MP Markets

EARNINGS SEASON AUGUST 2024

STRATEGY

Week Two

12th Aug - 16th Aug

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THIS WEEKS WINNERS

AMP (AMP) +13%

AMP's 1H 2024 financial results, several factors suggest that the stock may experience positive momentum in the near term:

- Strong Financial Performance: The increase in underlying NPAT and EPS, along with disciplined cost management, reflects a healthy financial performance
- Strategic Partnerships and Business Initiatives: The strategic partnership with Entireti and the continued focus on cost reduction and business simplification are likely to improve the company's operational efficiency and profitability, which can be viewed positively by the market.
- Capital Management: The ongoing capital return to shareholders, including dividends and share buybacks.

REA Group Ltd (REA)

reported exceptional financial results for the fiscal year ending June 30, 2024, driven by strong revenue growth and increased profitability. Key highlights from core operations include:

- Revenue: $1,453 million, up 23% year-over-year (YoY).
- Operating Expenses: $628 million, up 18% YoY.
- EBITDA (excluding associates): $825 million, up 27% YoY.
- Net Profit: $461 million, up 24% YoY.
- Earnings Per Share (EPS): $3.49, up 24% YoY.
- Full-Year Dividend: $1.89 per share, fully franked, representing a 20% increase.

The company's performance was particularly strong in Australia, with revenue growing by 22% to $1,350 million. In India, revenue increased by 31% to $103 million. The increase in EBITDA before associates was driven by robust growth in Australia (up 25%) and improvements in India (up 9%).

THIS WEEKS LOSERS

Audinate (AD8) -30%

Reported strong preliminary unaudited results for FY24, with

- revenue increasing by 28.4% to approximately US$60 million (A$91.5 million).
- EBITDA around 20m, significant increase from A$11 million in FY23.
- Gross profit up 33.2% to approximately US$44.5 million
- Gross margins improving to 74.3%

However, the outlook for FY25 suggests a transitional year:

- a continued shift towards lower-revenue software solutions and
- the impact of unwinding conservative over-ordering by manufacturing customers.

Audinate expects a potential decline in revenue and a slight decrease in gross profit in FY25, before resuming growth in FY26

QBE (QBE) -4%

Despite a solid result, QBE opened weaker on its problematic North America Business

- Doubled its after-tax profits in the half year to June 30 to $US802 million ($528 million)
- declared a 24c interim dividend, up from 14¢ in the 2023 period

lower catastrophe costs boosted the bottom line. “Premium growth continued through rate increases and targeted new business growth,” the company said in an ASX disclosure, though the benefits were partly offset by sales of its offshore businesses. Chief executive Andrew Horton said the closure of the middle-market North American business had allowed for “portfolio optimisation”.

THE WEEK AHEAD

MP Markets

	Mon-12th	Tue-13th	Wed-14th	Thu-15th	Fri-16th
EARNINGS (AU)	JB HI-FI, CAR Group, netwealth, beach, REA Group	CSL, challenger, stanmore, YANCOAL 兖煤澳大利亚有限公司, seek	CommonwealthBank, Cochlear, Computershare, SGH, Evolution Mining, Domain, AURIZON, Alliance Aviation Services, bwp TRUST, dexus	Telstra, pro medicus, origin, Guzman y Gomez Mexican Kitchen, Goodman, Treasury Wine Estates, ARB 4x4 Accessories, MAGELLAN Experts in Global Investing	ASX, MAAS Group Holdings, NRW Holdings, Resolute, Home Co. Daily Needs REIT, RIDLEY
EARNINGS (USA)	THE HOME DEPOT		CISCO	Walmart, John Deere	
ECONOMIC	Mountain Day Holiday	Consumer Confidence; PPI	CPI	Employment; Retail Sales	Building permits

AU

USA

ALL

PREVIEW

CSL is viewed as a strong buy with robust growth prospects driven by innovation and efficiency improvements. While currency fluctuations and short-term risks exist, the long-term outlook is positive, with significant potential upside if strategic projects like Horizon 2 succeed. The stock has been range bound for 4 years now and while analysts see a good entry point at current levels, CSL would have to shoot the lights out to break through to fresh record highs

The outlook for Goodman Group (GMG) is cautiously optimistic, though opinions are divided. While EPS growth of 12.2% is anticipated for FY25, with strong demand expected from the cloud data center sector, some analysts express concerns about the broader market environment and GMG's current valuation.

Although near-term support might come from US rate cuts, challenges loom from potential market slowdowns and stretched valuations. As a result, while there is confidence in GMG's ability to deliver solid growth, particularly in its core sectors, there is also a sense that expectations may be overly optimistic, warranting a more measured approach to the stock's valuation. Overall, the consensus suggests that GMG remains a strong performer, but with a tempered outlook given the current market dynamics.

The outlook on Cochlear Limited (COH) shares from various analysts reflects a generally cautious and bearish sentiment. The company has has a tendency to beat expectations.

In summary, all the analysts have a bearish outlook on COH, with concerns about future market growth, potential competition from medical advancements, and the sustainability of recent strong performance. Target prices range between $256 and $300, with most analysts expecting a downside from the current share price.

CONSUMER DISCRETIONARY

Could this be the last chance to bank profits?

JBH is one of the best retailers in the world, however the recent rally in shares has pushed the PE multiple too high, particularly due to investor optimism surrounding AI-related products. Analysts see the stock as overvalued and project flat earnings growth for FY25.

As indicated in the consumer discretionary index below, we are at record highs with solid retail sales numbers in the rearview mirror and a likely turn in the economic cycle looming, this could be a good opportunity to sell on strength or weakness

VEIWER'S PICK

ProMedicus

The ASX super-star of the last few years, ProMedicus has been almost unstoppable in the last few years, culminating in a very bullish presentation at the Macquarie conference this year where they stopped short of promising to rule the world

While almost all analysts forecast significant revenue and EPS growth to the end of the decade for Pro Medicus and a tripling of market share, the ***current share price implies even higher growth***.

The announcement of five new clients, adding $45m in revenue over eight years, enhances the company's revenue visibility for FY25.
Full revenue realisation from these contracts is anticipated in the 2H25.

VERDICT:
The share price has increased 80%+ this year
EPS and Revenue are only expected to be around 30% higher.
While FY25 benefits from new contracts, *current valuation is very high*

CAUTION WARRANTED SHORT TERM,
BUT BUY THE DIP

	Feb-22	Aug-22	Feb-23	Aug-23	Feb-24	Aug-24
EPS Surprise	11%	-1.78%	4.68%	4.23%	-195%	
Revenue Surprise	7.08%	1.10%	1.48%	2.40%	-3.71%	
Net change on day	3.60%	0.60%	0.65%	4.15%	-13.04%	
EPS Growth		16%	14%	23%	-208%	218%
Revenue Growth		11%	16%	20%	9%	16%
Change between earnings		12%	20%	7%	43%	33%

Trade Plan

Holders: After a stellar half year a trim of a third of the holding is more than justified at current prices, not withstanding the broader vulnerability of the tech sector in the US potentially weighing

Trim pre-earnings

New Money: "Wait and see" stance this earnings season. Buy zone <$100

RISK ALERT

Commonwealth Bank (CBA)

With the borrowing capacity of their customers significantly reduced last earnings season and cautious guidance from the company themselves and a record PE, CBA is unlikely to justify its price.

Key Points to Consider:

- **Negative Sentiment:** All analysts are recommending a "Sell" or "Underperform," indicating a strong consensus that the stock is overvalued at its current price.
- **Price Target vs. Current Price:** The average price target of around $95 suggests a substantial downside risk of approximately 25% from the current price of $127.
- **Challenging Outlook:** Concerns over earnings growth, net interest margins, and potential increases in impairment charges add to the risk profile, making it difficult to justify holding onto the stock at its current valuation.

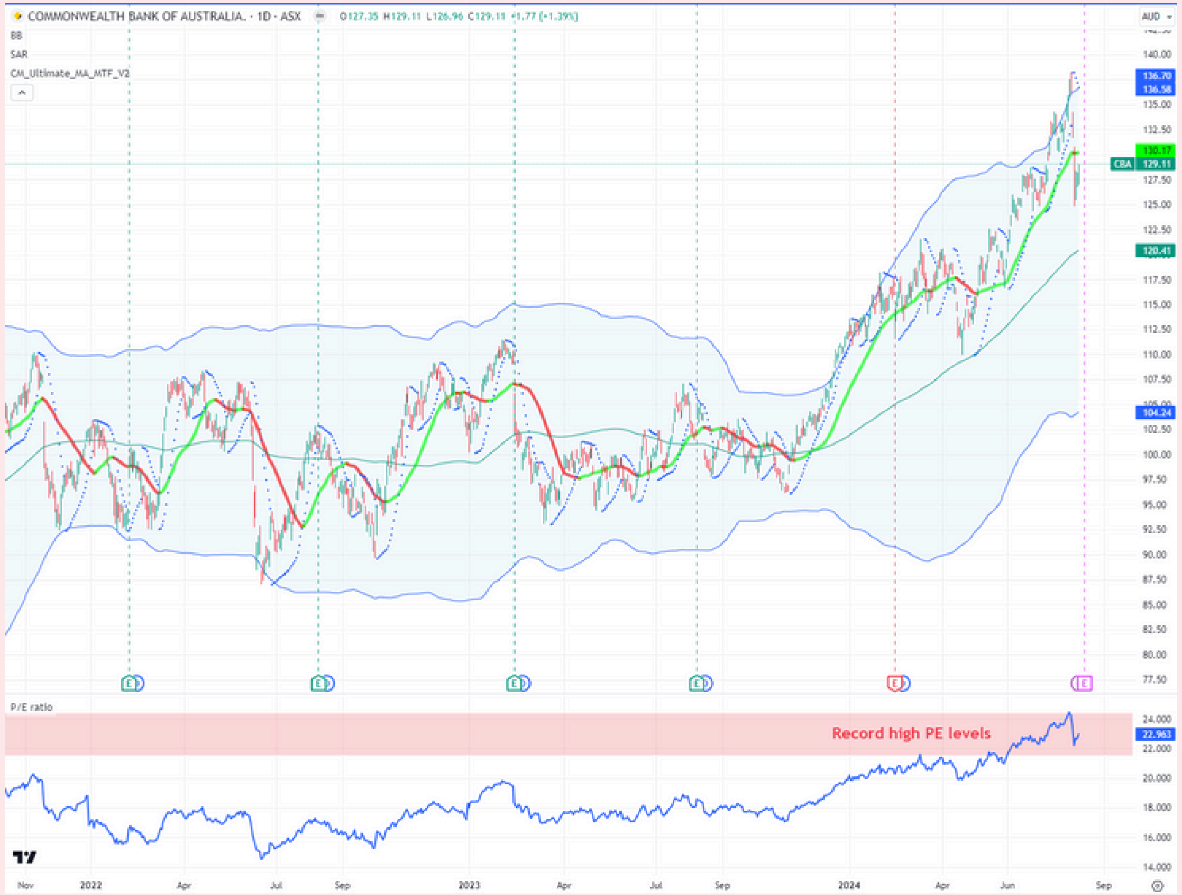
VERDICT:
The share price has increased 20% this year
EPS and Revenue are expected to be largely unchanged
DPS is unlikely to rise in the next 2 years

	Feb-22	Aug-22	Feb-23	Aug-23	Feb-24	Aug-24
EPS Surprise	8%	2.88%	2.60%	-2.42%	2.20%	
Revenue Surprise	1.66%	0.77%	-0.45%	0.55%	0.90%	
Net change on day	1.51%	-0.28%	-5.72%	2.58%	-1.66%	
EPS Growth		5%	11%	-6%	2%	3%
Revenue Growth		4%	7%	0%	0%	-1%
Change between earnings		2%	8%	-1%	11%	9%

Risk Management Plan

Holders: Given the current price of $127 and the expert consensus pointing towards a bearish outlook with price targets ranging from $85 to $107, all significantly below the current trading level

SELL BEFORE EARNINGS



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