th, the ASX200 had lost -2.95%. Thanks to dividends, the local market's performance year-to-date remains a net positive 2.1% (up 0.97% ex divvies).

The local market outperformed the US, but underperformed relative to most European and Emerging Markets. Chinese equities rallied (up 6.5%) having virtually gone nowhere over the past ten years.

The cause of the retreat lays with a change in the narrative that had accommodated the strong upswing in the months preceding; instead of being buoyed by the prospect of central bank rate cuts in 2024, the cold hard reality hit home that while economic growth remains stronger than forecast, so too remains to date the outcome for consumer price inflation.

Stubborn inflation, carried by housing rents and insurance, means central banks can not loosen policy (or at least not imminently). That realisation meant bond yields needed to rise (yet again), with negative consequences for equity markets and investor sentiment generally.

In Australia, some economists are now calling for additional RBA rate hikes.

Macquarie's proprietary FOMO Meter, designed to measure investor sentiment/exuberance, fell to 0.68 from a euphoric all-time record high 1.59.

Whenever this measure rises above 1, reports the broker, returns for the local market shrink to 'low' or 'negative'. The April reading indicates underlying sentiment remains relatively positive.

The general repricing in asset markets triggered a good old rotation in equities' short-term momentum with large cap resources narrowing the (valuation) gap with the major banks. Among banks, CommBank ((CBA)) and Macquarie Group ((MQG)) suffered most. Energy stocks would have liked to join-in, but the oil price refused to play ball.

Banks, in general, are still significantly outperforming resources since equities started rallying in October last year. Ahead of sector results in May, a public debate has started about valuations and future prospects for the sector in Australia.

Most commodities, with exception of some in the agri-segment, enjoyed investor support in April. For the second month in a row, gold miners outperformed the gains in gold bullion. This time, Newmont Corp ((NEM)) joined in on a stronger-than-expected quarterly performance.

An interesting observation to add, maybe, is the increased index weighting for BHP Group ((BHP)) in combination with a general resurgence in resources' share prices post-covid, has now made **resources the largest index constituent locally**, with banks second.

As should be expected during times when the almighty bond market roars, **interest-sensitive sectors fared the worst** in April, led by real estate and discretionary sectors (as more and more questions are being asked about the thus-far relatively resilient consumers).

Higher yields weigh proportionally more on higher PE stocks so 'Growth' and 'Quality' were no longer flavour of the month.

Healthcare did have a relatively good month, led by a resurgent ResMed ((RMD)). That stock had been out of favour for months because of uncertainty and panic about what GLP-1s might do to the company's growth outlook.

Nine of eleven sectors suffered a net retreat in April, with only two booking gains for the month; Materials (i.e. mining companies) and Utilities (thanks to Origin Energy ((ORG))).

The US ten year Treasury yield rose by 48bps to 4.7% (up 46bps in Australia), but has since given back about half of those gains. Yields were rising in the first quarter of the year, but equity markets chose not to pay attention, until they were forced to in April.

Higher-for-longer inflation meant institutional investors sought protection in commodities and resources stocks, which in Australia meant smaller-cap indices such as the Small Resources and the MidCap 50 Resources significantly outperformed larger cap peers.

April may have broken the five-month long positive stretch for the ASX200, but the index is still up more than 15% from late last year's bottom.

Valuations look anything but 'cheap' with the local market's average forward-looking PE ratio ending the month above 16x, whereas that average itself has crept up to 15.8x since 2014.

ASX200 Industrials ex-Financials are on average trading on 22.2x times forward-looking PEs - still high on historical comparison, but well below the multiples witnessed between 2020-2022.

The **underlying trend for earnings forecasts remains negative**, albeit in mild fashion only. With most quarterly production reports revealing weakness, forecasts for mining companies are falling most. Utilities and most sectors generally are enjoying a slight positive trend, with Staples, Communication, and Healthcare lagging.

Market consensus is now positioned for -6.8% in average EPS decline for FY24, to be followed by gains of 5.0% (FY25) and 4.1% (FY26), respectively.

Growth forecasts beyond FY24 are highest for small caps, with midcaps expected to outgrow large gaps. Analysts at Morgan Stanley see potential for earnings forecasts for resources companies to improve as well.

On Macquarie's forecasts, Small Resources are poised to grow at 82% in FY25, with Small Industrials expected to grow by 13% 'only' next year.

Companies enjoying positive revisions to earnings forecasts include ResMed, Block ((SQ2)), Netwealth Group ((NWL)), Bank of Queensland ((BOQ)), Challenger ((CFG)), and Ramelius Resources ((RMS)).

Companies with negative earnings forecast revisions include BHP Group, Champion Iron ((CIA)), Orora ((ORA)), Elders ((ELD)), Beach Energy ((BPT)), Mineral Resources ((MIN)), and Fortescue ((FMG)).

Among the month's top performers one finds the likes of Whitehaven Coal ((WHC)), South32 ((S32)), and Rio Tinto ((RIO)), but equally so non-resources companies like Computershare ((CPU)), Lovisa Holdings ((LOV)), GrainCorp ((GNC)), and Life360 ((360)).

On the opposite side, in a flash of unexpected irony, one finds Woodside Energy ((WDS)) and BHP Group ((BHP)) among the bottom-performers, together with Transurban ((TCL)), Wesfarmers ((WES)), Woolworths Group ((WOW)), CSL ((CSL)), and Goodman Group ((GMG)).

BHP signalled its positive view on the longer-term outlook for copper through an unsolicited bid for Anglo American. Glencore is rumoured to be weighing up whether to offer Anglo-American shareholders an alternative.

Among smaller sized companies, large gains were booked by the likes of Mesoblast ((MSB)), Emerald Resources ((EMR)), Alpha HPA ((A4N)), Boss Energy ((BOE)) and Telix Pharmaceuticals ((TLX)), with shareholders suffering big through sizable share price falls for Kogan.com ((KGN)), Beach Energy, Westgold Resources ((WGX)), Lifestyle Communities ((LIC)), and The Star Entertainment Group ((SGR)).

Most of the heavy share price falls have followed disappointing market updates.

Perhaps as an indication of the macro forces at play during the month, the ASX200's three largest detractors were the index's three largest constituents, in exact order of importance; BHP worst, then CBA, then CSL.

<u>AREITs</u>

Unsurprisingly, given the moves in global bond markets, AREITs were among the notable underperformers in April. The **S&P/ASX200 Property Accumulation index** returned -7.8% for the month, also underperforming international peers (in USD terms), reports UBS.

Office REITs were hardest hit, followed by Diversifieds, then Retail. Largest losses were reserved for Charter Hall ((CHC)) (-12.8%), Mirvac Group ((MGR)) (-12.7%) and Charter Hall Long WALE ((CLW)) (-11.3%).

UBS identified as Outperformers Centuria Capital Group ((CNI)) (-0.6%), BWP Trust ((BWP)) (-1.1%) and HomeCo Daily Needs REIT ((HDN)) (-3.1%).

On the broker's modeling, the sector is currently trading 0.6% above fair value with a sector-average dividend yield of 3.8% on FY25 forecasts.

ASX100 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
S32 - SOUTH32 LIMITED	19.67	ORA - ORORA LIMITED	-19.49
NEM - NEWMONT CORPORATION REGISTERED	18.62	CHC - CHARTER HALL GROUP	-12.80
LYC - LYNAS RARE EARTHS LIMITED	15.29	MGR - MIRVAC GROUP	-12.71
AGL - AGL ENERGY LIMITED	13.43	JHX - JAMES HARDIE INDUSTRIES PLC	-12.01
EVN - EVOLUTION MINING LIMITED	13.41	SQ2 - BLOCK INC	-10.92

ASX200 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
EMR - EMERALD RESOURCES NL	20.82	SGR - STAR ENTERTAINMENT GROUP LIMITED	-29.57
S32 - SOUTH32 LIMITED	19.67	LIC - LIFESTYLE COMMUNITIES LIMITED	-23.23
NEM - NEWMONT CORPORATION REGISTERED	18.62	ORA - ORORA LIMITED	-19.49
RED - RED 5 LIMITED	18.42	STX - STRIKE ENERGY LIMITED	-15.38
SLR - SILVER LAKE RESOURCES LIMITED	17.74	CHC - CHARTER HALL GROUP	-12.80

ASX300 Best and Worst Performers of the month (in %)

Company	Change	Company	Change
MSB - MESOBLAST LIMITED	78.38	KGN - KOGAN.COM LIMITED	-35.61
A4N - ALPHA HPA LIMITED	23.30	SGR - STAR ENTERTAINMENT GROUP LIMITED	-29.57
INR - IONEER LIMITED	21.88	CTT - CETTIRE LIMITED	-26.17
LRS - LATIN RESOURCES LIMITED	21.62	APM - APM HUMAN SERVICES INTERNATIONAL LIMITED	-25.46
EMR - EMERALD RESOURCES NL	20.82	LIC - LIFESTYLE COMMUNITIES LIMITED	-23.23

ALL-TECH Best and Worst Performers of the month (in %)

Company	Change	Company	Change
RUL - RPMGLOBAL HOLDINGS LIMITED	11.76	EML - EML PAYMENTS LIMITED	-17.89
PPS - PRAEMIUM LIMITED	11.36	SQ2 - BLOCK INC	-10.92
PME - PRO MEDICUS LIMITED	7.38	AD8 - AUDINATE GROUP LIMITED	-10.51
FCL - FINEOS CORPORATION HOLDINGS PLC	6.51	MP1 - MEGAPORT LIMITED	-9.94
APX - APPEN LIMITED	5.98	DHG - DOMAIN HOLDINGS AUSTRALIA LIMITED	-9.15

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

Australia & NZ

Index	30 Apr 2024	Month Of Apr	Quarter To Date (Apr-Jun)	Year To Date (2024)
NZ50	11957.500	-1.22%	-1.22%	1.59%
All Ordinaries	7932.00	-2.72%	-2.72%	1.31%
S&P ASX 200	7664.10	-2.95%	-2.95%	0.97%
S&P ASX 300	7617.40	-2.94%	-2.94%	1.08%
Communication Services	1502.50	-4.85%	-4.85%	-5.40%
Consumer Discretionary	3432.10	-5.10%	-5.10%	5.92%
Consumer Staples	11951.40	-3.29%	-3.29%	-2.92%
Energy	10264.30	-4.73%	-4.73%	-3.37%
Financials	7195.80	-3.52%	-3.52%	7.11%
Health Care	42366.90	-2.47%	-2.47%	0.06%
Industrials	6896.60	-3.96%	-3.96%	0.45%
Info Technology	2188.90	-3.87%	-3.87%	19.42%
Materials	18049.70	0.60%	0.60%	-7.39%
Real Estate	3540.00	-7.75%	-7.75%	5.74%
Utilities	8679.00	4.76%	4.76%	6.11%
A-REITs	1607.80	-7.79%	-7.79%	7.02%
All Technology Index	3014.80	-2.61%	-2.61%	11.91%
Banks	2981.60	-3.35%	-3.35%	7.27%
Gold Index	7822.00	8.00%	8.00%	6.17%
Metals & Mining	5940.00	1.68%	1.68%	-8.14%

The World

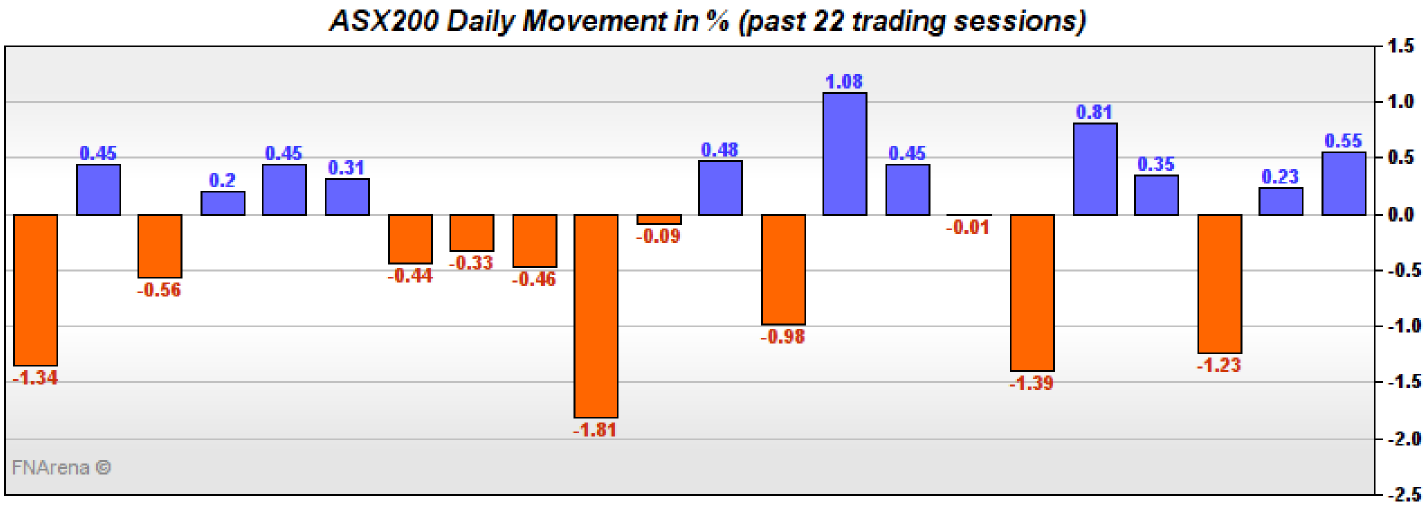
Index	30 Apr 2024	Month Of Apr	Quarter To Date (Apr-Jun)	Year To Date (2024)
FTSE100	8144.13	2.41%	2.41%	5.31%
DAX30	17932.17	-3.03%	-3.03%	7.05%
Hang Seng	17763.03	7.39%	7.39%	4.20%
Nikkei 225	38405.66	-4.86%	-4.86%	14.77%
DJIA	37815.92	-5.00%	-5.00%	0.34%
S&P500	5035.69	-4.16%	-4.16%	5.57%
Nasdaq Comp	15657.82	-4.41%	-4.41%	4.31%

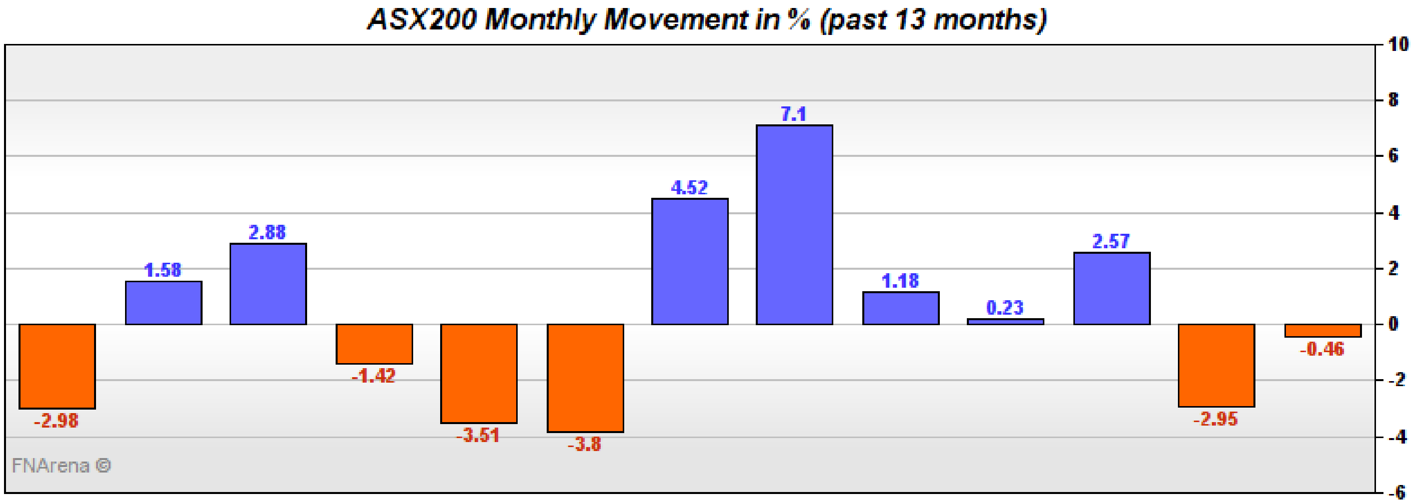
Metals & Minerals

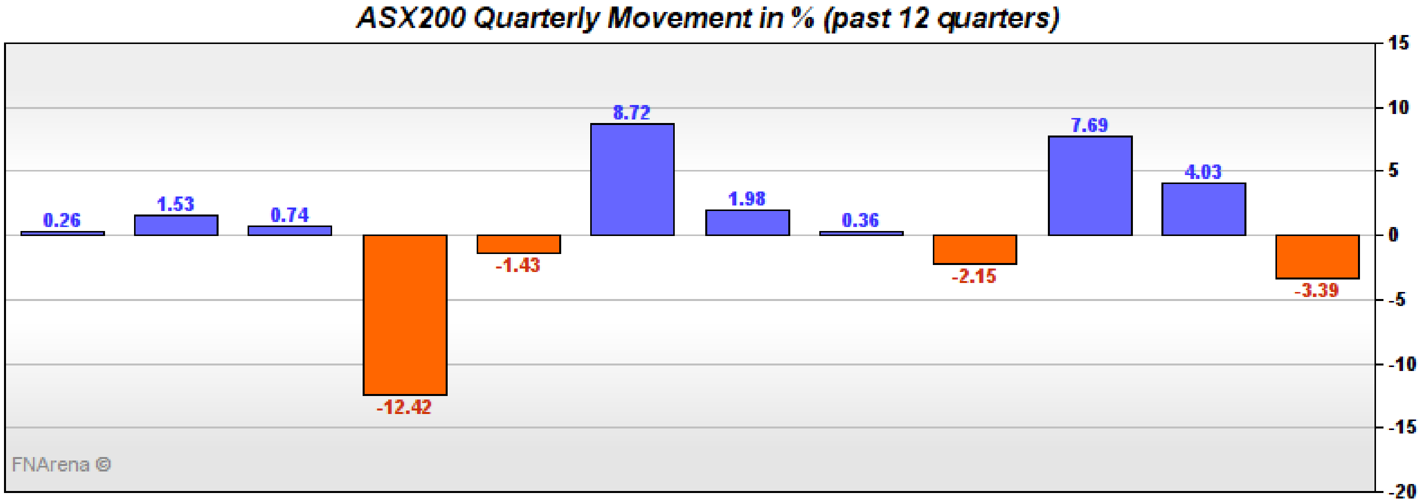
Index	30 Apr 2024	Month Of Apr	Quarter To Date (Apr-Jun)	Year To Date (2024)
Gold (oz)	2335.40	6.44%	6.44%	14.23%
Silver (oz)	27.09	10.21%	10.21%	11.12%
Copper (lb)	4.5778	14.66%	14.66%	20.22%
Aluminium (lb)	1.1668	12.34%	12.34%	20.00%
Nickel (lb)	8.6783	15.88%	15.88%	16.69%
Zinc (lb)	1.3279	20.54%	20.54%	18.08%
Uranium (lb) weekly	87.35	-0.74%	-0.74%	1.57%
Iron Ore (t)	110.54	8.79%	8.79%	-20.03%

Energy

Index	30 Apr 2024	Month Of Apr	Quarter To Date (Apr-Jun)	Year To Date (2024)
West Texas Crude	82.63	1.11%	1.11%	11.95%
Brent Crude	88.52	2.51%	2.51%	11.68%







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AUSTRALIA

Goodman Group Powers On

Goodman Group's March quarter update included increased guidance on the back of data centre demand.

-Goodman Group upgrades FY24 earnings guidance (as expected)
-Data centre demand driving performance
-Brokers see upside risk to guidance, still
-Buy ratings dominate

By Greg Peel

REIT and property fund manager Goodman Group ((GMG)) is among only a handful of ASX-listed companies that have a direct connection to the AI boom, being a developer and manager of data centres.

Goodman shares suffered along with the whole real estate sector in 2022 as RBA rate rises stung, but the stock has since returned to a steady upward path, accelerating in 2024. The stock is up 56% in six months and 28% in the March quarter.

Driving the company has been a shift in focus towards data centres to accommodate increasing demand for AI and cloud applications, as its traditional business of building distribution and other warehouses declines. Distribution centre demand was an online retail story, which was boosted during covid but is now seeing a drop-off in demand.

Not to worry, data centre demand growth more than offsets.

Data centres now comprise 40% of Goodman's work in progress. Goodman's "power bank" of data centre capacity increased to 4.3GW in the March quarter from 4.0GW. Of that, 3.0GW is split between Europe and Japan.

By contrast, notes Morgans, pure-play data centre company NextDC ((NXT)) has a total planned capacity of 1.0GW, which the broker estimates will take seven years to fill.

Guidance

At its update, Goodman upgraded FY24 operating earnings growth guidance to 13% from 11%, having upgraded with its at its first half result release to 11% from 9%.

The upgrade is actually below consensus forecast of 13.6%, but as Macquarie notes, Goodman has upgraded guidance at its March quarter update each of the past three years, and beaten guidance at the full-year result in each of the last six years.

This week's upgrade was largely driven by higher-than-expected performance fees and stronger management income, and FY24 performance fees are expected to be materially higher than the $150m previously flagged. Macquarie has an earnings growth forecast of 14% and a performance fee expectation of $250m.

Based on the operational comments, Jarden remains comfortable there is further upside risk to Goodman's new guidance. More importantly, this broker suggests, as we move towards the FY24 results, the focus should shift to FY25, for which Jarden’s growth forecast of 10.7% and consensus of 12.3% could prove conservative.

Upgraded guidance now matches Morgan Stanley’s estimate.

Although the stock has performed well year to date, Citi too sees further potential for Goodman to beat its renewed guidance at year-end results, with continued strong guidance into FY25.

Soft Commencements

March quarter commencements of $0.7bn was relatively soft, Macquarie suggests, although management acknowledged the size of data centre projects -- some in excess of $1bn -- was likely to lead to continued quarter-on-quarter volatility in completions and commencements.

Macquarie believes given the higher expected returns from data centre projects (the broker previously estimated development margins of of 60% or more), a reduction in the production rate and any quarter-on-quarter volatility in commencements is unlikely to affect the growth prospect for development earnings, as timing of payments/profits will occur throughout production.

Morgans cites anecdotal comments suggesting data centre development margins are double that of traditional warehouse development, albeit predicated on access to power and planning approvals.

Valuation

In 2024 to date, Goodman Group has re-rated from a forward PE of 23x to 29x. Macquarie’s target price implies an FY25 multiple of 30x, which compares to the average forward multiple of 38x for Goodman’s comparable peer group, which has a similar earnings growth trajectory to Goodman.

Macquarie remains attracted to Goodman's ability to deliver low double-digit earnings growth into the medium term, with line-of-sight continuing to improve, underpinned by the data centre opportunity. Hence, an Outperform rating.

Jarden sees Goodman as remaining the best quality stock in the sector with growth well ahead of REIT peers, which should underpin the share price, but this broker would not be surprised to see some profit-taking in the near term given the premium valuation versus other REIT fund managers.

The key downside risk Jarden sees is a switch back to cyclical REITs, with Goodman a potential funding source (ie, buying in traditional REITs ahead of RBA rate cuts this year or next by trimming of gains achieved in Goodman).

In addition, any evidence of a slowdown in development activity would put pressure on earnings across all divisions, the broker notes.

Jarden has an Overweight rating, as does Morgan Stanley.

Citi has a Buy rating.

Morgans views Goodman as a high-quality, founder-led business with a robust balance sheet and a portfolio of A-grade data centre and industrial assets. But despite these positive characteristics, this broker has a Hold recommendation on valuation grounds.

Valuation was also an issue for UBS back at the first half result release, at which earnings growth guidance was upgraded to 11% from 9%. This led to a downgrade to Neutral.

At the same time, Ord Minnett suggested the market was appearing more optimistic about industrial property and the opportunity in data centres compared with its own assessment, and maintained a Sell rating.

Neither broker has as yet updated for the March quarter.

Among those who have, Jarden has a target price of $30.50 (and an Overweight rating despite the share price currently being closer to $34).

Similarly, Citi (Buy) has a target of $32.50.

Morgans (Hold) has set $33.50 after an increase from $29.00 post the March quarter update.

Morgan Stanley (Overweight) has raised its target to $36.65 from $35.30.

Macquarie (Outperform) tops the list with an increase to $36.37 from $34.84.

FEATURE STORIES

Part Two: Generative AI, Investing in the 21st Century Megatrend

A Megatrend like Generative AI creates an appealing top-down narrative, but how do investors understand the scope and size of the Generative AI market alongside the opportunities versus the risks?

- Enablers versus Adopters
- How BIG is the Generative AI Megatrend?
- Limitations to growth
- The Edge and Software growth levers

By Danielle Ecuyer

The story below is the second installment in a series on Generative AI. The first installment was published on 2 May 2024: https://fnarena.com/index.php/2024/05/02/generative-ai-investing-in-the-21st-century-megatrend-part-one/

Breaking Gen AI down into "Enablers" versus "Adopters"

Citi's report *Unleashing AI: The AI Arms Race*, breaks down Gen AI into two major "Technology Value Stacks", referred to as the "**enablers**" and the "**adopters**"

The enablers -- Silicon (semiconductors and chips); Infrastructure (data centres/hyperscalers – multiple connected data centres); Models and Software Applications and Services (automation) facilitate the infrastructure to allow GenAI to work (large language models - compute) which are in turn transferable across multiple industries and sectors - adopters.

Citi rates the impact across sectors as Financials and Fin-tech at the top of the stack, followed by Consumers, Healthcare, Industrial and Mobility down to Natural Resources and Climate Tech.

The broker separates Tech and Communications, as these sectors are both enablers and adopters (more on this in the Edge section).

In an ideal world the adopters employ GenAI to generate better processes and outcomes in terms of productivity/efficiency gains and improved client/service experience. Ultimately the success of GenAI will depend on the successful monetisation of the investment.

This means transcribing the potential size of the future market into the present will vary depending upon the scale of the roll out of enablers and the success of the adopters.

Citi highlights GenAI is the "latest inflection point" of artificial intelligence and emphasises the take up rate of ChatGPT was the fastest in history.

It took only 2 months for 100m users to use ChatGPT, against 9 months for TikTok, 2 years for the Apple App store, 2.5 years for Instagram, 3.5 years for WhatsApp, 4.5 years for Facebook, 5 years for Twitter, 6.5 years for iTunes and 7 years for the World Wide Web.

Equally, GenAI is being used across the globe.

Just how BIG is the Generative AI Megatrend?

The Bloomberg Intelligence report "*Generative AI to become a $1.3trillion Market by 2032, Research Finds*" states the GenAI market could compound at a 42% annual growth rate from some US$40bn in 2022 to US$1.3trn by 2032.

Infrastructure as a service (enablers) to train the large language models are expected to be the largest component at US$242bn.

McKinsey & Company's report "*The economic potential of generative AI: The next productivity frontier*" explains the new technology could add between US$2.6trn to US$4.4trn in economic benefits annually for its use cases. The total economic value is estimated at US$11trn to US$17.7trn.

Compared to global GDP per country, GenAI has the potential to rank as the third largest, after the US and China.

The market is moving so swiftly though, that even 2023's estimates are being blown away. **Beth Kindig**, I/O Fund CEO and Lead Tech analyst has a long track record in this space and recently discussed on the Real Vision podcast "*Unlocking the AI Megatrend*" that McKinsey & Co has since upgraded the GDP impact from GenAI to US$25trn.

Kindig places this number in perspective by comparing it to the impact of mobile technology on GDP, which at the upper end is circa US$5trn, including hardware, apps and services, etc.

McKinsey's updated projection is five times larger and helps wrap some numerical scale around the potential size of the GenAI market impact. Kindig explains when the technology is interlinked as a problem-solving service and matched with the correct product placement, there is a potential "hockey stick" growth potential in earnings for the winners.

Sam Altman's analysis also gives colour to the scale of the technology.

Altman was quoted in Morgan Stanley's report "*Tech diffusion and Gen AI*".

"Look, I think compute is going to be the currency of the future. I think it may be the most precious commodity in the world. And I think we should be investing heavily to make a lot more compute….. But compute is different, intelligence is going to be more like energy, where the only thing that makes sense to talk about is that at price 'X' the world will use this much compute and at price 'Y' the world will use this much compute. Because if it's really cheap, I'll have it reading my email all day, giving me suggestions about what I should think about or work on and trying to cure cancer. And if it's really expensive, maybe we'll only use it to try and cure cancer."

Within this context, Morgan Stanley's expectations of high growth in computing will benefit the largest players in the market; those companies with the size, scale and cashflow to enable the necessary investment. Google, Microsoft, Meta, and Amazon exemplified the investment horizon in their latest quarterly results (more on this in Part Three).

Morgan Stanley expects capital expenditure in data centres will reach US$155bn in 2024 and grow a further 13% in 2025 to US$175bn. The cost of GPU's (graphic processing units) for a 100MW data centre using Nvidia's B100s or H100s is estimated to cost circa US$1.5bn.

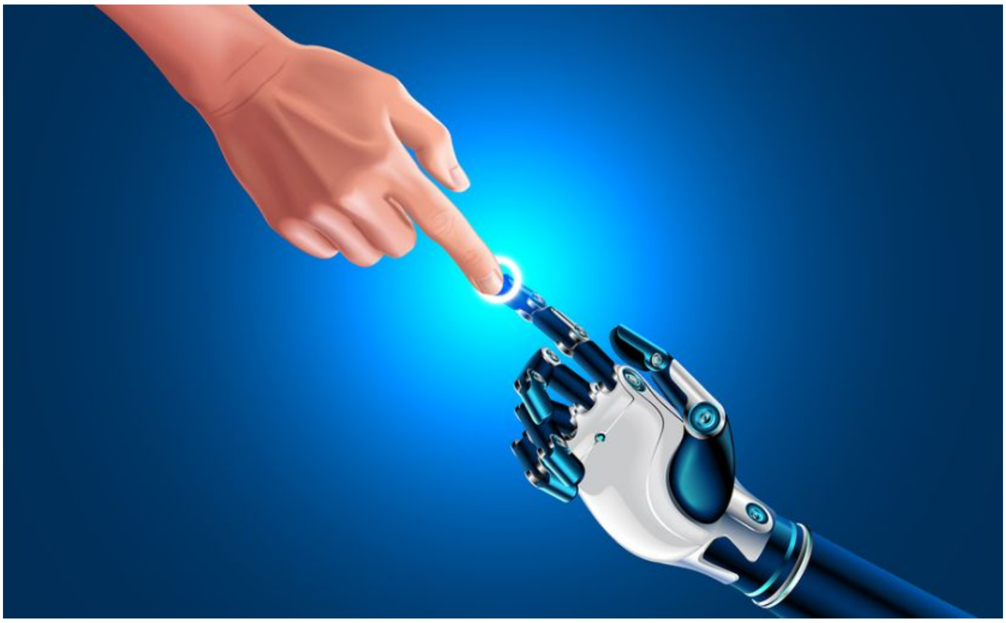
As noted in a recent Reuters report, Microsoft and OpenAI are in discussions around a US$100bn data centre to house Stargate, a supercomputer for large language models and potentially a new form of compute, referred to as "**The Tree of Thoughts**".

"The Tree of Thoughts" research by Google Deep Mind and Princeton University points to software architecture that would enable computational functions more akin to the human mind's process of problem solving versus current models.

Morgan Stanley and Beth Kindig both argue the scale of the compute and the data requirements for the LLM's make formidable barriers to entry and the hyperscalers (Google, Microsoft, Amazon, and Meta) have a significant advantage through their pre-existing scale and business models.

Nvidia and the likes of other chip (GPU) manufacturers like AMD, Qualcomm, Broadcom, and Intel are integral enablers for the compute across infrastructure as a service and device applications (robots, smart phones, autonomous vehicles etc).

ASML, the Dutch behemoth producer of lithography machines, and TSMC, the world's largest chip manufacturer foundry, are also integral parts of the GenAI enablers.



Obstacles and potential roadblocks to growth: Is Nvidia the canary in the coal mine?

Drilling down into the feasibility of scaling the data centres, it is apparent the affordability and availability of the

GPUs is material for not only the developers, but also suppliers like Nvidia.

Morgan Stanley's in-depth analysis in the aforementioned report concludes:

"There are risks that NVIDIA's ability to rapidly lower the cost of compute shrinks the market, but this is not new. Our view is that as long as NVIDIA's customers are innovating on model architecture to achieve higher levels of performance, we will see greater spending."

The growing cost of development will limit the number of customers, highlights Morgan Stanley, to fewer, larger customers. The authors explain the scale of GPU demand outside of the larger, more competitive enablers to the likes of software applications, raises the risks of a decline in demand, if the monetisation of the investment is not achieved.

In other words, upfront strong demand creates a pull through of earnings for companies like Nvidia and the analyst community remains cautious on the durability of demand growth.

By contrast, Beth Kindig applies a different rationale to Nvidia.

Her assessment is semiconductors are the way to play GenAI and these companies (Nvidia, AMD, Qualcomm, Broadcom, etc) will represent 50% of the AI spend compared to 20-30% in the mobile market.

Kindig stresses the recent tie up between Nvidia and Apple with their Vision Pro, in cloud omniverse software, exemplifies the overlay of GenAI software on GPUs as a source of revenue growth and value add.

Kindig posits it is almost unheard of for Apple to collaborate on software engineers.

When asked about the potential Nvidia valuation, Kindig opines the stock is at the same valuation as the October 2022 low or "eerily low" and the upside potential is as high as US$10trn in market capitalisation by 2030, subject to all the uncertainties around AI adoption, the tech sector, and the S&P500 performance.

The premise lies in not only the GPU story for the stock, but the yet unrecognised potential for the growth in GPU AI software, such as the Apple Vision Pro application. Kindig envisages the GPU component of Nvidia's market capitalisation will be between US$3trn-US$4trn, with the remainder in software.

These are enormous numbers, with multiple 'ifs and buts' along the way. Nevertheless, Kindig remains resolute this company is a winner in the GenAI megatrend, with entry points subject to pullbacks and valuation.

<u>Moving to the Edge: what will AI bring to your device?</u>

Beth Kindig is one of many commentators highlighting the potential AI applications in "Edge" computing.

"Edge" refers to running AI algorithms locally, directly on the user's device, such as smartphones, notebooks, wearables, drones, AR/VR and Autos, as the major data sources, notes Morgan Stanley's report "*Tech Diffusion: Edge AI's Growing Impetus*".

An estimated 30bn devices will in use by 2030, and 'at the Edge' of networks offers multiple benefits to AI computation including lower costs and latency, personalisation, and improved security and privacy compared to centralised cloud computing (data centres/hyperscalers). Morgan Stanley points to research from Gartner that 50% of enterprise data will be created at the Edge by 2025.

Musk's evolving Full Self Driving (FSD) is an example where data collation occurs from real life users through camera sensors. The data are then analysed to create the algorithms for FSD software.

Tesla expert, Adam Jonas from Morgan Stanley wrote recently in "*Crossing the Chasm: 5 Thoughts on Tesla's Confusing Metamorphosis*" the EV market is transitioning from what has become a commoditised "dark age" to an AI and robotics "renaissance".

Jonas is referring to camera systems on devices to produce real world data for the evolution of robot learnings via large language models and vision language models. He infers this form of data collation will allow robots (in all different forms) to learn more swiftly and efficiently compared to the pace of GenAI and the growth of Nvidia-equipped data centres.

Ultimately, Jonas asserts increasingly cameras attached to all forms of devices will be used as data collection points to train neural networks.

The obvious breaks on Edge devices and networks include battery life/power consumption; processing capabilities and memory, to name a few. Ultimately, hybrid systems between the cloud and the Edge could facilitate what is termed as the **Internet of Things** (smarter devices with AI computational power)

Morgan Stanley identified six companies that will be at the forefront of "at the Edge" networks, including Apple, Dell, Qualcomm, and Xiaomi. Apple's **Worldwide Developers Conference on June 2** is expected to outline how the company is looking to embed artificial intelligence into Apple devices, above and beyond what has been a disappointing Siri experience over the last decade.

<u>The energy conundrum, bigger isn't always easy</u>

Data centres and hyperscalers will demand exponentially greater amounts of energy off the electricity grid. The

European Utilities team at Morgan Stanley expect AI data centre energy usage will rise from 1.5% to 4% of total power consumption by 2025, and data centre electricity consumption will move from 3% to 8% of total US energy production by 2027.

Another forecast from Morgan Stanley is that by 2027, Gen AI will be using as much energy as 80% of the all the data centres in 2022.

Morgan Stanley goes further to assess the barriers to entry will be heightened by problems sourcing power supply, and the analysts propose large-scale data centres, like the mooted Stargate project, will be placed near nuclear power plants.

Another issue is how data centres will accommodate increasing power density from higher density chips (more compute), resulting in cooling and storage problems (more racks, and servers). Companies exposed to data centre solutions such as connected racks, switches and cooling are referred to as the "picks and shovels" to power GenAI.

The risks associated with the development of new data centres, including power constraints, is one reason why Morgan Stanley is cautious on future chip (GPU) demand, as delays to the infrastructure roll out could result in stockpiles of unused chips.

The warning: *"Given the multiple years, and risks, relating to planning new data centers, we believe there is significant risk that not all of the GenAI chips being purchased over the next few years will be rapidly deployed."*

Software solutions in the Gen AI arms race

RBC Capital Markets Report "*The Software Investors Handbook to Generative AI*" makes the salient observation that investors are "overestimating" the short-term impact from AI and "underestimating" the long-term impact.

RBC explains the current beneficiaries include companies that can leverage and utilise their data and distribution, thereby capitalising on the technology without having to source the data or network. Microsoft is an example of a large company moving swiftly to take advantage of its existing structure.

Secondly, the analysts refer to "vertical software leaders" that have both data and the ability to generate AI solutions across multiple industries. LLM's start as a "blank canvas", meaning those companies that can offer software solutions to train them to be industry specific have "winner-take-all" potential.

Thirdly, RBC explains there are mid-market companies which have the potential to move ahead of the larger companies, such as legacy software companies using GenAI to improve the service offering.

Companies which are selected as potential winners in the software space include the likes of Adobe, MongoDB, Microsoft, CrowdStrike, Pro Medicus ((PME)), Xero ((XRO)), and Zoom Video Communications.

Conversely, RBC points to four categories of companies that are at risk, including "Legacy, on-premise software companies" that are not on the cloud and have an inherent disadvantage of not being able to leverage GenAI.

Companies that don't adopt Gen AI and re-architect their businesses around it; or that claim to be AI but in fact only use analytics, and companies in the basic "work/task management space" risk being made redundant in the future.

RBC puts US companies Asana, Palantir, Smartsheet, and Zoominfo Technologies in the 'at risk' category.

Coming next, Part Three of Generative AI, investing in the 21st Century Megatrend, we investigate company specifics for investors, including how to invest in the GenAI thematic in Australia.

The author owns shares in Microsoft, Nvidia, AMD, and Pro Medicus.

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RUDI'S VIEWS

Rudi's View: Opportunity In Data Centres

Opportunity In Data Centres

By Rudi Filapek-Vandyck

The concept confounds many an investor, and market commentators too; from the moment the market understands there's a whole lotta growth up for grabs on the horizon, share prices move to above market-average multiples which, at face value, makes the stocks in question look 'expensive'.

But are they really? Is the opportunity already gone?

In many cases the answer is: no, the opportunity is still there. If the promised growth comes through, and management executes on the opportunities available, there's often plenty of room left for upside surprises, which, when looking back with hindsight, only makes that share price from the past, 'bloated' though it may have looked in-the-moment, actually a cheap 'bargain'.

One such prime example from the recent past has been delivered by healthcare imaging services provider, Pro Medicus ((PME)) whose share price has been trading on forward-looking multiples above 100x. But as the emerging global leader in its field added new contract after new contract, it forced analysts to regularly upgrade already bullish forecasts, with forward-valuations and price targets rising further on the back of it.

In simple terms: Pro Medicus shares looked 'expensive' back in 2020, when the price crossed the $30 mark. Last week they surged above $110. And while most analysts have valuations that are well-below that price level, Macquarie believes they are being too conservative. AI and new services and customers are still on the horizon. Macquarie has set a price target of $120. For now.

Goldman Sachs sits on $134.

In investment terms, Pro Medicus shares gained 52.8% in 2020, followed by 82.8% in 2021, then retreated -13.4% in 2022, only to advance a further 77.2% in 2023 and, thus far in 2024, another 15%. That's one helluva return for a stock that along the way attracted comments ranging from 'absolutely crazy', to 'bubble', to 'egregiously overvalued'.

For good measure: nothing from the past four years indicates this company will not encounter a growth hiccup at some stage, or worse, and its shares might well come back down to earth if that happens. But shouldn't investors equally be aware that such concerns, and calls of 'the next example of irrational exuberance', have been expressed way too liberally, and way, way too early?

For all we know, this company is nowhere near to about to run out of growth. Certainly, management at the helm thinks so. Thus far any weakness in the share price has been but an opportunity to get on board.

Never ask a barber whether you need a haircut. Never ask a value investor whether to invest into the next emerging growth opportunity.

Data Centres Are In Strong Demand

A similar dilemma has opened up with the emergence of generative artificial intelligence ('GenAI'), mostly in the US, and in the slipstream of the next tech (r)evolution, the surging demand for data centres.

Already, fund managers have been taking profits on their Goodman Group ((GMG)) shares that have appreciated by 45.7% in 2023, and by a further 33.6% in the first three months of 2024. Shares in NextDC ((NXT)) have gained 52.7% and 29.6% respectively and have been described as 'overvalued'.

But what if both companies are still only at the early stage of a strong demand growth period that has many more years to run? Might those elevated valuations in the here and now mirror Pro Medicus shares from years past?

A fresh **research update by analysts at Morgan Stanley** is certainly challenging all who are questioning the ongoing opportunity on offer.

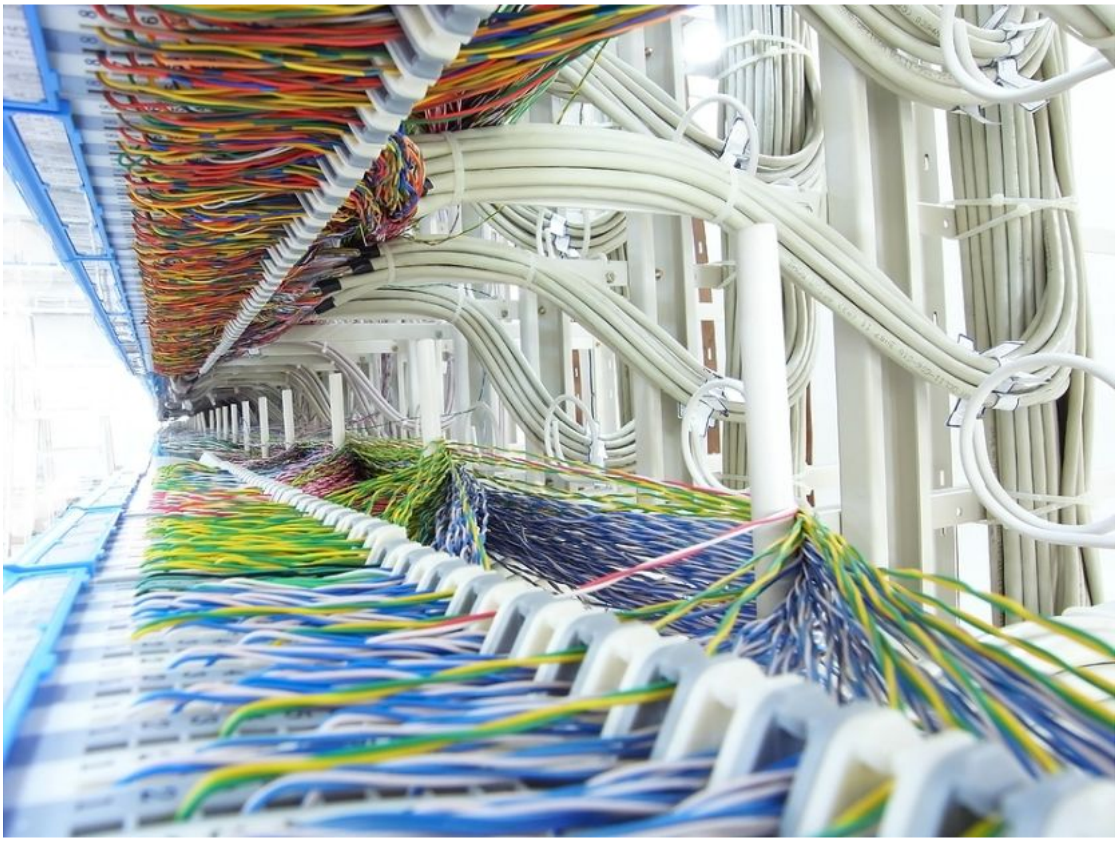
With the local market for data centres to more than double by 2030 (150% projected growth), it's rather difficult not to expect a whole lot more upside for companies leveraged to that demand, assuming, of course, management teams execute and the global landscape does not come irrepairably unstuck, like through war or much higher bond yields.

Three things make this research exercise unique:

-it incorporates the latest updates and insights from US companies, today's heartland of GenAI and data centres

-the research is a deep, multi-disciplinary collaboration between analysts across technology, media and telcos (TMT), REITs, Utilities & Sustainability, and Mining/Resources sectors

-the research is uniquely focused on the Australian market



Let's start with the basic outcomes. Morgan Stanley's 12-month price target for data centres operator NextDC has been raised by 13% to $20 (Monday's share price $17), while the target for Goodman Group has lifted to $35.30 ($33.94 on Monday). The target for Macquarie Technology ((MAQ)) is $100 ($84 on Monday).

Supporting these upgrades is US feedback that growth in AI and GenAI, and the associated rapid rise in demand for computing power, is accelerating. This, in return, boosts demand for data centre capacity. Conclusion: a golden period has opened up for companies such as the three mentioned. Those worried about capacity catching up will have to wait many more years, all else remaining equal.

Not many investors would be aware, but Australia already is a global Top Five data centres hub, with capacity similar to London, but lagging the US, Europe, the Data Centre Alley of North Virginia, and Beijing/Shanghai.

Morgan Stanley's current projections imply additional investments made in new data centres will total between

$21bn-$28bn over the next eight years, providing companies with an incremental revenue opportunity of $5.6bn-$8.4bn per annum. These numbers, states the report, could well prove conservative.

One major challenge Australia faces is the additional stress on local power supply networks from this robust surge in demand. Data centres, in particular the larger and more expensive hyperscalers, are power-hungry beasts. The report estimates data centres currently consume circa 5% of Australia's total power generation. This is forecast to increase to between 8%-15% by 2030.

Can the country manage this? Yes, states Morgan Stanley, but by 2030 network limitations and problems might start to impact. As most data centre operators opt for 'green' energy when offered, there's an obvious catalyst for more green energy and renewables, as well as, maybe, for uranium (as is already the case internationally).

Both AGL Energy ((AGL)) and Origin Energy ((ORG)) are expected to benefit from the extra demand for electricity. In terms of increased demand for commodities, the collaboration has identified copper as the most likely greatest beneficiary from building additional data centres; not just locally, but globally.

More data centres should equally result in additional demand for lithium (batteries) but Morgan Stanley's projections suggest lithium will continue to suffer from market surpluses until 2027, so no enthusiasm here. Similarly, any increase in the popularity of uranium reactors won't be felt until into the next decade.

For good measure: today's developments and forecasts made remain a moveable feast, and Morgan Stanley's research report acknowledges as much. Investments into AI and IT generally could slow down, in case of an elongated economic recession, for instance, or due to other, unforeseen causes.

A scenario that pushes up global bond yields to much higher levels could derail everything, in particular if those bond yields would then remain (much) higher-for-longer, because access to finance and future returns from investments would be negatively impacted.

Other potential threats include energy and power capacity constraints, overinvestments that create a surplus in capacity, which then leads to price discounting and lower sector returns, supply chain disruptions causing delays, but also: hyperscalers that build enough capacity for themselves and stop leasing capacity from third party data centres.

As things are stacked up right now, it looks like the bias leans towards much higher demand growth for data centres globally, for years to come, and Australian companies should be among major beneficiaries. There are, however, key differences in how companies might grab the opportunity.

<u>A brief summation:</u>

NextDC is part of the local Top Three for data centre capacity, with the two key competitors not listed. AirTrunk is currently owned by Macquarie Asset Management ((MQG)) and PSP Investments. A consortium led by MAM took a controlling interest in 2020, at that time valuing the company at $3bn. Currently the shareholders are reportedly looking for a buyer who's willing to pay $12bn.

Canberra Data Centres (CDC) remains equally unlisted to date. International industry giant Equinix owns and operates a network of 260 data centres in 71 major metros around the globe. To date, Equinix's capacity locally makes it the fourth largest player in Australia.

NextDC is expanding its footprint locally, with more expansion plans under consideration, and has already moved to New Zealand, Japan and Malaysia. Its business model is to lease out capacity to both businesses (consumers) and other data centre owners; hyperscalers such as Microsoft, Google and Amazon.

NextDC's future profits depend on management's ability to access fresh capital, acquire land and build centres, then fill capacity with new customers and contracts, in an environment of much higher costs than in the past. Morgan Stanley forecasts an internal rate of return of 12% which remains well above the estimated weighted average cost of fresh capital at 7.7%.

As different types of customers pay different prices, future return estimates are at best an educated guess, with any difference in mix altering the numbers. Data centre operators are able to pass on higher power costs. Were the broker's bull case scenario to unfold, the value of NextDC shares increases to $28 instead of $20.

A research report issued by stockbroker Morgans in April suggested a positive outcome in the years ahead could well catapult shares in NextDC to $40 in seven years' time.

Goodman Group has many more options available as it can finance and develop new centres on its own, in cooperation with third parties/customers, or on behalf of data centre owners and users. Generally speaking, the options that require larger upfront investments offer higher returns, but not as quickly as less-costly developments.

How much of the pie will descend into shareholders' pockets will depend on which options are chosen, and when projects might be finished, etc. The key attraction for Goodman shareholders is data centres raise the company's profit margin, and this already has triggered a re-rating for the shares.

Morgan Stanley can see more than 25% upside to current market consensus EBITDA projections by FY28, and it'll be all about data centres becoming a more important source of returns for the company. Goodman Group is generating high margins on data centre developments thanks to its pre-purchased land bank.

Morgan Stanley estimates Goodman Group can derive $20bn in additional value from its pipeline of data centre developments in the years ahead. It is equally assumed the company can fund its share of developments without additional capital, and there's always room to sell some assets, if need be.

Were the broker's bull case scenario to unfold, Morgan Stanley's valuation for Goodman Group shares would climb to $45.70.

In the wake of the data centres deep dive (82 pages), Morgan Stanley analysts reiterated their view shares in Macquarie Technology are undervalued, trading at around $84 on Monday. The broker's price target is $100. Macquarie Technology is not a pure play, combining data centres with more traditional telecommunication operations which also include a cloud & government business which is equally growing strongly, points out the broker.

Companies not mentioned in the report that might also benefit from demand for additional data centres in the years ahead include Global Data Centre Group ((GDC)), which is part owner of AirTrunk through the Macquarie-led consortium, and Megaport ((MP1)).

Best Buys & Conviction Calls

The next chock-a-block update on Model Portfolio changes and nominations of Top Stocks and Best Buys will be published on the website on Thursday morning (Rudi's Views section on the website).

RUDI'S VIEWS

Rudi's View: Arcadium Lithium, Goodman Group, Paladin, Pexa & Treasury Wine

By Rudi Filapek-Vandyck, Editor

Best Buys & Conviction Calls

As promised in Monday's Weekly Insights, below are the latest **Model Portfolio changes** observed. But first, let's have a look at **Jarden's best ideas** among ASX-listed smaller cap companies ("**Emerging Companies**").

Jarden's **Top Pick** remains Temple & Webster ((TPW)), regardless of the shares having rallied already.

Other **Key Picks** are:

-Lovisa Holdings ((LOV))
-Siteminder ((SDR))
-Nick Scali ((NCK))
-Universal Store Holdings ((UNI))

In extension, specific sector analysts have highlighted their specific convictions for:

-Inghams Group ((ING))
-Light & Wonder ((LNW))
-NRW Holdings ((NWH))
-Telix Pharmaceuticals ((TLX))
-Regis Healthcare ((REG))
-National Storage ((NSR))
-Ingenia Communities Group ((INA))
-Karoon Energy ((KAR))
-Capricorn Metals ((CMM))
-Domain Holdings Australia ((DHG))
-Pepper Money ((PPM))

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Morgan Stanley's Australia Macro+ Focus List can remain untouched for extended times, but the recent update has revealed three changes were made on April 19th.

The three newcomers are Origin Energy ((ORG)), Paladin Energy ((PDN)), and Suncorp Group ((SUN)).

Have disappeared: Altium ((ALU)), Goodman Group ((GMG)), and Telstra ((TLS)). Altium, of course, is being acquired, but the removal of Goodman Group, in light of the research published on Monday, will have some eyebrows lifting (see also bottom of today's story). Goodman Group remains included in the Model Portfolio, see further below.

The remaining seven inclusions are:

-Aristocrat Leisure ((ALL))
-Car Group ((CAR))
-CSL ((CSL))
-Macquarie Group ((MQG))

-QBE Insurance ((QBE))
-Treasury Wine Estates ((TWE))
-Woodside Energy ((WDS))

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Morgan Stanley also runs a **Macro+ Model Portfolio** which, according to the latest update, consists of the following 32 constituents:

-ANZ Bank ((ANZ))
-CommBank ((CBA))
-National Australia Bank ((NAB))
-Westpac Bank ((WBC))
-Macquarie Group
-QBE Insurance
-Suncorp Group
-Goodman Group
-Scentre Group ((SCG))
-Stockland ((SGP)
-Aristocrat Leisure
-Car Group
-Domino's Pizza ((DMP))
-The Lottery Corp ((TLC))
-Wesfarmers ((WES))
-James Hardie ((JHX))
-Orica ((ORI))
-Coles Group ((COL))
-Treasury Wine Estates
-CSL
-ResMed ((RMD))
-AGL Energy ((AGL))
-Origin Energy
-Telstra
-Transurban Group ((TCL))
-BHP Group ((BHP))
-Newmont Corp ((NEM))
-Rio Tinto ((RIO))
-South32 ((S32))
-Paladin Energy
-Santos ((STO))
-Woodside Energy

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Wilsons' **Focus Portfolio** equally experienced a number of changes. That Portfolio's largest overweight remains towards **growth companies**, including a large overweight to the healthcare sector. The largest underweight allocation remains for local banks. The Portfolio also holds a slight overweight allocation to resources, but this is due to "active positioning" in green metals and energy (underweight iron ore).

Changes made in April mostly involved adding extra shares to existing allocations to Xero ((XRO)), Netwealth Group ((NWL)), and Woodside Energy. The sole removal was APA Group ((APA)) with portfolio managers referring to "growing risks of a more heavy-handed regulatory regime and mounting pressure on the company's balance sheet".

In terms of individual stocks, the **Focus Portfolio** encompasses the following:

-BHP Group, Woodside Energy, Evolution Mining ((EVN)), Mineral Resources ((MIN)), Arcadium Lithium ((LTM)), Sandfire Resources ((SFR)), South32

-ANZ Bank, National Australia Bank, Westpac

-Macquarie Group, Aristocrat Leisure, Collins Foods ((CKF)), Breville Group ((BRG)), Worley ((WOR)), Webjet

((WEB))

-Xero, Netwealth Group, IDP Education ((IEL)), Telix Pharmaceutcals ((TLX)), Steadfast Group ((SDF))

-CSL, Insurance Australia Group ((IAG)), The Lottery Corp, ResMed, Amcor ((AMC))

-Goodman Group, HealthCo Healthcare & Wellness REIT ((HCW))

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Macquarie Wealth's recommended **Growth Portfolio** currently includes the following stocks:

-Goodman Group
-Seek ((SEK))
-Aristocrat leisure
-Northern Star ((NST))
-CSL
-Computershare ((CPU))
-NextDC ((NXT))
-The Lottery Corp
-Flight Centre ((FLT))
-Mineral Resources
-Cleanaway Waste Management ((CWY))
-Steadfast Group
-Arcadium Lithium
-ResMed
-Pexa Group ((PXA))
-Treasury Wine Estates
-Viva Energy ((VEA))

Macquarie Wealth's recommended **Income Portfolio** currently has the following composition:

-Suncorp Group
-Telstra
-National Australia Bank
-Westpac Bank
-ANZ Bank
-BHP Group
-CommBank
-Premier Investments ((PMV))
-Coles Group
-Viva Energy
-Atlas Arteria ((ALX))
-Aurizon Holdings ((AZJ))
-APA Group
-GPT Group ((GPT))
-Deterra Royalties ((DRR))
-Metcash ((MTS))
-GUD Holdings ((GUD))
-Charter Hall Retail REIT ((CQR))
-Amcor

To read more about Morgan Stanley's latest in-depth research into data centres in Australia:
https://fnarena.com/index.php/2024/05/08/rudis-view-opportunity-in-data-centres/

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

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

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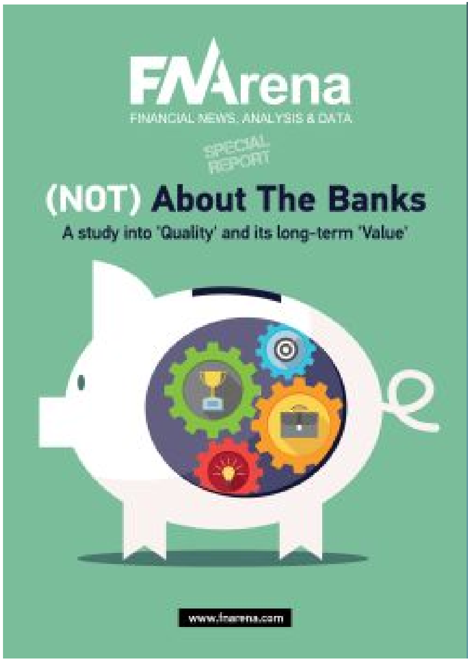

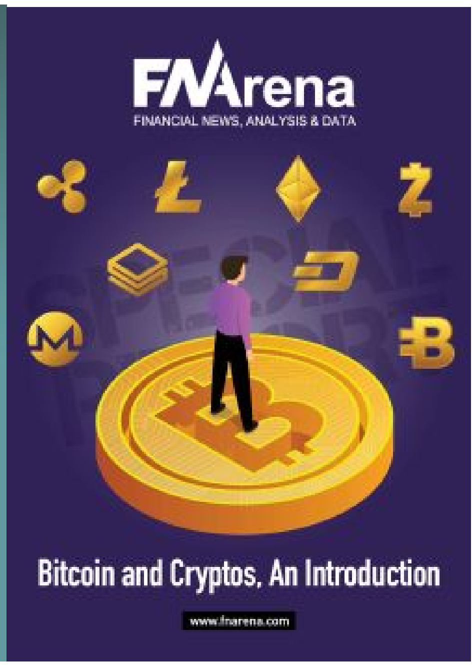

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TREASURE CHEST

Treasure Chest: The Green Opportunity In Worley

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

Whose Idea Is It?

Morgans

The subject:

Worley ((WOR))

More info:

Worley is a leading global professional services firm providing engineering design, project management and maintenance services, with a growing focus on being the go-to sustainable solutions provider to the energy, chemicals and resources markets, noted Morgans in a research note this morning.

Morgans has initiated coverage of the stock with an Add rating (equivalent to Buy).

Morgans joins three other brokers monitored daily by FNArena who have Buy or equivalent ratings on the stock. In the bigger picture, the word "sustainable", as used by Morgans, provides the underlying thesis.

Worley's operational focus since 2020, notes Morgans, has been directed towards playing a growing role in the sustainability transition and digitisation of its targeted markets. With an estimated two to three times uplift in global clean energy investment required by 2030, to reach levels needed to achieve net-zero targets by 2050, Worley is positioned strongly to benefit from investment tailwinds to support structural change in its end markets.

In reporting on the company's earnings result released in February, UBS said it believed the stock offers significant earnings leverage to a potential four-fold increase in energy investment globally, along with decarbonisation projects.

Goldman Sachs had earlier agreed the business is well-positioned to play a role in enabling the transition to a more sustainable energy mix over the long-term and expects this area will gain increased attention from investors as the pandemic-related impacts fade.

Margins

Post the earnings result, Macquarie noted Worley had captured profitable market share over the last 12-18 months, and cited potential for further contract wins in the near term.

The result confirmed a robust earnings outlook supported by progress towards a targeted 7.5-8.0% earnings margin target and double-digit revenue growth in the base business, Macquarie suggested.

UBS attributed the margin expansion to both rate improvements, given elevated engineering demand, and a favourable mix. Worley reiterated guidance for FY24 aggregated revenue growth and the broker expected 13% or more. The margin target of 7.5-8.0% was reiterated.

Citi highlighted in a report in April it does not understand why consensus is forecasting zero growth for Worley when the company is guiding to "growth".

Ord Minnett was nevertheless not so sure.

Despite having a bullish outlook for Worley, this broker suggested the market is overly optimistic, and thus the valuation multiple was too high.

Worley's ambition is to achieve double-digit annualised earnings increases via market growth, increased market share, margin expansion and active portfolio management. But while Ord Minnett is forecasting a five-year compound annual growth rate for earnings of 11%, this assumes margin expansion to 9% versus 7% in the first half FY24, and a five-year historical average of 7%.

In addition to improved risk allocation across contracts and elimination of low margin contracts, margin improvement credits an increasing number of complex, large-scale sustainability-related projects, Ord Minnett noted, the prioritisation of higher-margin work, and operating leverage.

Increasing project complexity increases the risk of missteps, this broker warned. This is nevertheless where the market is heading, and Worley is committed to spending -$100m on strategic investment, including spending on capability and industry partnerships to manage risks.

Ord Minnett retained a Lighten rating, which sits between Hold and Sell on the broker's five-tier ratings system.

Sell-Down

Having tracked largely sideways since its February result release, Worley shares plunged -7% on April 30. This was due to the sell-down to a 4.5% equity stake from a 23.5% stake by the company's largest shareholder, Dubai-based Sidara (Dar Group) at $14.35.

Sidara had been a shareholder for over seven years and previously attempted a takeover bid in 2016.

Since 2019, Worley has positioned its Australian ownership to be in the "national interest" and it has written a submission to the Foreign Investment Review Board.

As reported by the *AFR* at the time, "the 36-page document says Worley was a globally significant Australian company with capabilities and networks that were highly valuable in the resolution of strategic challenges facing Australia and the world".

These moves from Worley were seen as firm pushback against Dar Group seeking to obtain governance control initially, and then ownership of the company.

Morgans believes the sale represents a rare liquidity event driving near-term volatility in the share price. Hence, initiation of coverage with Add.

The broker has set an $18.00 target. This compares to Macquarie on $18.10, Citi on $20.00 and UBS on $22.00, all of whom have Buy or equivalent ratings.

Ord Minnett backs its Lighten rating with a $13.25 target, which still leaves an average of $18.27, suggesting 19% upside to the current trading price.

WEEKLY REPORTS

Weekly Ratings, Targets, Forecast Changes - 03-05-24

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 April 29 to Friday May 3, 2024
Total Upgrades: 5
Total Downgrades: 7
Net Ratings Breakdown: Buy 55.68%; Hold 34.61%; Sell 9.71%

For the week ending Friday May 3, 2024, FNArena recorded five ratings upgrades and seven downgrades for ASX-listed companies by brokers monitored daily.

The tables below show percentage upgrades by brokers to average earnings forecasts and average target prices were broadly similar in size to downgrades, although an argument can be made the bias is towards larger positive revisions for both.

Bapcor received the largest downgrade to average target price after management lowered FY24 profit guidance to between $93-97m, when consensus was sitting at $116m.

The miss was attributed to softer retail conditions, less-than-expected transformation benefits from the 'Better than Before' cost-out program, and higher overheads and interest costs, observed Morgan Stanley. Management also pointed to specialist wholesale (SWS) margin compression.

The company remains without a permanent CEO and CFO, while also having an outgoing Chair. Against this backdrop, Ord Minnett found it difficult to mount a positive investment case, despite the recent share price underperformance.

Morgan Stanley's calculation of intrinsic value for Bapcor is currently greater than both the current share price and the broker's new target of $4.00, which was reduced from $5.75.

Macquarie agreed with Morgan Stanley on the valuation discount, noting trading conditions and demand across end-markets remain robust, and highlighted a quality business with a strong competitive position. It's felt the company is a potential M&A target.

Bapcor received the third largest downgrade to average earnings forecast by brokers in the FNArena database, behind Coronado Global Resources and Atlas Arteria.

Coronado's March quarter result was impacted by softer production and higher costs than Ord Minnett expected due to maintenance, rainfall at the Curragh coal mine in Central Queensland, and a lower yield at the underground Buchanan mine in the US state of Virginia.

Bell Potter still expects a positive 2024 for the company due to improved production volumes, and subsequent cost benefits, following self-funded investment across its Australian and US operations.

UBS highlighted improving cash flow is a key target for management (which retained 2024 guidance) and felt the second half of 2024 would be stronger on improved volumes and lower costs at Curragh.

For Atlas Arteria, UBS highlighted first quarter toll revenue was weak, but noted the temporary and non-recurring nature of the disruptions to the French APRR network and the Chicago Skyway due to strike action and extreme weather, respectively.

Following several months of share price weakness, the broker identified some valuation support, but not enough to alter the Neutral rating.

Lynas Rare Earths was next on the earnings downgrade table after brokers continued to react to March quarter operational results released in the prior week.

Headline revenue missed UBS's expectations, with the broker left disappointed by the decision to withhold sales in a low-price environment.

This broker felt Lynas can recover revenue if rare earth pricing continues to improve. By contrast, Citi (in the prior week) downgraded its rating to Sell from Neutral due to a bleaker pricing outlook coupled with elevated unit cost expectations.

The average earnings forecast for Star Entertainment also declined last week. Macquarie lowered its target to 50c from 70c and downgraded to Neutral from Overweight.

The analyst explained Star is suffering from multiple uncertainties including problems with the Star Sydney license, the AUSTRAC penalty, the debt refinancing for the Queen's Wharf Brisbane project, as well as management changes.

The recent trading update by Star demonstrated to the broker costs continue to impact profitability, despite somewhat resilient revenue trends.

Aeris Resources and Sandfire Resources received the only two material increases in average target price last week, and effectively filled the top two placing on the earnings upgrade table below. The entry for Liontown Resources should be ignored due to the small forecast numbers involved.

Due to recent strength in the Aeris Resources share price, Macquarie downgraded its rating to Underperform from Neutral, but the target was increased by 33% to 20c on the back of EPS forecasts changes following third quarter results.

Group copper production for the quarter was -7% weaker than the broker’s forecast, while gold production beat by 11%. Quarter-on-quarter copper and gold production rose by 19% and 13%, respectively.

Higher copper and gold price estimates resulted in increased earnings forecasts by Bell Potter and a target of 30c, up from 23c.

Sandfire Resources reported a marginally softer March quarter result than Ord Minnett expected, with lower zinc production at the Matsa mining complex in south-western Spain more than offsetting slightly better group level copper production. FY24 production guidance was maintained.

Most brokers raised targets prices for Sandfire after allowing for improved spot copper prices.

Recent M&A news flow surrounding BHP Group and Anglo American highlights Sandfire’s growth appeal, suggested Ord Minnett, when a large portion of copper producers (domestic and global) appear to be ex-growth or lack substantial exposure within their portfolio.

Earnings forecasts for Megaport also rose last week after management raised full year earnings guidance by 5.6% at the midpoint of the range, alongside what Macquarie considered conservative revenue guidance.

Despite a delay in turnaround for KPI’s, the broker was encouraged by a favourable mix shift to higher value products, as well as partnership announcements.

Morgan Stanley highlighted Megaport shares are trading at a -10% discount to Australian software peers, while UBS noted a compelling long-term opportunity with strong demand underpinned by a structural shift to multi-cloud and AI.

Total Buy ratings in the database comprise 55.68% of the total, versus 34.61% on Neutral/Hold, while Sell ratings account for the remaining 9.71%.

Upgrade

AMCOR PLC ((AMC)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/3/0

Amcor's 3Q24 reported EPS of US17.7c was a 6.6% beat on consensus and the first guidance lift sine May 2022, with Macquarie declaring the company is now through the "worst".

The broker points to better volumes and cost improvement measurements as drivers for the better results.

Uncertainty around the new CEO appointment is viewed as a potential "overhang", but forecast de-gearing of the balance sheet to 3.0x at FY24 is a positive, falling to 2.85x in FY25.

EPS forecasts are raised by 2.3% and 2.6% for FY24 and FY25, respectively, and the dividend remains unchanged.

Upgrade to Outperform from Neutral. The target price is increased to $15.40 from $14.90.

COLES GROUP LIMITED ((COL)) Upgrade to Buy from Neutral by UBS .B/H/S: 4/1/0

Coles Group is bringing 'home the bacon' post the 3Q24 supermarket sales results which rose 5.1%, in line with UBS's forecast but above consensus of 4.5%.

Liquor sales were lower than market expectations, but slightly better than the broker's estimate.

UBS is expecting positive tailwinds for the company, including gross margin improvements post the FY23 theft problems; cost savings from Witron, alongside better earnings momentum.

The analyst raises the FY24 EPS forecast by 6.2% and 8.7% for FY25. Target price is raised to $18.25 from $17.50.

Rating is upgraded to Buy from Neutral on the improved outlook and the potential for a higher valuation.

This report was published on Wednesday May 1.

DRONESHIELD LIMITED ((DRO)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 1/0/0

DroneShield has successfully completed a $100m fully underwritten placement, with the proceeds primarily to be invested in a build-up of its inventory to capitalise on robust global demand and a growing sales pipeline, Bell Potter notes.

The company reported a 2024 sales pipeline of $375m, with a further $145m in 2025 and beyond. The new framework agreement with NATO for the procurement of DroneShield products provides improved confidence in the pipeline, the broker suggests.

DroneShield is now well placed to capitalise on the growing demand for C-UAS solutions in response to current global tensions and the evolution of modern warfare. Bell Potter upgrades to Buy from Hold, retaining a $1.00 target.

HELLOWORLD TRAVEL LIMITED ((HLO)) Upgrade to Buy from Accumulate by Ord Minnett .B/H/S: 3/0/0

Helloworld Travel's March Q trading update highlighted a company exposed to the right segment and age demographic within the travel industry, Ord Minnett suggests.

The key source of earnings is the sale of Outbound, and to a lesser extent, Domestic Travel to Australian consumers, typically in the 55+ age group.

Yesterday’s share price decline suggests to the broker that some in the market had been expecting an upgrade in guidance which
failed to materialise.

Ord Minnett has been cautious on the stock for some time given valuation considerations but view the current weakness as a buying
opportunity. Upgrade to Buy from Accumulate. Target slips to $3.10 from $3.16.

MINERAL RESOURCES LIMITED ((MIN)) Upgrade to Overweight from Equal-weight by Morgan Stanley .B/H/S: 4/2/1

Morgan Stanley has upgraded Mineral Resources to Overweight from Equal-weight alongside a price target of $83 (up from $67 previously) and an Attractive sector view.

The broker's motivation is the company is nearing the ramp-up of Ashburton, considered a key driver for a profitable iron ore business.

The low cost nature of Ashburton promises additional tonnes for the mining services business that are sustainable through the cycle, the broker believes.

Although balance sheet headwinds remain, the broker acknowledges, cost control and asset sales should see the company through FY24 into a more cash generative FY25.

While the EPS forecast for FY24 has been downgraded, the updated numbers for FY25 and FY26 imply an enormous step up in the pace of growth lays ahead.

Downgrade

AERIS RESOURCES LIMITED ((AIS)) Downgrade to Underperform from Neutral by Macquarie .B/H/S: 1/1/1

Macquarie assesses the 3Q24 results for Aeris Resources as mixed, pointing to better than expected gold output, an 11% beat, against a -7% miss on the copper results.

In total, copper and gold production rose 19% and 13% on the year, while AISC came in -13% this quarter but up 10% annually.

The broker views the retention of previous guidance as positive and notes the feasibility study for the Barbara underground has started, due to be finished in the 1Q2025.

The forecast expected loss for 2024 is lowered and FY25 EPS lifts by 5% post the adjustment in the cost expectations.

Due to the strength in the share price, the rating is downgraded to Underperform from Neutral and the target lifted 33% to 20c on the back of the EPS forecasts changes.

MATRIX COMPOSITES & ENGINEERING LIMITED ((MCE)) Downgrade to Speculative Hold from Speculative Buy by Bell Potter.B/H/S: 0/1/0

Given recent share price strength, Bell Potter downgrades its rating for Matrix Composites & Engineering to Speculative Hold from Speculative Buy.

The broker highlights recent quarterly reporting by global subsea service providers (many of which are Matrix's customers), while upgraded medium-term outlooks indicate order backlogs remain strong.

Matrix is also leveraged to growing activity across the global offshore floating wind sector, note the analysts.

The 42c target is maintained.

NICKEL INDUSTRIES LIMITED ((NIC)) Downgrade to Neutral from Buy by Citi .B/H/S: 4/1/0

Nickel Industries' shares have outperformed the nickel price by over 20% year to date. Citi lifts its target price to $1.10 from 80c on commencement of the buyback and funding/offtake as key catalysts for the stock to grind higher alongside the increasing production profile.

The broker downgrades to Neutral from Buy on balance against Citi’s US$16k/t second half nickel price expectations in a surplus market.

REGIS RESOURCES LIMITED ((RRL)) Downgrade to Sell from Neutral by UBS .B/H/S: 4/0/2

UBS anticipates tougher times are ahead for Regis Resources amid uncertainty around the McPhillamys development.

The company reported March quarter gold production of 91,000 ounces at an all-in sustaining cost of $2,735 an ounce, with operations having been up and running since early April.

In the absence of a clearer path ahead for McPhillamys, the broker assumes higher capital and operational expenditure for the project and has included this in its outlook. The broker does remain confident that value is to be gained from ongoing optimisation.

The rating is downgraded to Sell from Neutral and the target price decreases to $1.80 from $2.15.

This report was published on Friday, April 26.

SANDFIRE RESOURCES LIMITED ((SFR)) Neutral by UBS .B/H/S: 2/3/1

UBS highlights the March quarter copper and zinc production from Sandfire Resources was in line with forecasts and management's FY24 guidance remained unchanged.

The analyst highlights the strong performance form Matsa (4.7mt p.a.) and Motheo running at 6mt p.a. for 20 days.

Timing issues on the delay in a US$25m shipment versus the deferral of US$18m in capital expenditure for Motheo suggests net debt is peaking at US$481m, the broker states.

The target price is lifted to $10 from $9.35 and the Neutral rating unchanged.

The report was published on May 1.

STAR ENTERTAINMENT GROUP LIMITED ((SGR)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 2/2/0

Star Entertainment is suffering from multiple "uncertainties" which need to be resolved according to Macquarie, including problems with the Star Sydney license, the AUSTRAC penalty, the debt refinancing for the Queen's Wharf Brisbane project, and management changes,.

The broker noted the recent trading update was substantially below expectations and has resulted in a a downward revision in forecast EBITDA earnings of -15% and -16%, for FY24 and FY25, respectively. These forecasts include a -$350m AUSTRAC fine.

The price target is lowered to 50c from 70c and the rating downgraded to Neutral from Overweight.

TELIX PHARMACEUTICALS LIMITED ((TLX)) Downgrade to Hold from Buy by Bell Potter .B/H/S: 1/1/0

Following an "outstanding" March Q of revenue growth, Bell Potter upgrades its FY24 revenue forecast by 7% to 5% above the top end of the guidance range.

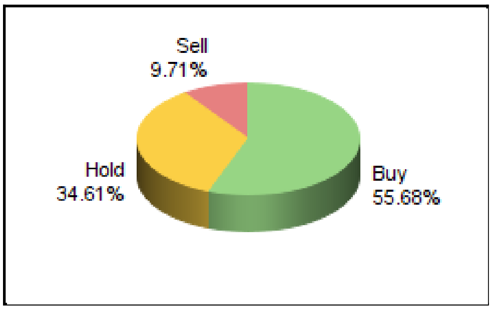
The broker's FY25 revenue forecast is also upgraded following a revision of key assumptions on pricing for Illuccix.

The short term outlook for revenue growth from the diagnostic assets remains attractive, Bell Potter suggests, nevertheless the major inflection points for TLX591 in the treatment of prostate cancer are close and carry significant clinical risk.

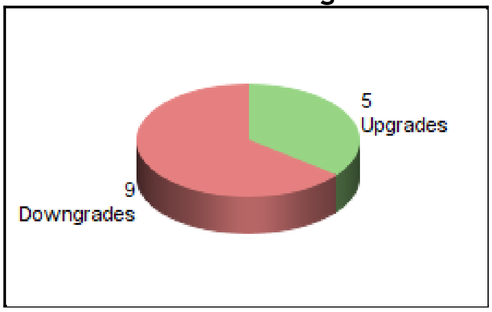
The broker expects a readout on the important efficacy measure of progression free survival within the next 2-3 months. A poor clinical readout has the potential to materially impact the share price and, accordingly, Bell Potter downgrades to Hold from Buy.

Target unchanged at $14.50.

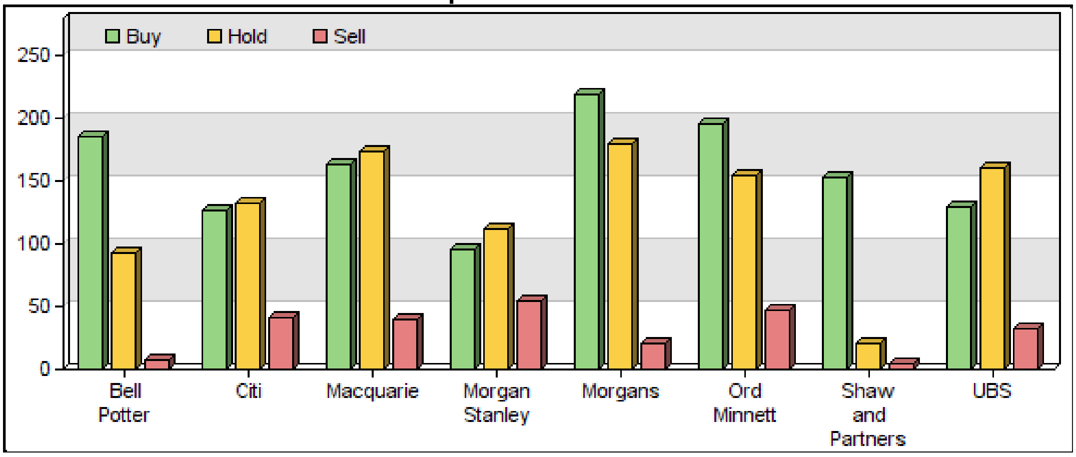
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	AMCOR PLC	Buy	Neutral	Macquarie
2	COLES GROUP LIMITED	Buy	Neutral	UBS
3	DRONESHIELD LIMITED	Buy	Neutral	Bell Potter
4	HELLOWORLD TRAVEL LIMITED	Buy	Buy	Ord Minnett
5	MINERAL RESOURCES LIMITED	Buy	Neutral	Morgan Stanley
Downgrade				
6	AERIS RESOURCES LIMITED	Sell	Neutral	Macquarie
7	MATRIX COMPOSITES & ENGINEERING LIMITED	Neutral	Buy	Bell Potter
8	NICKEL INDUSTRIES LIMITED	Neutral	Buy	Citi
9	REGIS RESOURCES LIMITED	Sell	Sell	UBS
10	SANDFIRE RESOURCES LIMITED	Neutral	Buy	UBS
11	STAR ENTERTAINMENT GROUP LIMITED	Neutral	Buy	Macquarie
12	TELIX PHARMACEUTICALS LIMITED	Neutral	Buy	Bell Potter

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	AIS	AERIS RESOURCES LIMITED	0.250	0.190	31.58%	3
2	SFR	SANDFIRE RESOURCES LIMITED	8.967	7.883	13.75%	6
3	NIC	NICKEL INDUSTRIES LIMITED	1.170	1.108	5.60%	5
4	RMD	RESMED INC	35.732	34.384	3.92%	6
5	MP1	MEGAPORT LIMITED	15.158	14.667	3.35%	6
6	MIN	MINERAL RESOURCES LIMITED	74.857	72.571	3.15%	7
7	PDN	PALADIN ENERGY LIMITED	16.470	15.970	3.13%	5
8	EVN	EVOLUTION MINING LIMITED	4.302	4.182	2.87%	5
9	PMV	PREMIER INVESTMENTS LIMITED	31.950	31.083	2.79%	6
10	SGP	STOCKLAND	5.047	4.913	2.73%	3

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	BAP	BAPCOR LIMITED	4.708	6.238	-24.53%	6
2	CRN	CORONADO GLOBAL RESOURCES INC	1.640	1.770	-7.34%	5
3	SGR	STAR ENTERTAINMENT GROUP LIMITED	0.643	0.693	-7.22%	4
4	ATG	ARTICORE GROUP LIMITED	0.587	0.627	-6.38%	3
5	IPH	IPH LIMITED	8.350	8.913	-6.32%	4
6	CHN	CHALICE MINING LIMITED	2.817	2.950	-4.51%	3
7	KGN	KOGAN.COM LIMITED	7.167	7.500	-4.44%	3
8	IGO	IGO LIMITED	7.210	7.430	-2.96%	5
9	FMG	FORTESCUE LIMITED	20.033	20.416	-1.88%	7

10	WOW	WOOLWORTHS GROUP LIMITED	33.450	34.033	-1.71%	6

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	LTR	LIONTOWN RESOURCES LIMITED	-0.506	-1.726	70.68%	5
2	SFR	SANDFIRE RESOURCES LIMITED	-2.463	-4.295	42.65%	6
3	AIS	AERIS RESOURCES LIMITED	-1.500	-2.200	31.82%	3
4	ATG	ARTICORE GROUP LIMITED	-1.433	-1.933	25.87%	3
5	MP1	MEGAPORT LIMITED	9.920	8.750	13.37%	6
6	RRL	REGIS RESOURCES LIMITED	7.583	6.717	12.89%	6
7	NIC	NICKEL INDUSTRIES LIMITED	7.264	6.927	4.87%	5
8	QUB	QUBE HOLDINGS LIMITED	14.567	14.100	3.31%	4
9	RMD	RESMED INC	118.776	115.453	2.88%	6
10	MGR	MIRVAC GROUP	19.080	18.700	2.03%	5

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	CRN	CORONADO GLOBAL RESOURCES INC	10.412	27.857	-62.62%	5
2	ALX	ATLAS ARTERIA	34.250	45.667	-25.00%	5
3	BAP	BAPCOR LIMITED	28.017	33.333	-15.95%	6
4	LYC	LYNAS RARE EARTHS LIMITED	8.540	10.080	-15.28%	5
5	SGR	STAR ENTERTAINMENT GROUP LIMITED	1.175	1.375	-14.55%	4
6	NEM	NEWMONT CORPORATION REGISTERED	293.773	330.375	-11.08%	4
7	ABY	ADORE BEAUTY GROUP LIMITED	1.833	2.000	-8.35%	3
8	ALD	AMPOL LIMITED	298.750	308.500	-3.16%	4
9	BPT	BEACH ENERGY LIMITED	16.000	16.450	-2.74%	7
10	WOW	WOOLWORTHS GROUP LIMITED	138.250	142.133	-2.73%	6

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WEEKLY REPORTS

Uranium Week: Finally, A Ban

After five months the US Senate has passed a bill banning imports of Russian uranium. The spot price has reacted accordingly.

-US Senate passes ban on imports of Russian uranium
-Spot price jumps in response
-Waivers lessen the supply blow
-ASX-listed uranium sector preferences

By Greg Peel

After keeping the global uranium sector on edge for the past five months, the US Senate has now passed the Prohibiting Russian Uranium Imports Act. The bill now goes to the president, and will be enacted 90 days post his signature.

The ban will remain in place until end-2040.

The bill does nevertheless include waivers, being (1) no alternative viable source of low-enriched uranium is available to sustain the continued operation of a nuclear reactor or a US nuclear energy company, or (2) importation of the uranium is in the national interest, which will remain in place until the end of 2027.

Industry consultant TradeTech's weekly spot price indicator has risen by US$4.80 to US$92.15/lb. A total of 1.6mlbs U3O8 changed hand last week, of which 1.1mlbs were traded following the ban announcement.

TradeTech's term price indicators remain at US$95/lb (mid-term) and US$80/lb (long).

Impact Lessened

The US is largely reliant on imports for its uranium supplies and accounts for around 25% of global uranium demand, notes Morgan Stanley. Canada is its largest supplier of mined uranium (27% of 2022 imports), followed by Kazakhstan (25%), then Russia (12%).

However, when considering enriched uranium, being uranium that has been concentrated ready for a nuclear reactor, Russia's share rises to 27% given its dominance in global enrichment (43% share).

If Russian enriched material were no longer available to the US, this could put more pressure on Western uranium enrichment capacity, Morgan Stanley notes, which accounts for 41% of the total.

The waivers somewhat dull the impact of the ban. Moreover, Morgan Stanley points out, a US-only ban is more manageable for the global nuclear industry than if the EU/UK joined in as well. Imports to the EU could be re-routed to the US.

US reactors use 25% of global uranium, which would need to be supplied by some 40% of enrichment capacity, notes Morgan Stanley. In contrast, if the EU/UK were to join too, this would cover 55% of demand needing to be supplied by 41% of enrichment capacity, putting pressure on this supply.

The other risk is Russia counter-banning its exports to the US.

Victim of Neglect

The nuclear industry has adapted to little or no growth over the last two decades, notes Petra Capital. With no demand growth, all elements of the supply chain have been neglected. The about-turn in the nuclear industry's fortunes has been stunning, Petra suggests, with planned closures abandoned, reactor lives extended, and now, a shuttered reactor being brought back online.

The COP28 statement (endorsing nuclear energy as "green") appeared to be the zenith for future demand expectations, only to be followed by Indian goals to increase nuclear generating capacity by more than 10x. While public perception is that nuclear reactors are slow to build, Petra notes they have generally been faster to bring on line than new mines.

We are facing a 1970s style reactor build program, Petra suggests, but likely at a larger scale, better distributed throughout the world, and lasting throughout the 2030s and 2040s.

ASX-Listed Exposure

Among uranium sector companies listed on the ASX, Petra Capital believes Lotus Resources ((LOT)) offers compelling value amongst brownfield developments, while NGX Ltd ((NGX)) offers strategic appeal.

Bannerman Energy's ((BMN)) Etango project has been extensively de-risked, is shovel ready, and offers scale.

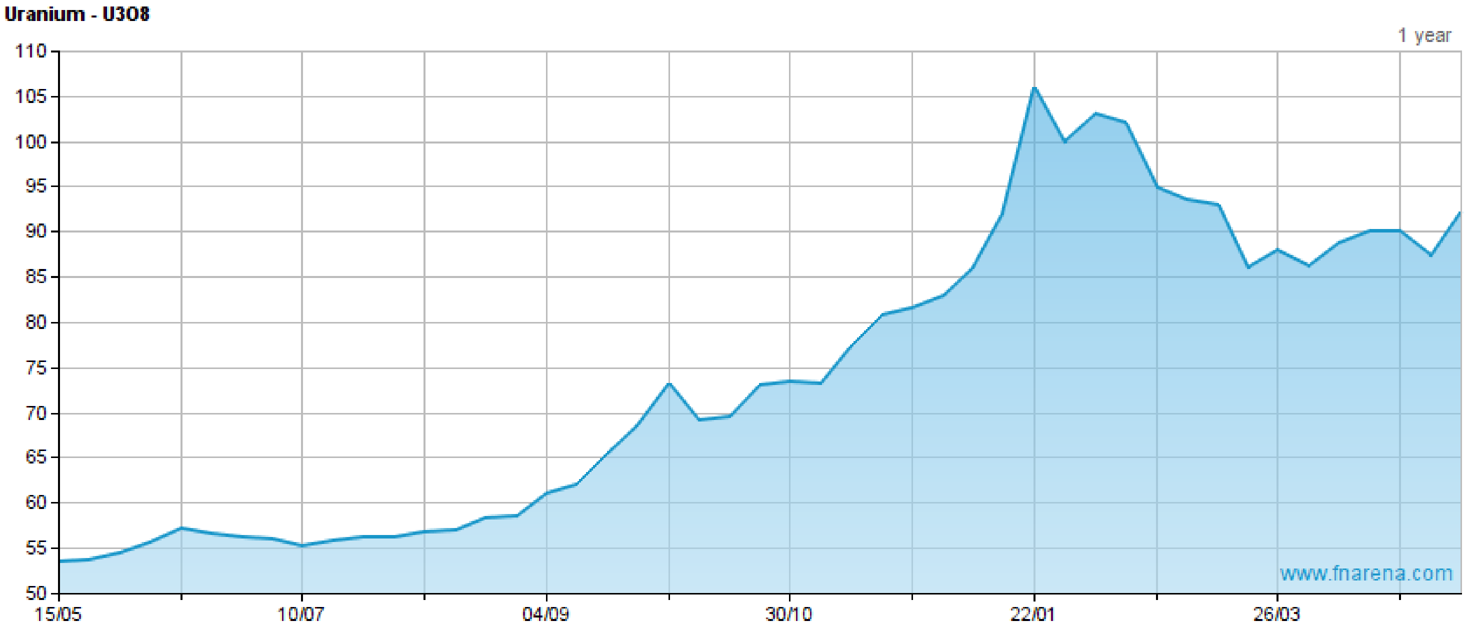
Australia's two leading pure-play producers, Paladin Energy ((PDN)) and Boss Energy ((BOE)), have now restarted their projects and are producing uranium.

Petra suggests Alligator Energy's ((AGE)) Samphire project appears to be following in Boss Energy's footsteps, while Aura Energy's ((AEE)) Tiris project is excessively discounted and has new management.

Amongst explorers, Petra likes Elevate Uranium ((EL8)), DevEx Resources ((DEV)) and Global Uranium & Enrichment ((GUE)).

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	06/05/2024	0.0900	0.00%	$0.19	$0.05			
AGE	06/05/2024	0.0610	▲ 1.67%	$0.08	$0.03		$0.100	▲63.9%
BKY	06/05/2024	0.3900	▲14.71%	$0.80	$0.26			
BMN	06/05/2024	4.5800	▲20.53%	$4.59	$1.19		$7.400	▲61.6%
BOE	06/05/2024	5.4200	▲ 9.72%	$6.12	$2.58	54.1	$5.425	▲0.1%
DYL	06/05/2024	1.6150	▲11.00%	$1.76	$0.53		$1.770	▲9.6%
EL8	06/05/2024	0.5100	▲ 4.08%	$0.68	$0.27			
ERA	06/05/2024	0.0540	0.00%	$0.08	$0.03			
LOT	06/05/2024	0.4400	0.00%	$0.47	$0.17		$0.610	▲38.6%
NXG	06/05/2024	12.6800	▼- 2.69%	$13.66	$5.78		$17.500	▲38.0%
PDN	06/05/2024	15.6400	▲11.95%	$15.72	$5.15	-316.8	$16.470	▲5.3%
PEN	06/05/2024	0.1150	▲ 4.55%	$0.20	$0.08		$0.310	▲169.6%
SLX	06/05/2024	5.9700	▲17.06%	$5.99	$2.92		$7.600	▲27.3%



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WEEKLY REPORTS

The Short Report - 09 May 2024

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

Summary:

By Greg Peel

Week Ending May 2, 2024.

Last week saw the ASX200 fall, partially correct, and then fall again ahead of a steady recovery rally this week. Volatility was driven by inflation concerns both here and in the US.

As has been the case in the past few weeks, the market has been bouncing around but short position movements remain minimal.

The same suite of stocks has been dominating the 10%-plus percent shorted bracket for months now.

About all we can note from last week is the re-appearance at the bottom of the table of Select Harvests ((SHV)), which last week downgraded its FY24 almond harvest forecast, and which is no stranger to the table.

Boral ((BLD)) is an unfamiliar name on the short table, but its board has recommended shareholders accept a cash/scrip offer from Seven Group ((SVW)).

Weekly short positions as a percentage of market cap:

10%+

PLS	21.8
IEL	16.2
SYR	12.9
FLT	12.0
LTR	11.0

No changes

9.0-9.9%

No stocks

8.0-8.9%

CXO, SYA

No changes

7.0-7.9%

WGX, CHN, STX, BOQ, ACL, WBT

Out: LIC

6.0-6.9%

ARU, GMD, LIC, MIN, HLS, LYC

In: LIC, HLS Out: DYL, OBL

5.0-5.9%

CUV, VUL, OBL, NAN, A2M, IMU, IFL, WEB, SHV, SGR, BLD

In: OBL, IFL, SHV, BLD Out: HLS

Movers & Shakers

Nothing this week.

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.3	0.3	QBE	0.2	0.2
ANZ	0.4	0.3	RIO	4.8	4.6
BHP	0.4	0.5	S32	1.3	0.9
CBA	1.4	1.4	STO	1.3	1.3
COL	0.8	0.6	TCL	0.5	0.5
CSL	0.3	0.3	TLS	0.4	0.4
FMG	0.9	0.9	WBC	1.1	1.2
GMG	2.0	2.0	WDS	0.7	0.6
MQG	0.5	0.6	WES	1.1	1.1
NAB	0.8	0.8	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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WEEKLY REPORTS

In Brief: Helium, Rate Cuts, Coal & Retailers

Weekly Broker Wrap: surging helium prices; the global interest rate outlook; met coal prices; green shoots for retailers & will an airplane shortage benefit Qantas?

-Surging helium prices spur heightened exploration activity
-Interest rate cuts by the ECB, then the Federal Reserve in 2024
-Upside potential for metallurgical coal prices
-Green shoots for retailers
-Qantas to benefit from an airoplane shortage

By Mark Woodruff

Surging helium prices spur heightened exploration activity

Demand for use in magnetic resonance imaging (MRI) and semi-conductors has resulted in unprecedented price increases for helium over the last few years, prompting Wilsons to provide an overview of upstream ASX-listed exposures.

It is early days for the relatively small US$1.5bn helium market, and the broker anticipates significant ongoing price swings as major new projects in Russia and Qatar come online over the years ahead.

Qatar and the US currently account for 86% of global helium production, note the analysts, in a market that consumes around 6 billion cubic feet (BCF) per annum.

Pricing is opaque, explains Wilsons, and can vary across locations and markets, as it is subject to local dynamics with private contracts typically structured on a fixed price basis plus an escalation factor.

Current record prices range from US$200 to over US$500 per thousand square cubic feet, which is 35 times and 175 times, respectively, more expensive than Japan/Korea Marker (JKM) LNG and Henry Hub natural gas prices.

A rare commodity, not often found on its own, helium is usually affiliated with hydrocarbons and typically produced as a "by-product" alongside hydrocarbons. It has few substitutes in select applications, explains Wilsons, due to unique molecular properties such as a very low boiling point, and is often used for cooling.

By way of example, helium is employed in healthcare to cool the highly conductive magnets in MRI machines. For semiconductors and electronics, helium is used in cooling the glass in LCD panels and in hard disk drives.

The helium price surge over the last three years has spurred increased activity in Australia by explorers and producers, and $197.1m has been raised by way of IPO proceeds, along with institutional and private capital placements, among nine small helium-focused companies, highlights the broker.

Without providing investment recommendations, Wilsons lists Santos ((STO)), Renergen ((RTO)) Blue Star Helium ((BNL)) and Central Petroleum ((CTP)) as examples of helium producers and developers on the ASX. Investors can also gain exposure to resource appraisal and exploration projects such as Noble Helium ((NHE)), Grand Gulf Energy ((GGE)), Gold Hydrogen ((GHY)) and Buru Energy ((BRU)).

Interest rate cuts by the ECB, then the Federal Reserve in 2024

Inflation developments across advanced economies over the past year have been positive, and the high starting point for inflation is more likely to constrain the speed of interest rate cuts rather than eliminating the need for policy loosening, suggests Oxford Economics. It's felt the present economic backdrop is closer to conditions on the eve of past cutting cycles than the market currently perceives.

In 2024, the US Federal Reserve and the European Central Bank (ECB) will cut by -50bps and -100bps, respectively, forecasts Oxford. By the third quarter, US core personal consumption expenditure (PCE) and eurozone core inflation are expected to be 2.7% and 2.1%, respectively, and declining. If these two measures are not falling, the bar to policy rate cuts is expected to remain high.

Of the two central banks, the ECB currently has a tighter policy stance and can be more confident than the Federal Reserve core pressures will continue to ease, suggests Oxford. On this basis, the ECB can pivot to rate cuts more boldly and earlier than the Fed.

Historically, central banks typically do not begin cutting or tightening cycles at the same time, notes Oxford, and they rarely wait for recessions or labour market downturns before reducing rates. It's believed data have been soft enough for some time now.

Recent market hopes for as many as six rate cuts of -25bps apiece by the Fed in 2024 were far too optimistic, points out Oxford, and now talk of a rate hike are wide of the mark, a view supported by recent Fed commentary.

In the absence of a big game-changing shock, the most compelling near-term catalyst for central banks to ease, according to Oxford, could be concern about overly restrictive policy rates.

Another budget overshoot this year is possible in the US during the build-up to the presidential election, which Oxford Economics feels may result in caution over policy loosening. Uncertainty over the election winner also makes it difficult to predict any policy stance in 2025 and beyond.

<u>Upside potential for metallurgical coal prices</u>

Morgan Stanley is forecasting around 20% price upside for metallurgical coal in the expectation strong fundamentals will reassert themselves as India's steel boom draws in more imports, feeding a steel industry that is now growing at 10% per year. It's also noted China's import dependency is on the rise.

Australia is far more critical to the global met coal market compared to thermal, highlights the broker, as it is the dominant global exporter with 43% share compared to 18%.

Prices for met coal reached record highs in 2022 after China's ban on Australia coal led to big shifts in met coal trade flows as volumes were rerouted to India and South Korea. However, Australia's trade to China has barely recovered, even after the ban was lifted due to a dwindling production base, which is still running -18% lower than peak 2019 levels.

Exports have been in decline for four consecutive years as investment has been deterred by hikes in Queensland's coal royalties and higher emissions costs, explains Morgan Stanley, while adverse weather has also affected shipments.

Now, China's import dependency is rising (14% in 2023 versus an average of 8% in the previous five years), as a continued focus on safety affects the domestic industry, and coal output from the largest producing province, Shanxi, is expected to fall by -5.3% year-on-year in 2024.

Last week, the price of Australia hard coking coal fell to US$240/t, and Morgan Stanley forecasts a level of US$290/t for the fourth quarter of 2024.

The Newcastle thermal coal price rebounded to US$148/t last week and the broker expects US$120/t in the second half of 2024, noting that price lacks near-term catalysts.

Green shoots for retailers

Just prior to yesterday's harsh share market treatment dealt out to most stocks in the Australian Retail sector following trading updates by Baby Bunting ((BBN)), Temple & Webster ((TPW)) and JB Hi-Fi ((JBH)), Bell Potter envisaged a brighter outlook for the sector from June onwards.

The broker's view was supported by more favourable comparatives for companies with exposure to Australian non-food retail sales, along with upcoming **Stage 3 income tax cuts**, which **are expected to incrementally boost disposable incomes** across a broad group of low-to-middle income households.

Any potential benefit is most applicable to Gen X & Y consumers who make up around 65% of retail spend, noted the analysts.

Within these income demographics, top spending categories which may be supported are essentials such as food and beverages, as well as discretionary categories like recreation and other retail, explained the broker.

Bell Potter highlighted the return of promotional activity by retailers back to pre-covid levels from the end of December last year, and noted some recovering signs emerging in categories such as Consumer Electronics, as technology-led spend continues to take a larger share of the consumer wallet.

From among the broker's coverage, key picks are two global roll-out names, Lovisa Holdings ((LOV)) and Premier Investments ((PMV)). Accent Group ((AX1)) and Universal Store ((UNI)) are also favoured for exposure to the younger consumer demographic, a likely beneficiary of the tax cuts.

For Accent Group, Bell Potter noted improving comparisons will arise towards the end of the second half of 2024, and positive commentary from global footwear brands such as Skechers & Deckers (Hoka). It's also thought Universal will benefit from fast-approaching supportive comparatives.

The broker raised its 12-month target prices for Lovisa Holdings, Temple & Webster, Universal Store and Propel Funeral Partners ((PFP)).

For more details, please refer to The Broker Call Report and/or Stock Analysis on the FNArena website.

A shortage of airplanes is positive for Qantas, according to Brandywine Global

Valuations across the airlines sector globally are attractive, according to Brandywine Global, and the current imbalance between constrained supply and rebounding demand offers several possibilities for investors.

The investment manager, part of US-based Franklin Templeton, has taken positions in several airline stocks around the world, including Qantas Airways ((QAN)).

In good news for aircraft lessors and premier airline franchises, according to Brandywine, **a shortage of commercial aircraft may impact travellers' wallets in the coming years** due to manufacturing issues at Boeing, including the grounding of the 737 Max and production slowdowns arising during the pandemic.

"This supply crunch is happening at the same time demand for flights has largely recovered to pre-pandemic levels in most markets outside of China", highlights Portfolio Manager Sorin Roibu.

Unless Boeing and Airbus can ramp-up production to meet the growing demand for air travel, prices are likely to rise across the aviation ecosystem, forecasts Brandywine, which is not expecting Boeing to return to 2018 production levels anytime soon.

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WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 10-05-24

Broker Rating Changes (Post Thursday Last Week)

Upgrade

DOMAIN HOLDINGS AUSTRALIA LIMITED ((DHG)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

Jarden lowers its target for Domain Holdings Australia to $3.70 from $3.75, but due to recent share price underperformance upgrades the rating to Buy from Overweight.

Among the broker's coverage of companies in the Online Classifieds category, Seek remains the top pick given the market is not currently allowing for the company's $2bn revenue aspiration in A&NZ and Asia by FY28.

The key swing factor Jarden sees for FY24 forecasts across all online classifieds stocks is 2H volumes. Domain has the highest sensitivity to volumes given its margin is lower than its peers, explains the broker.

EBOS GROUP LIMITED ((EBO)) Upgrade to Overweight from Neutral by Jarden.B/H/S: 0/0/0

Jarden is upbeat that Ebos Group should be able to re-establish its Australian presence in the PBS following the loss of the Chemist Warehouse contract from FY25 onward.

The broker considers growth will be forthcoming from the Hospital medicines segment, medical consumables, and a new 3PL contract as new facilities are constructed.

In re-casting the earnings outlook for growth in Wholesale, Medical Technoligies and Animal Care, Jarden forecasts a compound 5-year EPS growth rate of circa 7% and around 6% dividend annual growth.

Although more subdued than historically, the analyst expects other growth opportunities to emerge.

The rating is upgraded to Overweight and the target is set at NZ$38 from NZ$37.60.

LIGHT & WONDER INC ((LNW)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

The recent fall in the Light & Wonder share price is put down to macro concerns around a weaker US consumer, lower interest rate cuts, alongside a slowdown in gross gaming revenues and comments from Aristocrat Lesiure ((ALL)) on casino purchase intentions, according to Jarden.

There are no definitive signs of risks to the expected double digit earnings growth targets for FY25, while the company has grabbed market share gains in Australia from Aristocrat, alonsgide greater depth in the US games market.

There are no changes to forecasts at Jarden. The rating is upgraded to Buy from Overweight on the share price pullback and the target retained at $164.

MONASH IVF GROUP LIMITED ((MVF)) Upgrade to Overweight from Market Weight by Wilsons.B/H/S: 0/0/0

Wilsons points to a subdued March quarter for IVF which is characteristic for the time of the year, but an early Easter made the season even quieter, with Medicare data reporting an -8% fall in stimulated cycles.

The broker doesn't model quarterly results for Monash IVF, however Wilsons is expecting 7% increase from M&A over the 2H24. alongside a net 1% volume/price increase, as well as a $600,000 turnaround in Singapore

EBITDA.

The rating is upgraded to Overweight, as the stock has traded sideways for 6 months, the valuation has plateaued and there is considered an intrinsic scarcity value in this particular segment of the healthcare services sector.

The target is lifted to $1.58 with potential upside to $1.80 as forecasts are cast out to FY26.

NICK SCALI LIMITED ((NCK)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

Jarden anticipates upside risk to overseas earnings for Nick Scali following the UK acquisition of Fabb Furniture and raises its target to $15.40 from $13.87. The rating is also upgraded to Buy from Overweight.

The broker expects short-term gross profit margin (GPM) synergies and material longer-term sales/store uplifts.

Potential synergies are so significant the broker believes the transaction could be EPS accretive in FY26, lending additional upside to Jarden's new forecast.

Also not incorporated into the analysts' current forecast for Nick Scali, is the broker's conservative prediction Fabb could increase its store footprint by two or three times.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	DOMAIN HOLDINGS AUSTRALIA LIMITED	Buy	Buy	Jarden
2	EBOS GROUP LIMITED	Buy	Neutral	Jarden
3	LIGHT & WONDER INC	Buy	Buy	Jarden
4	MONASH IVF GROUP LIMITED	Buy	Neutral	Wilsons
5	NICK SCALI LIMITED	Buy	Buy	Jarden

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
AGY	Argosy Minerals	$0.13	Petra Capital	0.31	0.32	-3.13%
ALK	Alkane Resources	$0.59	Moelis	0.95	1.00	-5.00%
			Petra Capital	1.06	1.16	-8.62%
AMC	Amcor	$15.59	Jarden	14.80	14.40	2.78%
ANG	Austin Engineering	$0.52	Petra Capital	0.60	0.52	15.38%
ANZ	ANZ Bank	$28.96	Goldman Sachs	27.69	27.85	-0.57%
AQZ	Alliance Aviation Services	$3.11	Wilsons	4.47	4.35	2.76%
BLX	Beacon Lighting	$2.80	Jarden	2.90	2.70	7.41%
BRI	Big River Industries	$1.53	Moelis	2.00	2.29	-12.66%
CIA	Champion Iron	$7.12	Jarden	7.95	7.76	2.45%
CKF	Collins Foods	$9.25	Wilsons	12.72	13.41	-5.15%
CMM	Capricorn Metals	$4.71	Jarden	5.33	5.35	-0.37%
COL	Coles Group	$16.18	Goldman Sachs	15.40	15.10	1.99%
CRD	Conrad Asia Energy	$0.85	Wilsons	1.97	2.41	-18.26%
CRN	Coronado Global Resources	$1.10	Goldman Sachs	1.55	2.08	-25.48%
DHG	Domain Holdings Australia	$3.09	Jarden	3.70	3.75	-1.33%
HLO	Helloworld Travel	$2.48	Jarden	3.70	3.75	-1.33%
IFL	Insignia Financial	$2.36	Jarden	2.95	3.00	-1.67%
IGO	IGO	$8.07	Goldman Sachs	8.10	7.50	8.00%
IRE	Iress	$8.58	Wilsons	9.17	9.00	1.89%
KGN	Kogan.com	$4.70	Jarden	5.40	7.50	-28.00%
MDR	MedAdvisor	$0.33	Moelis	0.41	0.38	7.89%
MIN	Mineral Resources	$77.68	Goldman Sachs	47.00	48.00	-2.08%
MVF	Monash IVF	$1.51	Wilsons	1.58	1.45	8.97%
NAB	National Australia Bank	$33.68	Goldman Sachs	34.04	33.73	0.92%
NCK	Nick Scali	$14.88	Jarden	15.40	13.87	11.03%
ORG	Origin Energy	$9.95	Jarden	10.00	9.75	2.56%
PBH	PointsBet Holdings	$0.46	Jarden	1.15	1.05	9.52%

PPT	Perpetual	$22.21	Jarden	26.50	28.10	-5.69%
PYC	PYC Therapeutics	$0.10	Wilsons	0.37	0.39	-5.13%
QPM	Queensland Pacific Metals	$0.05	Petra Capital	0.11	0.15	-26.67%
REA	REA Group	$187.55	Jarden	159.00	155.00	2.58%
RMD	ResMed	$32.61	Jarden	32.85	31.33	4.85%
RRL	Regis Resources	$2.14	Goldman Sachs	2.30	2.15	6.98%
RWC	Reliance Worldwide	$5.04	Goldman Sachs	5.35	5.00	7.00%
SDR	SiteMinder	$5.54	Jarden	6.02	5.48	9.85%
			Wilsons	N/A	5.40	-100.00%
SFR	Sandfire Resources	$9.89	Goldman Sachs	8.20	7.20	13.89%
SFX	Sheffield Resources	$0.47	Petra Capital	1.11	1.27	-12.60%
WGX	Westgold Resources	$2.22	Canaccord Genuity	3.25	2.65	22.64%
WOW	Woolworths Group	$30.73	Goldman Sachs	39.40	40.40	-2.48%
XRO	Xero	$126.58	Goldman Sachs	156.00	152.00	2.63%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

ANG AUSTIN ENGINEERING LIMITED

Mining Sector Contracting - Overnight Price: $0.51

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

Risks remain to the upside and Austin Engineering is well placed to deliver further EPS growth, suggests Petra Capital, with the AustBuy program a key upcoming catalyst.

Asia-Pacific is poised to be a significant contributor to near-term earnings, notes the broker, due to an anticipated margin recovery.

The analyst also expects further strong growth across both the North America and South America segments, reflecting stable end market demand, increased OEM order flows, and market share gains.

Buy rating is reiterated. Target rises to 60c from 52.

This report was published on May 1, 2024.

Target price is **$0.60** Current Price is **$0.51** Difference: **$0.09**
If **ANG** meets the Petra Capital target it will return approximately **18%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Petra Capital forecasts a full year **FY24** dividend of **1.50** cents and EPS of **5.20** cents.
At the last closing share price the estimated dividend yield is **2.94%.**
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **9.81**.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** dividend of **2.00** cents and EPS of **6.50** cents.
At the last closing share price the estimated dividend yield is **3.92%.**
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **7.85**.

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

DUG DUG TECHNOLOGY LIMITED

Cloud services - Overnight Price: $2.82

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

Wilsons initiates coverage of Dug Technology with an Overweight rating and a $3.58 target price.

The broker is positive on the company due to its "globally competitive" Multi Parameter FWI technology in the Oil and Gas sectors which reported a 45% uplift in the 1H24 order book.

Management also opened a Dubai office which to Wilsons suggests there is potential Middle East demand.

Although the business is based on cyclical sectors, there is scope for Dug Technology to grow market share and its expertise in Liquid Immersion Cooling has growth potential in the data centre markets.

No guidance has been offered, but the analyst suggests there is upside potential to forecasts.

Overweight rating. Target price of $3.58.

This report was published on May 3, 2024.

Target price is **$3.58** Current Price is **$2.82** Difference: **$0.76**
If **DUG** meets the Wilsons target it will return approximately **27%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Wilsons forecasts a full year **FY24** 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 **97.24**.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **5.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **56.40**.

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

IPD IMPEDIMED LIMITED

Medical Equipment & Devices - Overnight Price: $0.08

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

Wilsons stresses private payer coverage is the leading indicator for investors to focus on for ImpediMed. Following 3Q results the broker highlights the expansion of this coverage is the most impressive aspect of the company's last two quarters.

Management reaffirmed its goal to have 85% private payors on board by June, and the analysts expect a powerful re-rating for the share price should this target be achieved.

Third quarter revenue was $2.6m, up from $2.3m in Q2, and was broadly in line with Wilsons' forecast. The company sold 18 SOZO systems,13 in the US, where the installed base reached 555 units.

The 20c target and Overweight rating are maintained.

This report was published on May 1, 2024.

Target price is **$0.20** Current Price is **$0.08** Difference: **$0.12**
If **IPD** meets the Wilsons target it will return approximately **150%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

Wilsons forecasts a full year **FY24** dividend of **0.00** cents and EPS of **minus 1.00** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 8.00**.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 0.70** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 11.43**.

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

LNW LIGHT & WONDER INC

Gaming - Overnight Price: $150.00

Jarden rates ((LNW)) as Upgrade to Buy from Overweight (1) -

The recent fall in the Light & Wonder share price is put down to macro concerns around a weaker US consumer, lower interest rate cuts, alongside a slowdown in gross gaming revenues and comments from Aristocrat Lesiure ((ALL)) on casino purchase intentions, according to Jarden.

There are no definitive signs of risks to the expected double digit earnings growth targets for FY25, while the company has grabbed market share gains in Australia from Aristocrat, alonsgide greater depth in the US games market.

There are no changes to forecasts at Jarden. The rating is upgraded to Buy from Overweight on the share price pullback and the target retained at $164.

This report was published on May 2, 2024.

Target price is **$164.00** Current Price is **$150.00** Difference: **$14**
If **LNW** meets the Jarden target it will return approximately **9%** (excluding dividends, fees and charges).
Current consensus price target is **$163.00**, suggesting upside of **8.7%**(ex-dividends)
The company's fiscal year ends in December.

Forecast for FY24:

Jarden forecasts a full year **FY24** dividend of **0.00** cents and EPS of **436.30** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **34.38**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **631.0**, implying annual growth of **133.8%.**
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **23.8**.

Forecast for FY25:

Jarden forecasts a full year **FY25** dividend of **0.00** cents and EPS of **553.40** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **27.11**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **779.0**, implying annual growth of **23.5%**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **19.3**.

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

M7T MACH7 TECHNOLOGIES LIMITED

Healthcare services - Overnight Price: $0.69

Wilsons rates ((M7T)) as Overweight (1) -

Mach7 Technologies reported 3Q24 sales of $7.4m, with $5m generated from subscription licence revenue, another $1.7 in capital software licensing, and the balance from professional service fees ($0.7m).

Wilsons expects that the company can meet FY24 revenue guidance of $27m-$30m, while cost controls will assist in the company achieving cashflow breakeven in FY24.

A potential catalyst is the Veteran's Affairs NTP contract which should reinforce Mach7 Technologies' expertise in the imaging markets and open up other market opportunities, notes the broker. The transition to subscription models is seen as a positive for the company.

Wilsons maintains an Overweight rating and $1.05 target.

This report was published on April 30, 2024.

Target price is **$1.05** Current Price is **$0.69** Difference: **$0.36**
If **M7T** meets the Wilsons target it will return approximately **52%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY24:

> Wilsons forecasts a full year **FY24** dividend of **0.00** cents and EPS of **minus 3.60** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 19.17**.

Forecast for FY25:

> Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 2.10** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 32.86**.

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

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