

# Australian Equity Strategy

## Australia 2024 Conference Wrap

### Key Points

- We highlight key takeaways from the 26th Macquarie Australia Conference, which saw 114 companies present over May 7-9, 2024.
- While guidance changes were rare, there were more up (4) than down (2), and the average stock outperformed 0.4% (even with the retail sell-off).
- The retail sell-off on Day 3 was the key negative, driven by some weaker updates in the context of a market that not long ago expected cuts.

- **Was this a net upside conference?** Yes. We had guidance increases from **AGL** (better plant availability, higher demand), **HMC** (performance fees), **AUB** (trading momentum), and **MPL** (slower claims growth). **GMG** did not attend, but also raised guidance. In terms of guidance reductions, there was **SGM** (lower pricing, margin pressure) and **DHG** (better listings, but higher OPEX). While some trading updates looked better (**PNV**, **PNI**, **REG**) or worse than expected (**IMD**, **JBH**, **SUL**), the trend of net guidance increases that started last AGM season has continued (and could continue into August results). Looking at share price performance, the average stock outperformed 0.4% after their presentation, even with the retail sell-off on Day 3.

- **Retail the negative surprise.** Retail outperformed in the recent rally on rate cut hopes and had among the most positive EPS surprise in February. However, rate cuts have been delayed with the RBA even considering a hike this week. In the context of a market positioned for better earnings, the slightly negative Australia comp from **JBH**, a big profit warning from **BBN** (not at conference), and a lack of positive surprise from **TPW** were catalysts for a retail sell-off. Like last year, we again heard about consumers trading down, this time for cheaper TVs (**JBH**), for pubs instead of restaurants (**EDV**), and eating at home instead of eating out (**COL**). **VCX** flagged a bifurcated consumer, with DFOs (value) and CBDs performing well, but contraction in discretionary.

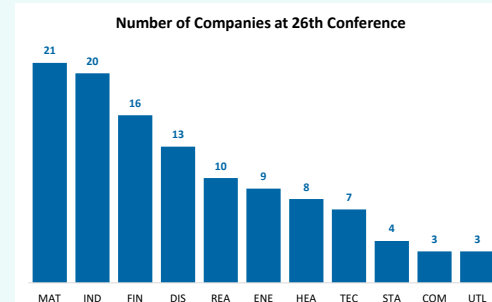
- **AI.** Due to increased AI-driven demand, there was significant interest in data centre exposures (**NXT**, **GMG**, **MP1**) and related power demand. There were also many companies that mentioned AI as a way to increase productivity and/or reduce costs (e.g., **WES**, **TPW**) which we think is understandable given the labour market challenges in recent years.

### Action & Recommendation

- In our recent **Portfolio Update (22 Apr 2024)**, we added to **Resources** for better exposure to the improving cycle. Resources (+1.5%) were the best- performing strategy group at the conference, largely driven by small cap mining (**CHN**, **PMT**, **LTR**) and the impact of the Government's **Future Gas Strategy** on Energy (**STX**).
- **Retail** was the worst performing sector at the conference, but this looks to be due to positioning being too optimistic rather than materially negative earnings news at the Conference. We note Stage 3 tax cuts start in July; the world will be reminded of them at next week's Budget, and this could be a positive catalyst for cyclical retailers, in our view.

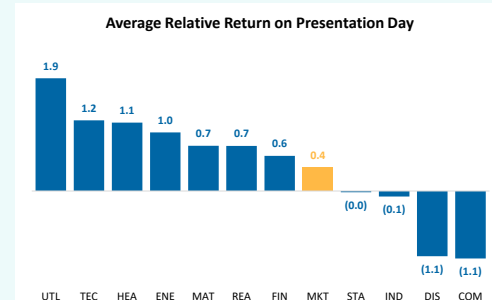
### Strategy Australia

Figure 1 - 114 companies presented



Source: FactSet, Macquarie Research, May 2024.

Figure 2 - Best and worst sectors



Source: FactSet, Macquarie Research, May 2024.

Figure 3 - Best and worst stocks

Company	Code	Relative Return	Company	Code	Relative Return
<b>Highest Relative Returns</b>			<b>Lowest Relative Returns</b>		
Chalice Mining	CHN	10.6	Temple & Webster	TPW	(16.8)
Strike Energy	STX	7.9	Sims	SGM	(7.8)
PolyNovo	PNV	7.9	Imdex	IMD	(5.4)
Patriot Battery Metals	PMT	6.7	Smartgroup	SIQ	(5.0)
Pinnacle Investment	PNI	6.5	Super Retail	SUL	(4.4)
HMC Capital	HMC	5.4	Domain	DHG	(3.8)
Cettire	CTT	5.3	JB Hi-Fi	JBH	(3.5)
Liontown	LTR	3.8	Paladin Energy	PDN	(3.0)
Bellevue Gold	BGL	3.6	Challenger	CGF	(2.0)
Qualitas	QAL	3.2	IPH	IPH	(1.9)
Genesis Minerals	GMD	3.2	GWA Group	GWA	(1.8)
Tyro Payments	TYR	2.9	EBOS	EBO	(1.8)
Pro Medicus	PME	2.7	Insurance Australia	IAG	(1.4)
APA Group	APA	2.3	Lovisa	LOV	(1.4)
Atlas Arteria	ALX	2.3	Integral Diagnostics	IDX	(1.3)
Contact Energy (NZ)	CEN	2.2	NIB	NHF	(1.3)
Flight Centre	FLT	2.1	Capricorn Metals	CMM	(1.2)
Light & Wonder	LNW	2.1	Dexus	DXS	(1.2)
NextDC	NXT	2.0	Treasury Wine	TWE	(1.1)
Santos	STO	2.0	Auckland Airport	AIA	(1.0)

Source: FactSet, Macquarie Research, May 2024

## Key takeaways by sector

### • Financials.

- ⇒ **Banks.** The reporting season for banks tends to overlap with the Macquarie Conference. **WBC** also presented at the conference and said overall demand in the economy is holding up well, although some recent consumer cards data suggest some minor weakness. **WBC** (and other banks) posted lower than expected bad debts, noting that tighter lending rules had pushed riskier borrowers out of the banking system.
- ⇒ **Insurance.** In General Insurance, **IAG** has confidence Personal Motor pricing will slow, while Home pricing is likely to be higher for longer. **IAG** is also seeing Home claims inflation "around double-digit" as materials and labour inflation concerns remain, while tapering car prices see Personal Motor claims cost growth lower at +6-7%. In Private Health Insurance, **MPL** and **NHF** both held policyholder growth guidance, while **MPL** said that claims growth would be at the lower end of its +2.2-2.4% range, and that it is getting close to calling the end of COVID-19 impacts. **MPL** also said it was seeing a recovery in the incidence of surgical claims, but with a lower level of intensity (i.e., more short-stay procedures). For the brokers, **AUB** raised profit guidance to the upper end of the range on continued operating momentum.
- ⇒ **Capital markets.** **ASX** said IPOs remain tough globally, but there remains a strong pipeline. Dual listings have been relatively consistent, while secondary raises have been more active recently (e.g., **NXT** in Apr 2024).

### • Real Estate.

- ⇒ **Fund managers.** **HMC** was the top-performing REIT at the conference, supported by an increase to its FY24 OEPS guidance to 40 cents (was at least 33 cents) due to embedded performance fees. **HMC** again highlighted the potential for FUM growth supported by structural trends (e.g., energy transition) and that the private credit opportunity, while \$180bn today, could double in the medium term. While not at the conference, **GMG** also raised FY24 OEPS guidance to +13% (was +11%) while flagging data centres were now 40% of WIP (was 37%) and on the way to 50%.
- ⇒ **Industrial.** REITs generally plans to continue to increase exposure to Industrial. That said, **MGR** noted the ability to raise rents in Sydney Industrial is starting to become more difficult.
- ⇒ **Retail.** In contrast to how the retailers were treated by the market on Day 3, **GPT** said its retail tenants were optimistic, with several expanding their footprint. **VCX** said the consumer was resilient, but there was evidence of bifurcation with DFOs (value) and CBD (return to office?) trading well, with some contraction in discretionary.
- ⇒ **Residential.** **MGR** believes affordability is the key driver of soft residential volumes, with limited improvement in the conversion of enquiries to sales. That said, **MGR** believes population growth, constrained supply, and low vacancy will be structural tailwinds. **MGR** also noted construction costs are up 25% over the past 18 months, due to a combination of weather, rising input costs, and subcontractor insolvencies. **QAL** flagged VIC has a tough region due to oversupply and loss of confidence (due to new state taxes), but **QAL** is also positive on the medium-term outlook.
- ⇒ **Office.** **DXS** reported relatively stable office metrics with occupancy by income at 94.4% and incentives moderating to 29.0% in 3Q24. **MGR** said tenant demand has been strong for premium and well-located assets. With more office tenants instructing staff to return to the office, **MGR** expect a normalisation of workspace ratios.

- **Consumer Discretionary.**

- ⇒ **Retail volatility on Day 3.** Retail sector PE ratios rose in the recent rally (November through March) as investors sought exposure to stocks that could benefit from potential RBA rate cuts and income tax cuts. Retail also had among the most positive EPS surprises in February results. Now here we are in May and the RBA considered hiking this week (but held). In this context of a market hoping for improving earnings, the slightly negative (-0.3%) 3Q24 comp for **JBH** Australia when the market expected a slight positive (+0.4%) was a negative surprise. **JBH** also said called out a cautious consumer, with trading down in larger ticket items like TVs and a continued pick-up in on-floor discounting (previously flagged). The same day, **BBN** (which did not present at our conference) warned FY24 NPAT would be \$2-4m when the Street expected \$11m (i.e., 73% below at the midpoint). These negative surprises appeared to drive a sector-wide retail sell-off on Day 3.
- ⇒ **Online retail. TPW** did not escape the retail sell-off despite posting 2H24 YTD sales growth of +30%, supported by strong share gains (furniture market shrank 4%). **TPW** also stands out as an AI beneficiary, as it already handles 40% of customer interactions and has lifted conversions 10% while still driving cost leverage.
- ⇒ **Travel continues to grow. FLT** and **CTD** both maintained guidance, while **QAN** said demand continues to be good in its presentation. In contrast to many areas with rising inflation, we note 3Q24 airfares saw deflation of 13% YoY. Travel agents can also use AI to reduce costs. For example, **CTD** is already seeing efficiencies, and over its 5-year strategy, it targets 50% of all non-revenue transactions to be managed by AI/ML.

- **Consumer Staples.**

- ⇒ **Staples Retail. EDV** has seen a moderation in the frequency people go to pubs and clubs following an increase after COVID. However, it is seeing some people trade down from expensive restaurants to pubs. **COL** is seeing a similar trend in that it is seeing some consumers trade down from eating out to eating at home, with its premium private-label product (Coles Finest) benefiting.

- **Communications.**

- ⇒ **Traditional Media.** TV markets are still challenging, with **NEC's** 3Q24 TV revenues down 13% YoY for FTA and that decline expected to persist in 4Q24. That said, **NEC** expects the Olympics to provide a boost in 1Q25.
- ⇒ **Real estate marketplaces. DHG** raised FY24 listings growth guidance to +2-3% (was +1-3%), although partly offset by an increase in costs which caused the stock to underperform. **REA** (not presenting) also raised FY24 listings growth guidance to +5-7% (was +3-5%) in their 3Q24 update. **REA** said Stage 3 income tax cuts and rate cuts (if more than one) should support the Australian housing market.

- **Technology.**

- ⇒ The growth of AI and how this will drive demand for data centres and power demand was a key focus at the conference. **NXT** was one of the best attended presentations, and it is optimistic on the outlook for data and demand. As mentioned above, **GMG** also flagged data centres had grown to 40% of WIP (up from 37%) and on the way to 50%. GPUs as a service was highlighted as the new iteration of cloud services.

- **Health.**

- ⇒ **Biotech & Pharma. CSL** not only reiterated FY24 guidance (NPATA +13-17%), but also issued longer-term targets for double-digit EPS growth and a ROIC of 20% by FY30, in part supported by a margin recovery in Behring.
- ⇒ **Health Technology. PME** is currently 7% of the US market, but the company expects this to grow as its Visage 7 product boosts radiologist productivity 20-25%. AI is a medium-to-long-term opportunity for **PME** that could leverage the advantages of their cloud-based product.
- ⇒ **Health Services. IDX** is seeing improving labour availability, with less absenteeism, but they are still short radiologists. **IDX** uses AI as it allows for a shorter time for recognition of AI detected cases. AI currently accounts for >5% of IDX volumes and continues to be a growing division.
- ⇒ **Aged Care. REG's** trading update showed spot occupancy (94.6% in March) and revenue per bed (\$295.90 for 3Q24) were ahead of MRE expectations. **REG** expects demand to outstrip supply of residential aged care beds in Australia in 3-4 years.

- **Industrials.**

- ⇒ **Transport. QAN** said demand is strong across domestic and international, and reiterated the outlook given in February. Jetstar is seeing customers prioritise leisure travel despite cost-of-living pressures, while Qantas' more premium customers remain insulated from macroeconomic factors (high home equity, often earning higher returns on debt).
- ⇒ **Commercial Services. DOW** called out energy transition and defence spending increases as key opportunities. On the negative, **DOW** indicated that discretionary spending from state governments had been softer, with a pullback in road services investment in VIC/SA (flagged previously). **DOW** flagged easing labour pressures. On a related topic, **VNT** said that it saw white collar attrition fall to 16% (was 27%), and expects this to decline further.
- ⇒ **Mining Services. ALQ** noted it was on track to meet FY27 targets, including EBIT of \$600m. **ALQ** is exposed to industry megatrends such as increasing regulation, a focus on health/sustainability and increasing supply chain flexibility. **WOR** also should benefit from the megatrend of the energy transition (e.g., in battery minerals), while also benefiting from traditional energy investment. **IMD** posted a 3Q24 update below expectations. Drilling remains subdued, but given supply shortfalls an increase in exploration is expected. Given the increase in many metals prices in 2024, there may be potential for an increase in activity in the mining services sector.

- **Materials.**

- ⇒ **Basic Materials. SGM** guided to 2H24 EBIT marginally lower than 1H24 (prior guide was growth). For **SGM**, ANZ weakness was driven by impacts from increased China ferrous exports. Slowing steel demand in China resulted in higher 1Q CY24 exports, which have started to affect Australian produced steel demand as well.
- ⇒ **Mining.** Small mining stocks were some of the biggest outperformers at the 2024 conference, with **CHN** (+10.6% vs ASX 200) the number-one performer and four of the top 10 outperformers being mining stocks (the other 3 were **PMT**, **LTR**, and **BGL**).

- **Energy**

- ⇒ **Gas.** The Australian Government released its **Future Gas Strategy** on Day 3 of the conference, which is a plan for how gas will support the transition to net zero. This government support drove a bid in gas-exposed stocks, including **STX**, which was the second-best performer at the Conference as a result.

- **Utilities**

- ⇒ **Utilities.** AGL raised FY24 earnings guidance ahead of its presentation due to a combination of improved plant availability and higher consumer demand over summer. **APA** also benefited from the release of the Future Gas Strategy, as it likely means their pipes are needed for longer than previously expected.

**Figure 4 - Best and worst relative returns on presentation day**

Company Name	Code	Return	Industry	Company Name	Code	Return	Industry
<b>ASX 100 - Best return relative to ASX 200 on presentation day (%)</b>				<b>ASX 100 - Worst return relative to ASX 200 on presentation day (%)</b>			
Liontown	LTR	3.8	Diversified Metals & Mining	JB Hi-Fi	JBH	(3.5)	Computer & Electronics Retail
Pro Medicus	PME	2.7	Health Care Technology	Challenger	CGF	(2.0)	Diversified Financial Services
APA Group	APA	2.3	Gas Utilities	Insurance Australia	IAG	(1.4)	Property & Casualty Insurance
Atlas Arteria	ALX	2.3	Highways & Railtracks	NIB	NHF	(1.3)	Life & Health Insurance
Flight Centre	FLT	2.1	Hotels Resorts & Cruise Lines	Dexus	DXS	(1.2)	Office REITs
NextDC	NXT	2.0	Internet Services & Infrastructure	Treasury Wine	TWE	(1.1)	Distillers & Vintners
Santos	STO	2.0	Oil & Gas Exploration & Production	ALS	ALQ	(0.9)	Research & Consulting Services
Seven Group	SVW	1.8	Trading Companies & Distributors	Northern Star	NST	(0.8)	Gold
Stockland	SGP	1.5	Diversified REITs	Mineral Resources	MIN	(0.8)	Diversified Metals & Mining
Nine Entertainment	NEC	1.2	Broadcasting	Worley	WOR	(0.7)	Construction & Engineering
AGL Energy	AGL	1.1	Multi-Utilities	Fortescue	FMG	(0.7)	Steel
Iluka	ILU	1.0	Diversified Metals & Mining	ASX	ASX	(0.6)	Financial Exchanges & Data
GPT Group	GPT	0.8	Diversified REITs	Medibank	MPL	(0.4)	Life & Health Insurance
WiseTech	WTC	0.8	Application Software	W.H. Soul Pattinson	SOL	(0.4)	Multi-Sector Holdings
Orora	ORA	0.8	Metal Glass & Plastic Containers	Endeavour	EDV	(0.3)	Food Retail
Wesfarmers	WES	0.7	Broadline Retail	Cleanaway	CWY	(0.3)	Environmental & Facilities Services
Qantas	QAN	0.7	Passenger Airlines	Ampol	ALD	(0.3)	Oil & Gas Refining & Marketing
Aurizon	AZJ	0.6	Rail Transportation	Westpac	WBC	(0.1)	Diversified Banks
Transurban	TCL	0.5	Highways & Railtracks	Reliance Worldwide	RWC	(0.0)	Building Products
Woodside	WDS	0.4	Oil & Gas Exploration & Production	IGO	IGO	(0.0)	Diversified Metals & Mining
Arcadium	LTM	0.4	Specialty Chemicals	Mirvac	MGR	0.0	Diversified REITs
Downer EDI	DOW	0.3	Diversified Support Services	CSL	CSL	0.0	Biotechnology
Charter Hall	CHC	0.2	Diversified REITs	Pilbara Minerals	PLS	0.1	Diversified Metals & Mining
Coles	COL	0.2	Food Retail	Evolution Mining	EVN	0.1	Gold
Vicinity Centres	VCX	0.1	Retail REITs				
<b>Ex-100 - Best return relative to ASX 200 on presentation day (%)</b>				<b>Ex-100 - Worst return relative to ASX 200 on presentation day (%)</b>			
Chalice Mining	CHN	10.6	Diversified Metals & Mining	Temple & Webster	TPW	(16.8)	Homefurnishing Retail
Strike Energy	STX	7.9	Oil & Gas Exploration & Production	Sims	SGM	(7.8)	Steel
PolyNovo	PNV	7.9	Health Care Supplies	Imdex	IMD	(5.4)	Diversified Metals & Mining
Patriot Battery Metals	PMT	6.7	Diversified Metals & Mining	Smartgroup	SIQ	(5.0)	Human Resource & Employment Services
Pinnacle Investment	PNI	6.5	Asset Management & Custody Banks	Super Retail	SUL	(4.4)	Other Specialty Retail
HMC Capital	HMC	5.4	Retail REITs	Domain	DHG	(3.8)	Interactive Media & Services
Cettire	CTT	5.3	Apparel Retail	Paladin Energy	PDN	(3.0)	Coal & Consumable Fuels
Bellevue Gold	BGL	3.6	Gold	IPH	IPH	(1.9)	Research & Consulting Services
Qualitas	QAL	3.2	Asset Management & Custody Banks	GWA Group	GWA	(1.8)	Building Products
Genesis Minerals	GMD	3.2	Gold	EBOSS	EBO	(1.8)	Health Care Distributors
Tyro Payments	TYR	2.9	Transaction & Payment Processing Services	Lovisa	LOV	(1.4)	Other Specialty Retail
Contact Energy (NZ)	CEN	2.2	Electric Utilities	Integral Diagnostics	IDX	(1.3)	Health Care Services
Light & Wonder	LNW	2.1	Casinos & Gaming	Capricorn Metals	CMM	(1.2)	Gold
Codan	CDA	2.0	Electronic Equipment & Instruments	Auckland Airport	AIA	(1.0)	Airport Services
Corporate Travel	CTD	1.9	Hotels Resorts & Cruise Lines	Arena REIT	ARF	(0.9)	Other Specialized REITs
Lifestyle Communities	LIC	1.8	Real Estate Development	Breville	BRG	(0.8)	Household Appliances
Regis Healthcare	REG	1.6	Health Care Facilities	Aussie Broadband	ABB	(0.7)	Alternative Carriers
AUB Group	AUB	1.6	Insurance Brokers	Viva Energy	VEA	(0.7)	Oil & Gas Refining & Marketing
Karooon Energy	KAR	1.3	Oil & Gas Exploration & Production	Credit Corp	CCP	(0.7)	Consumer Finance
Boss Energy	BOE	1.2	Coal & Consumable Fuels	Netwealth	NWL	(0.5)	Asset Management & Custody Banks
Elders	ELD	1.2	Agricultural Products & Services	Summerset Group (NZ)	SUM	(0.2)	Health Care Facilities
Sandfire	SFR	1.2	Copper	PEXA	PXA	(0.2)	Real Estate Services
John Lyng	JLG	1.0	Construction & Engineering	Propel Funeral Partners	PPF	(0.2)	Specialized Consumer Services
Kelsian	KLS	0.9	Passenger Ground Transportation	Audinate	ADB	(0.1)	Electronic Manufacturing Services
Ventia	VNT	0.8	Construction & Engineering	Regis Resources	RRL	(0.1)	Gold
Chryso	C79	0.7	Diversified Support Services	Beach Energy	BPT	(0.1)	Oil & Gas Exploration & Production
Capstone Copper (CA)	CSC	0.7	Copper	MAAS	MGH	0.1	Construction & Engineering
Judo Capital	JDO	0.7	Diversified Banks	Monash IVF	MVF	0.2	Health Care Facilities
HUB24	HUB	0.6	Investment Banking & Brokerage	Megaport	MP1	0.3	Internet Services & Infrastructure
Alpha HPA	AAN	0.6	Commodity Chemicals	IRESS	IRE	0.3	Application Software
ARB	ARB	0.5	Automotive Parts & Equipment	McMillan Shakespeare	MMS	0.4	Human Resource & Employment Services
Jumbo Interactive	JIN	0.4	Casinos & Gaming				

Source: FactSet, Macquarie Research, May 2024

**Figure 5 - Conference performance summary**

Category	Count	Weight in ASX 300	Average Return Relative to XJO	Outperforming Net percent	Relative Return on Day of Presentation		
					Outperform	+/- 2.5%	Underperform
<b>Strategy Group</b>							
Domestic Cyclical	43	12.9	0.2	2	4	36	3
Defensive	14	5.6	0.2	0	0	14	0
Growth	16	8.1	(0.0)	13	4	10	2
Global Cyclical	16	5.0	(0.3)	(13)	0	14	2
Resources	25	9.2	1.5	20	6	18	1
<b>Sector</b>							
Financials	16	9.7	0.6	19	3	13	0
Real Estate	10	2.3	0.7	10	1	9	0
Discretionary	13	4.5	(1.1)	(15)	1	9	3
Communications	3	0.2	(1.1)	(33)	0	2	1
Technology	7	1.5	1.2	14	1	6	0
Health Care	8	6.1	1.1	25	2	6	0
Staples	4	1.7	(0.0)	0	0	4	0
Industrials	20	4.6	(0.1)	(5)	0	19	1
Materials	21	5.4	0.7	14	5	14	2
Energy	9	4.3	1.0	0	1	7	1
Utilities	3	0.7	1.9	0	0	3	0
<b>Industry Group</b>							
Banks	2	4.1	0.3	0	0	2	0
Financial Services	10	4.2	1.0	30	3	7	0
Insurance	4	1.3	(0.4)	0	0	4	0
REITs	8	2.2	0.7	13	1	7	0
Real Estate Development	2	0.1	0.8	0	0	2	0
Autos & Parts	1	0.1	0.5	0	0	1	0
Consumer Durables	1	0.1	(0.8)	0	0	1	0
Consumer Services	5	0.4	1.3	0	0	5	0
Discretionary Retail	6	3.9	(3.3)	(33)	1	2	3
Media	2	0.1	(1.3)	(50)	0	1	1
Telecom	1	0.0	(0.7)	0	0	1	0
Software & Services	5	1.3	1.3	20	1	4	0
Tech Hardware	2	0.1	0.9	0	0	2	0
Health Equip & Services	7	0.4	1.3	29	2	5	0
Pharma & Biotech	1	5.7	0.0	0	0	1	0
Staples Retail	2	1.2	(0.1)	0	0	2	0
Food & Beverage	2	0.4	0.0	0	0	2	0
Capital Goods	7	1.0	0.2	0	0	7	0
Commercial Services	7	0.8	(1.0)	(14)	0	6	1
Transportation	6	2.8	0.6	0	0	6	0
Materials	21	5.4	0.7	14	5	14	2
Energy	9	4.3	1.0	0	1	7	1
Utilities	3	0.7	1.9	0	0	3	0
<b>All Sectors</b>	<b>114</b>	<b>40.9</b>	<b>0.4</b>	<b>5</b>	<b>14</b>	<b>92</b>	<b>8</b>
ASX 100	50	36.9	0.3	2	2	47	1
Ex-100 Stocks	64	4.0	0.5	8	12	45	7

Source: FactSet, Macquarie Research, May 2024

## Important Disclosures

Recommendation definitions	Volatility index definition	Financial definitions
<p><b>Macquarie – Asia and USA</b> Outperform – expected return &gt;10% Neutral – expected return from -10% to +10% Underperform – expected return &lt;-10%</p> <p><b>Macquarie – Australia/New Zealand</b> Outperform – expected return &gt;10% Neutral – expected return from 0% to 10% Underperform – expected return &lt;0%</p> <p>During periods of share price volatility, recommendations and target prices may occasionally and temporarily be inconsistent with the above definitions.</p> <p><b>Recommendations</b> – 12 months <b>Note:</b> Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p>This is calculated from the volatility of historical price movements.</p> <p><b>Very high</b> – highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p><b>High</b> – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.</p> <p><b>Medium</b> – stock should be expected to move up or down at least 25–40% in a year.</p> <p><b>Low</b> – stock should be expected to move up or down at least 15–25% in a year.</p> <p>* Applicable to select stocks in Asia/Australia/NZ</p> <p><b>Note:</b> expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk</p>	<p>All "Adjusted" data items have had the following adjustments made: <b>Added back:</b> goodwill amortisation, provision for catastrophe reserves, IFRS derivatives &amp; hedging, IFRS impairments &amp; IFRS interest expense Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends &amp; minority interests</p> <p><b>EPS</b> = adjusted net profit / efpowa* <b>ROA</b> = adjusted ebit / average total assets <b>ROA Banks/Insurance</b> = adjusted net profit /average total assets <b>ROE</b> = adjusted net profit / average shareholders funds <b>Gross cashflow</b> = adjusted net profit + depreciation *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>

### Recommendation proportions for quarter ending 31 March 2024

	AU/NZ	Asia	USA	
<b>Outperform</b>	55.63%	61.88%	66.98%	(for global coverage by Macquarie, 3.98% of stocks followed are investment banking clients)
<b>Neutral</b>	37.09%	25.60%	30.19%	(for global coverage by Macquarie, 2.45% of stocks followed are investment banking clients)
<b>Underperform</b>	7.28%	12.52%	2.83%	(for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients)

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