

IT'S TRANSPARENCY, OR ELSE

ASX has put boards on notice over the timing of disclosure



JEREMY LANZER

When AGL recently disclosed that it had received an “aware letter” from the ASX so soon after releasing its full-year results, it confirmed what many directors suspected: earnings season is no longer just about profits. It is also a test of disclosure discipline.

AGL is not alone. Baby Bunting revealed that it had been queried by the ASX about the timing of its market disclosures, following release of its full-year results.

These two cases, and others, signal a shift in that the ASX is actively deploying aware letters as a tool against companies whose results trigger sharp share

price movements, both up and down.

In June, the exchange made it clear it would police “market-sensitive earnings surprises” more aggressively. It said any results announcement that drives a share price move of 10 per cent or more would likely trigger an aware letter, demanding directors explain when management knew of the divergence and why the market was not told earlier.

That warning is no longer theoretical. The experience of AGL and Baby Bunting Group demonstrates that the ASX is prepared to challenge boards in real time, holding them accountable not just for financial results but for the governance process that led up to them.

This matters because history shows where poor disclosure discipline can end. Myer’s 2019 class action over earnings guidance, while ultimately unsuccessful for shareholders, underscored the willingness of investors to litigate when results fall short of expectations.

The collapse of Dick Smith in 2016 spawned multiple shareholder claims alleging misleading



Baby Bunting has been given a ‘please explain’ by the ASX

profit guidance, aggressive accounting and contraventions of continuous disclosure obligations. Litigation outcomes varied, but the episode destroyed value and reputations, serving as a cautionary tale about the cost of keeping investors in the dark.

And at Treasury Wine Estates, a 2020 earnings guidance downgrade wiped \$3bn from its market capitalisation and triggered class actions that were ultimately settled. The share price has never rebounded to the pre-2020 highs,

central to investor relations and corporate governance. Directors must be able to demonstrate, with contemporaneous records, when they first had reasonable certainty that earnings would materially diverge from forecasts or consensus, how that judgment was tested, and why they decided not to update the market sooner.

That requires new discipline. Guidance ranges must be monitored actively against internal forecasts. Consensus estimates cannot be ignored – they set the baseline for what the market expects. And disclosure thresholds must be stress-tested ahead of earnings season so that boards are not scrambling when a price query or aware letter lands.

It also requires cultural change. For too long, companies have treated results day as theatre: a carefully stage-managed reveal designed to maximise impact. That style of choreography could be dangerous in this new environment. In the eyes of regulators, investors and the courts, disclosure is not a performance but a duty.

The investor community will welcome this shift. Greater transparency reduces information

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AI poses a serious threat to equality of prosperity



EMMA DUNCAN

When Matt Deitke, a computer scientist who had just started his own AI company, got a job offer from Meta, he turned it down. Meta doubled the offer and last month Deitke joined the company on a four-year deal worth \$US250m (\$382m).

Not bad for a 24-year-old.

Most of the discussion about the economic effects of AI concerns the fear that it will cause mass unemployment. I don’t think that’s going to be the problem. During previous periods of innovation, the overall demand for labour has risen rather than fallen. Technological progress creates new jobs that we hadn’t dreamt of, and higher productivity enables us to pay for things we didn’t know we needed, like nail bars and gyms.

The latest revolution will similarly create previously unimagined industries, and we could do with more workers in sectors such as health, social care and education.

aren’t tethered to particular places in the way that the oil and phone companies were. They make their money in the cloud – from data centres anywhere and everywhere. That has allowed them to shop around the world to find the lowest tax rate available. And the only government that they are subject to is that of the country where they are headquartered, and which is also their biggest market – the US. Other states have little power over them.

In order to stop the tech giants from playing governments off against each other, the OECD club of rich countries agreed among themselves in 2021 on a minimum tax rate of 15 per cent on corporate income. But Donald Trump has reneged on that agreement and is also impeding other governments’ efforts to regulate tech giants.

“Digital Taxes, Digital Services Legislation, and Digital Markets Regulations are all designed to harm, or discriminate against, American Technology,” Trump posted on his Truth Social platform last Tuesday. This is a reference to Europe’s Digital Services and Digital Markets Acts, which attempt to regulate tech firms, and to the digital services taxes that some governments have imposed. Given that the trade deal between the US and the EU is not finalised, European officials regard it as a threat to use tariffs to promote the tech companies’ interests.

This imbalance of power between the US government and tech giants on the one hand, and the governments of the rest of the world on the other, is already showing up as a growing prosperity gap. Twenty years ago, GDP per person in the US was about the same as in Britain.

The wealth the tech industry produces stays, in large part, in the tech industry

Now it is more than half as high again. Much of the disparity is down to the tech industry, which is reckoned to have been responsible for about a third of American growth in the past decade. This year, the value of data centre construction in the US is expected to be higher than that of investment in offices.

Trump is doing his best to mess up the US economy but its dynamism seems to be counteracting his efforts; and, if AI goes anywhere near to fulfilling expectations, the size of the gap between the US and the rest of the world will increase.

Although the roots of this problem lie in technology and economics, its consequences are political, and any solution to it must be too. Yanis Varoufakis, a former Greek finance minister who coined the word “technofeudalism” to describe the relationship between tech giants and people, proposes collective ownership of companies by workers, and thus the end of capitalism. Tony Curzon Price, an economist who used to work at No.10, takes a less radical approach: he has created the First International Data Union, to allow people to take control of their data. More ideas will, no doubt, emerge. But for any solution to work, people need to be aware of the problem.

THE TIMES

Musk’s Starship enterprise going boldly towards a monopoly

DOMINIC O’CONNELL

December 23, 2045, and disaster strikes. You suddenly remember you have forgotten to send off the beautiful baby outfit you and your partner carefully selected for your new grandchild in Sydney.

This will be held against you for the rest of your life, and it is too late to do anything about it. Unless ... you call up the SpaceX urgent cargo service, spend \$400 and a few hours later the precious clothing touches down in Australia.

That will probably never happen, but it is one of the possibilities opened up by SpaceX’s progress towards bringing its Starship rocket into service.

It passed a big milestone on Tuesday last week with a nearly trouble-free tenth test flight. Most people know that Starship is big, but outside the space community not many have appreciated just how big and how novel, and what it will do to the cost of putting stuff into orbit. Last week investors around the world hung on a quarterly update from Nvidia, one US company with a stranglehold on an important market. They should probably spare some of that attention for SpaceX, which is building an untouchable monopoly on the vital transport route of tomorrow.

In the 1960s it cost about \$US150,000 to put one kilogram of payload into low-earth orbit, according to research from the American think tank the Center for Strategic and International Studies.

The Space Shuttle, NASA’s reusable spaceplane, was still quite expensive – about \$US64,500. SpaceX’s Falcon Heavy, its biggest current rocket, is \$US2000. Elon Musk, SpaceX’s founder, says Starship will cost \$US1000 when it starts operations, and eventually get to \$US100.

Maureen Haverty, investment principal at Seraphim Space, the UK-listed investment trust that has space-related investments round the world, says independent studies suggest it could be as low as \$US83, with some of the more enthusiastic ones thinking it will be \$US10 once the big rocket service is up and running at high frequency.



Spectators watch the massive SpaceX Starship rocket in Starbase, Texas, ahead of its recent test launch

You should probably take that final figure with a big pinch of salt, but \$US100 would be an astonishing step down in cost. It sounds like another wild Musk promise, but when it comes to rockets he and SpaceX have a habit of making those who write them off look foolish. Thanks to YouTube, you can still see the famous clip of Richard Bowles, a senior executive at the European rocket company ArianeSpace, dismissing an earlier set of Musk’s projections in 2013, saying SpaceX was in the business of “selling a dream”.

The dream has become reality because the company cracked a technical problem that defeated established players. It worked out how to make the booster stages of its rockets reusable, bringing them back to earth – and to sea, with landings on converted barges.

The boosters on the workhorse Falcon rocket fly multiple times, with one, B1067, having now performed 29 flights. With reusability came drastically reduced cost, and the ability to operate to a much more rapid timetable than previously thought possible.

SpaceX flew 138 times last year, three more flights than the Space Shuttle managed in 30 years of operation. This year it is aiming for 180, with 106 completed so far.

SpaceX also got its timing right. It was set up in 2002, as the US space industry began to contract and consolidate. Boeing and Lockheed Martin, the kings of the Apollo era, merged their launch operations in 2006, and NASA stopped doing its own manned launches in 2011. But the boom in telecoms technology meant there was a surge in demand, and in an

era of near-zero interest rates there was money available for new entrants.

SpaceX has emerged as the dominant player. Bryce Tech, the analytics and engineering firm that focuses on the space industry, says that of the 2200-odd tonnes lifted into orbit last year, Musk’s company carried 1850 tonnes.

The next biggest player was China’s state space organisation, which managed only 164.

Starship, if it runs reliably, will cement that dominance. It is the biggest rocket ever built at 120m

tall and has about twice as much thrust as the Saturn V, which took the US astronauts to the moon.

Version 3, which Musk recently said would be ready by the end of the year, will carry 100 tonnes into orbit. Version 4, scheduled for 2027, will be 142m tall, and, with more powerful engines, will carry 200 tonnes.

It’s not just size that will make it a cheap ride. Starship takes reusability a step forward with the booster and space vehicle both able to come back to earth. And SpaceX has astonishingly ambitious plans to make it in big numbers, with a new factory in Texas capable eventually of making one a day.

This might all be years off, but it is having a big effect now. Satellite designers, who have always laboured to make their creations smaller and more efficient, now have a different canvas on which to work. Money is flooding into start-ups with plans for big, powerful pieces of kit.

The California-based K2 Space Corp, which raised \$US110m in February, is designing 15-tonne “giga” satellites (the weight of a double-decker bus) to take advantage of Starship’s capabilities. Haverty says lower launch costs will mean companies will focus on performance rather than weight, or on low-cost satellites; it won’t matter much if they fail or become obsolete because it will be cheap to throw up another set. Ultra-rapid cargo flights across the world will also become possible, like the baby outfit delivery on Christmas Eve.

SpaceX already has a contract with the US Air Force Research Lab to develop plans for the rapid delivery of military supplies.

Companies with such commanding positions in their market normally don’t get long to enjoy them. Competitors copy what they do, or a usurping new technology comes along. While there are rivals creeping up on SpaceX (Jeff Bezos is behind another big launcher, New Glenn, which will start commercial launches soon) none looks likely to offer the same low cost and ubiquity. Short of government intervention, Musk is likely to dominate access to space for the foreseeable future.

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