WEEK 44

STORIES TO READ FROM FNArena

Friday, 31 October 2025

Anti-Vaxxers & China Cloud CSL's Future

Australian Banks: Results Season Preview

Rudi's View: Identifying Quality Opportunities

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WEEKLY REPORTS

AUSTRALIA

The Market In Numbers - 25 Oct 2025

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	25 Oct 2025	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2025)	Financial Year To Date (FY26)
NZ50	13391.590	0.77%	0.75%	0.75%	2.14%	6.26%
All Ordinaries	9317.20	0.26%	1.98%	1.98%	10.65%	6.20%
S&P ASX 200	9019.00	0.26%	1.92%	1.92%	10.54%	5.58%
S&P ASX 300	8972.10	0.24%	1.93%	1.93%	10.78%	5.88%
Communication Services	1857.00	1.43%	-0.24%	-0.24%	14.11%	0.22%
Consumer Discretionary	4420.20	1.35%	-2.17%	-2.17%	13.01%	6.69%
Consumer Staples	11605.30	-0.70%	-1.18%	-1.18%	-1.39%	-4.24%
Energy	8506.60	5.37%	2.09%	2.09%	-1.35%	-1.94%
Financials	9716.90	0.58%	1.49%	1.49%	12.80%	1.97%
Health Care	38840.80	-1.13%	3.80%	3.80%	-13.47%	-6.64%
Industrials	8710.20	0.82%	2.83%	2.83%	13.91%	4.71%
Info Technology	2835.80	1.71%	-3.13%	-3.13%	3.46%	-2.24%
Materials	19620.70	-2.01%	4.28%	4.28%	21.68%	23.73%
Real Estate	4227.20	1.92%	4.24%	4.24%	12.38%	8.43%
Utilities	10142.90	1.79%	1.33%	1.33%	12.29%	10.95%
A-REITs	1943.70	1.88%	4.32%	4.32%	13.11%	8.53%
All Technology Index	4137.90	1.47%	-2.10%	-2.10%	8.74%	2.32%
Banks	4190.50	0.60%	1.90%	1.90%	16.20%	4.17%
Gold Index	15956.90	-10.39%	-0.77%	-0.77%	89.43%	38.07%
Metals & Mining	6688.60	-2.51%	3.64%	3.64%	27.27%	28.11%

The World

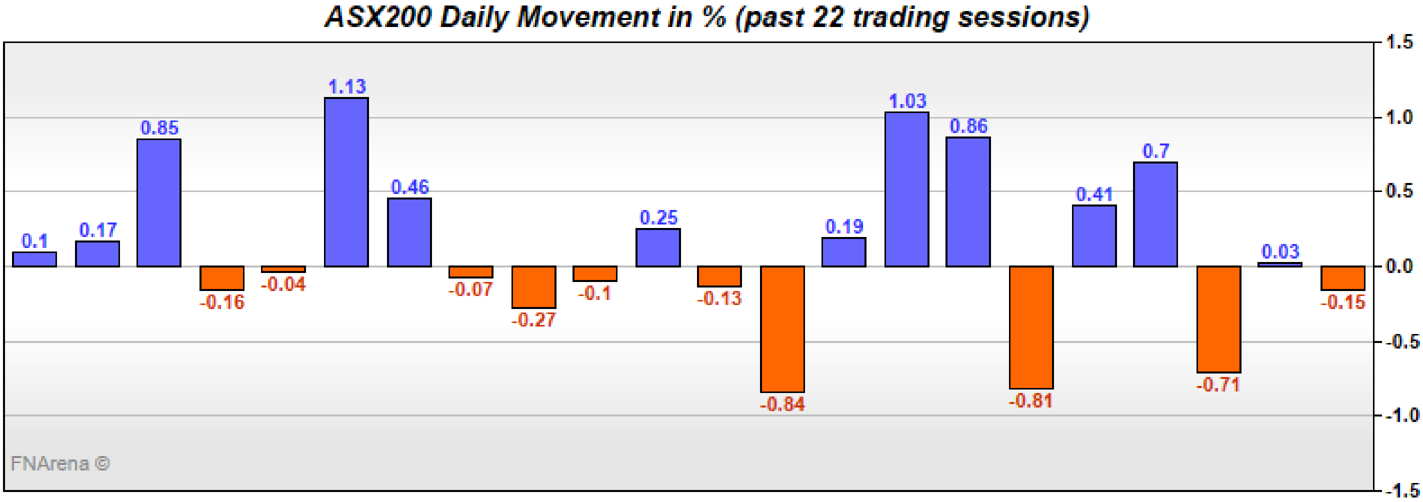
Index	25 Oct 2025	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2025)	Financial Year To Date (FY26)
FTSE100	9645.62	3.11%	3.16%	3.16%	18.02%	10.10%
DAX30	24239.89	1.72%	1.50%	1.50%	21.75%	1.38%
Hang Seng	26160.15	3.62%	-2.59%	-2.59%	30.41%	8.67%
Nikkei 225	49299.65	3.61%	9.72%	9.72%	23.57%	21.77%
DJIA	47207.12	2.20%	1.74%	1.74%	10.96%	7.06%
S&P500	6791.69	1.92%	1.54%	1.54%	15.47%	9.46%
Nasdaq Comp	23204.87	2.31%	2.40%	2.40%	20.17%	13.92%

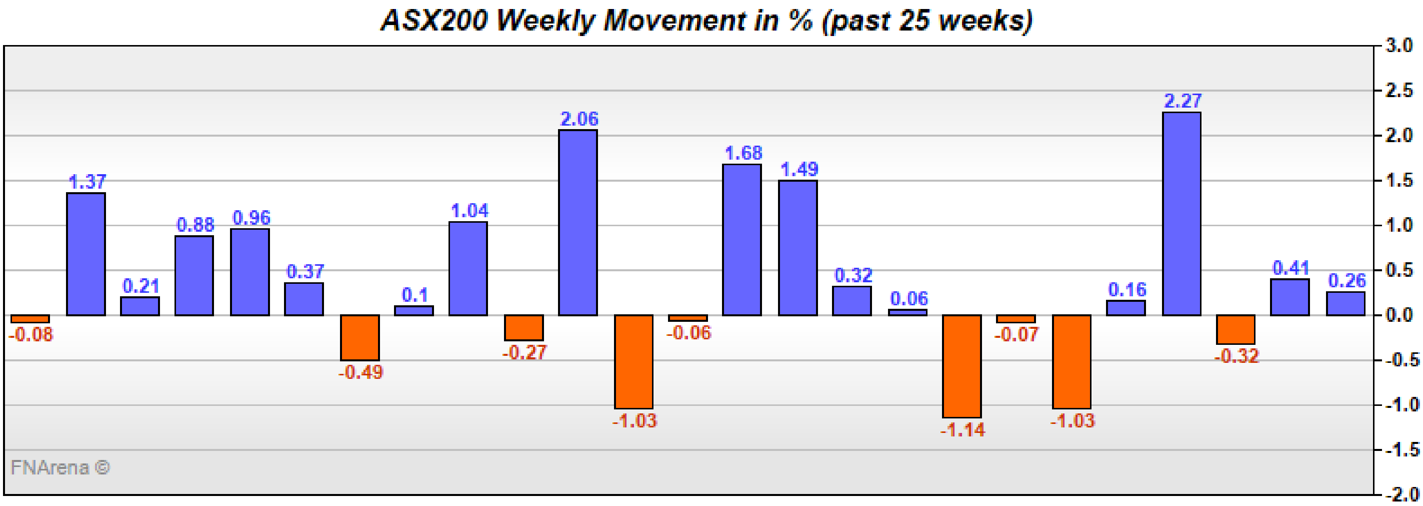
Metals & Minerals

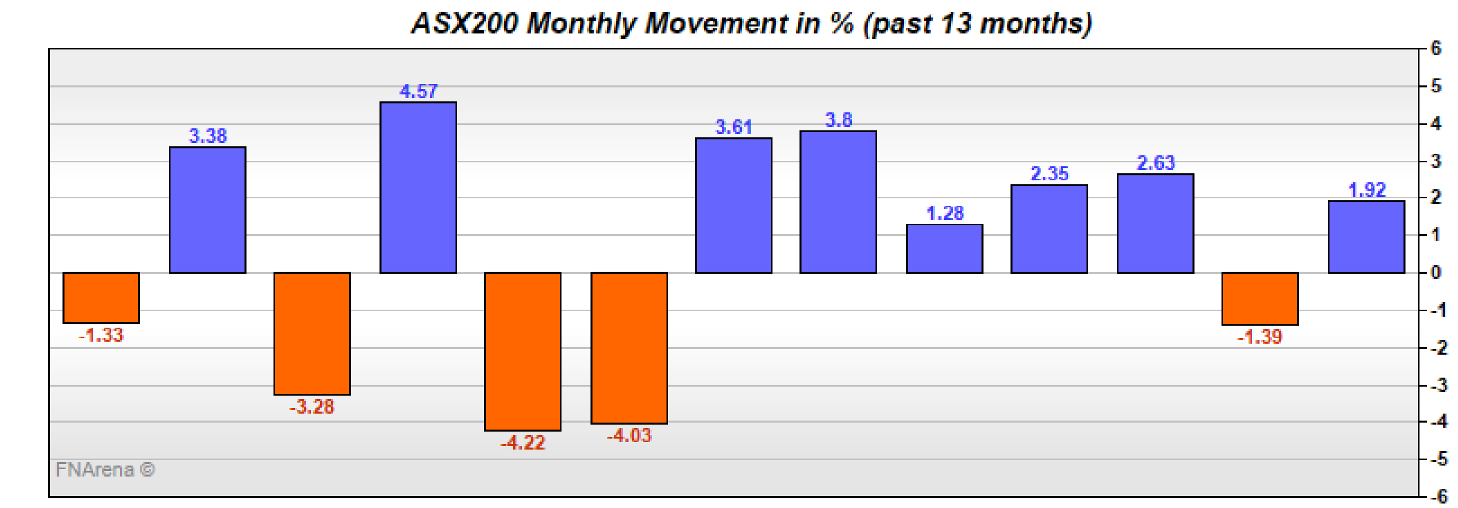
Index	25 Oct 2025	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2025)	Financial Year To Date (FY26)
Gold (oz)	4124.21	-4.75%	6.82%	6.82%	57.01%	24.89%
Silver (oz)	48.49	-9.00%	3.05%	3.05%	60.44%	33.94%
Copper (lb)	5.0815	1.94%	3.58%	3.58%	24.04%	-0.27%
Aluminium (lb)	1.2990	2.28%	6.86%	6.86%	13.64%	10.16%
Nickel (lb)	6.7763	-0.73%	-0.86%	-0.86%	-5.16%	-0.63%
Zinc (lb)	1.3711	1.65%	2.61%	2.61%	1.47%	8.60%
Uranium (lb) weekly	77.35	-2.09%	-6.53%	-6.53%	7.43%	-1.65%
Iron Ore (t)	105.55	-0.01%	0.19%	0.19%	1.65%	11.70%

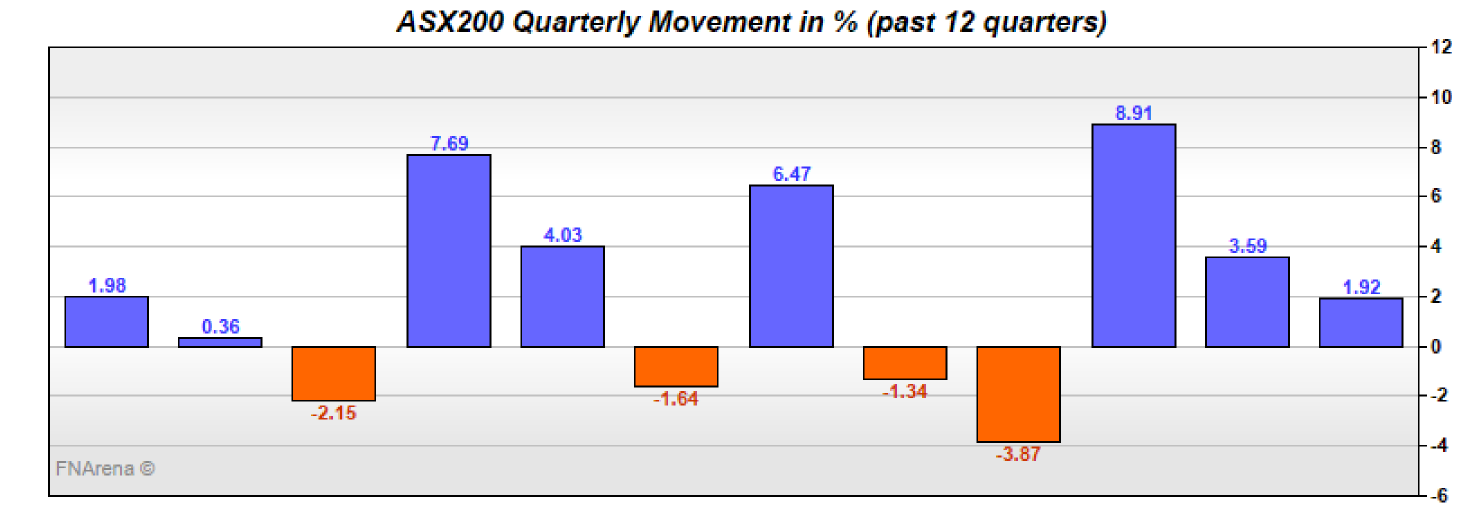
Energy

Index	25 Oct 2025	Week To Date	Month To Date (Oct)	Quarter To Date (Oct-Dec)	Year To Date (2025)	Financial Year To Date (FY26)
West Texas Crude	61.65	7.20%	-2.36%	-2.36%	-11.27%	-5.91%
Brent Crude	65.83	7.78%	-1.36%	-1.36%	-9.28%	-1.45%









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AUSTRALIA

Zip Conquering The US

A better than expected quarter for BNPL provider Zip Co was driven by a rapidly growing US customer base in a still underpenetrated market.

- **Zip Co's September quarter beats on US growth**
- **Earnings and margin exceed expectations**
- **Bad debts considered manageable**
- **US market remains underpenetrated**

By Greg Peel

BNPL provider Zip Co ((ZIP)) last week reported September quarter cash earnings of $63m, which is almost twice that of a year ago and ahead of consensus forecasts.

The quarterly earnings 'beat' was driven by stronger than expected US total transaction value (TTV) growth as well as revenue yield and cost control, partially offset by higher than expected net bad debts.

US TTV grew 47% year on year in constant currency terms, picking up from 45% in the June quarter. Citi believes growth is being driven by increasing adoption of “Pay in 8” given average spend per customer grew 27% year on year versus transactions growth of 18%.

[Zip offers customers “Pay in 4” and “Pay in 8” options. For a minimum purchase of US$35, customers can pay back in four instalments over six weeks. For a minimum purchase of US$200, customers can pay back in eight instalments over fourteen weeks.]

Zip has upgraded its FY26 US TTV growth target to greater than 40% year on year from greater than 35% previously.

This momentum sets Zip up well for the seasonally stronger December quarter, UBS suggests, given the larger customer base and continued proof of engagement growth (spend per customer, higher average order value and frequency).

Despite opex growth accelerating to circa 18% year on year in the September quarter, an operating margin of 19.5% was above the top-end of FY26 guidance of 16-19%.

Ord Minnett views FY26 guidance as conservative given the second half typically sees a better operating margin, now forecasting 20% in FY26.

Yet, while US take-up is accelerating, the home Australia and New Zealand region is waning. US active customers grew 150,000 in the quarter, accelerating both year on year and quarter on quarter.

On the other hand, A&NZ TTV growth slowed to 11% in the quarter from 14% in the prior quarter, and A&NZ net customer decline accelerated to -56,000 from -37,000.

Zip Co's strategy includes expanding merchant reach and strategic partnerships with major platforms Stripe and Google

And Another Thing

US bad debts written off increased to -1.5% in September from -1.1% in June. Net bad debts of 1.65% were a touch above a consensus estimate of 1.6%.

Brokers are quick to shrug off this increase as a natural result of an increasing customer base. When active customer numbers are rising, bad debts are typically higher, Ord Minnett notes.

A pickup in this metric makes sense given greater growth from new customers (versus existing and re-activated dormant customer) and is still at a comfortable level, UBS suggests, balancing growth and profitability.

For US consumers, the outlook is nonetheless increasingly dire. Already having suffered through the post-covid inflation spike and subsequent high cost of living, consumers are now facing increasing prices once more thanks to Trump’s tariffs.

While inflation is ticking up at a slower than expected rate in the US, analysts suggest this is due to merchants easing in the impact rather than risking sticker shock from a one-time step-jump. On that basis, inflation is expected to continue ticking up.

Meanwhile, electricity costs are surging due to accelerating data centre demand. The US is facing the same demand/supply-driven housing crisis as is the case in Australia.

On November 1, Obamacare tax rebates will expire, driving health insurance costs potentially twofold or even threefold higher. The Republicans have shut down Congress, hence no negotiations to end the current government shutdown, driven specifically by Democrats’ objection to the said expiry of rebates, can proceed.

Federal public servants are not being paid. This has led to long lines at charity food banks, but it has also sparked a jump in the use of short term credit. Data show more and more Americans are using BNPL to pay for their weekly groceries.

Under-penetrated

While Australians have been quick to embrace a variety of BNPL offerings in the past few years, Americans have been slower. For Macquarie, Zip's investment appeal is driven by its US segment growth, currently outpacing peers, with TTV growing by more than 40% annually and a significant opportunity to acquire new customers in an under-served market.

Zip's strategy targets the growth opportunity in the under-penetrated US BNPL segment, offering a circa 17% forecast compound annual growth rate over 2025-2030.

Zip differentiates itself through a focus on consumers not well served by traditional credit, innovative product offerings, an expanding merchant network, and strategic partnerships with major platforms Stripe and Google, Macquarie notes. These partnerships are accelerating merchant onboarding and improving customer engagement, strengthening Zip's competitive position.

Macquarie points out Zip is increasing engagement with existing consumers through leveraging its app to deliver personalised offers which has improved repeat purchasing and usage. Zip is also expanding in-store payment options via integrated merchant checkouts and adoption of its physical card. These initiatives are driving higher transaction frequency and average customer spend, boosting Zip's transaction volumes.

Despite declining numbers in the A&NZ segment, Macquarie notes Zip has returned to growth following a strategic turnaround, underpinned by product innovation, improved credit management, and increased customer engagement. Across both regions, management maintains disciplined credit risk controls, keeping bad debts within target ranges while scaling volumes profitably.

For Macquarie, Zip represents an attractive opportunity, delivering rapid TTV growth, expanding operating leverage, robust earnings growth, a growing customer base and continued product innovation.

Earlier this morning, Macquarie initiated coverage of Zip with an Outperform rating and $4.85 target.

Citi has retained its target of $4.50, but in the wake of the September quarter update, UBS has increased its target to $5.40 from $5.25 and Ord Minnett to $5.40 from $5.10.

All of Citi, UBS and Ord Minnett retain Buy ratings.

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AUSTRALIA

Anti-Vaxxers & China Cloud CSL's Future

Falling vaccination rates in the US prompted a guidance downgrade at CSL, but was the market's reaction excessive?

- CSL downgrades guidance, Seqirus de-merger delayed
- Falling US flu vaccination rates the main culprit
- Behring momentum intact despite albumin hit
- Share buybacks resume beginning with an $750m on-market buyback in FY26

By Mark Woodruff

CSL is one of the world's prominent plasma collectors

Signaling the need for swift transformation at this week's AGM, CSL ((CSL)) Chairman Dr Brian McNamee conceded the global leader in plasma therapies, influenza vaccines, and iron treatments has grown overly complex, thereby limiting management's agility to respond to geopolitical challenges and protect its market leadership.

To become nimbler, management targets over US$500m in savings by FY28 to reinvest in high-priority growth initiatives. Savings will be achieved by reducing fixed costs and improving efficiency in research and development, integrating the Behring and Vifor commercial and medical teams to boost productivity and eliminate duplication, while actively reviewing corporate overheads.

In following statements, Chief Executive Officer and Managing Director Dr Paul McKenzie noted the majority of the business continues to track to plan in FY26, noting Behring's "strong fundamentals" in its core immunoglobulin franchise. Vifor is also "competing well" and "growing to plan" in the evolving iron and nephrology markets.

But there's no denying declining **US influenza vaccination rates are pressuring the Seqirus business** via lost sales of manufactured vaccines, while China's cost-containment measures are curbing albumin demand, weighing on the core Behring division.

It's important to note the negativity is far greater around Seqirus, which represents 10-15% of CSL's total sales, compared with around 70% for Behring. For the latter, management expects to contain the adverse effect on albumin to the first half of FY26 through unspecified mitigation measures.

No such containment appears possible for Seqirus, where ongoing vaccination uncertainty has resulted in a revision of the FY26 group revenue growth outlook to 2-3% from 4-5% while profit (NPATA) growth guidance is lowered to 4-7% from 7-10% at constant currency.

US insurance claim data indicate a -12% fall in influenza vaccine uptake across the general population and a -14% decline among those aged 65 and over versus the prior corresponding period.

This implies to the analysts at Morgans a double-digit drop in Seqirus' FY26 revenue, compared with the previously expected high single-digit decline.

CSL also downgraded its commitment "to delivering double-digit earnings growth over the medium term". In its place, management has now reduced net profit (NPATA) growth expectations for FY27 and FY28 to "high single digits" led by uncertainty regarding US vaccination rates.

For readers new to CSL, plasma is the starting raw material CSL collects through plasma donation. CSL Behring then separates and purifies various components from plasma to make therapies for immune deficiencies, bleeding disorders, and shock treatment. Albumin is one specific protein extracted and purified from plasma.

CSL, Grifols, Takeda, Octapharma, and Kedrion collectively account for nearly 80% of global market share in plasma fractionation and derived therapies.

In a further move to maximise shareholder value, CSL will delay the previously announced strategy to de-merge the Seqirus business in FY26 via a separate listing on the ASX, until US influenza vaccine market conditions improve.

CSL is the world's largest plasma protein therapeutics provider and one of the top influenza vaccine manufacturers.

The company's extensive plasma collection infrastructure and decades of manufacturing expertise create high barriers to entry for competitors in immunoglobulin and blood product markets.

Seqirus' cutting-edge vaccine technologies (e.g. cell-based flu vaccines) also give it a strong competitive edge in the flu sector.

Lower guidance analysed

On the day of the AGM update a -16% fall in CSL's share price appeared disproportionate to the analysts at Citi given the modest -3% downgrade to profit guidance at the mid-point.

The midpoint of FY26 profit guidance suggest a number around US$3.4bn for the financial year, explains Morgan Stanley. When combined with a currency tailwind of circa US$100m, around US$3.5bn is expected, a rise of 8.5% year-on-year, and in line with the consensus forecast prior to updated guidance.

Analysts at UBS believe reduced guidance likely reflects the combination of a less impactful product pipeline, challenging conditions in the US influenza vaccine market, and potential effects from US tariff and Most Favoured Nation (MFN) measures.

It's felt a re-rating will depend on greater confidence in Behring's profit growth outlook, as well as a clear strategy to mitigate the impact of US tariffs and MFN policies, likely through accelerated investment in US manufacturing.

Currently, this broker expects the Behring gross margin to reach 56% by FY36 (previously FY30) after incorporating MFN impacts.

RBC Capital also ponders whether additional factors may be influencing CSL's medium-term earnings outlook.

Assuming Seqirus revenue remains flat in FY27 and FY28, this broker's forecasts still show profit growth of 17% in FY27 and 7% in FY28.

As a result, RBC analysts question whether management's guidance implies increased risk to the revenue growth trajectory or margin recovery within the Behring business.

Albumin from China

China is an important market for CSL (especially for albumin). With its broad portfolio, CSL serves patients in more than 100 countries. The company generates a substantial portion of revenue in North America and Europe, supported by large manufacturing sites and R&D hubs in the US, EU, and Australia.

Overall, CSL’s geographic reach and supply chain, including around 300 plasma collection centers primarily in the US, provide a robust foundation for its global operations.

This worldwide footprint enables CSL to meet demand for its therapies across diverse markets while leveraging economies of scale in plasma procurement and vaccine production.

Other broker views

Morgans believes the market is over-estimating the risk of a permanently lower earnings base, noting valuations for Seqirus and Vifor have been marked down, while Behring's is now also below peers and well under its long-term average, a discount the broker views as unwarranted.

While seeing upside on a 12-month view, Buy-rated Citi thinks investors are not yet convinced this is a true clearing event and that CSL is now a “show-me” story.

CSL shares are trading at a discount to the ASX200, this broker notes, a valuation gap not seen in more than a decade.

CSL is trading on an underlying PE of around 17x for FY26 and 16x for FY27 based on Bell Potter’s latest forecasts, well below the company’s historical average, yet still above the international biopharma peer average of roughly 14x for 2026.

Ord Minnett is sticking to its Hold rating given concerns over revenue growth and the timing of margin recovery within the Behring business. Additional complexity is noted from the proposed Seqirus spin-off and the recent introduction of new US tariffs.

While equally disappointed by the lower guidance, analysts at Jarden adopt a wider view.

Positives highlighted include improvement in CSL’s earnings risk profile; a business that remains highly cash generative (with gearing around 1.8x); and upside potential via Horizon 2, which aims to optimise and improve yield of immunoglobulin products.

Further, Jarden points to CSL’s recommencement of share buybacks, beginning with an $750m on-market buyback in FY26.

Outlook

Morgans views Behring’s growth engine as intact, with cost efficiencies strengthening the pathway to sustained expansion.

Morgan Stanley remains positive on the medium- to long-term outlook for immunoglobulins and sees scope for yield initiatives, including Horizon 2, to underpin a recovery in CSL Behring’s gross margins.

There are seven daily monitored brokers in the FNArena database that actively research CSL of which five are Buy-rated (or equivalent) and two are on Hold.

Noting that Macquarie is yet to refresh its research following the guidance downgrade, the average target in the database reacted to the news by falling to $243.96 from $272.43.

UBS and Macquarie remain the high-markers with price targets of $275 and $275.20 while Bell Potter's $195 marks the other end of the range.

This new average target compares to yesterday’s closing share price of $179.56, suggesting around 36% upside.

Outside of daily coverage, Jarden (Overweight) has a new target of $287.14, down from $304.17. RBC Capital

(Sector Perform) lowered its target to $189 from $280.

Bell Potter notes the agenda for the upcoming Capital Markets Day on November 25 is less clear after the Seqirus de-merger has been put on hold.

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BOOK REVIEWS

How Investors Can Avoid Panic Selling

Edited extract from Retire life ready: Practical steps to build your wealth and live your ideal retirement by James Wrigley.

There are two key investment risks I help clients manage in the financial advice work I do that are important for you to understand and implement in your own plans. One is to avoid being a forced seller. The other is to avoid being a panicked seller.

In order to manage the risk of being a panicked seller, you need to accept that your investments will go up and down over time on your journey to building your net nest egg balance and retiring life ready.

No-one panics that their investments have gone up too much; the panic starts with a downturn in whatever market you are investing in.

A hypothetical scenario

The market has just gone down, and you're panicking and sell out thinking you'll reinvest when things bottom out or start to look better again.

The problem is, how will you ever know when the market has bottomed? Who will tell you? What's your sign for things to be better for you to reinvest?

If the markets continue to fall, you will pat yourself on the back for making the right call, but you probably won't invest again just now as it might fall some more.

So, you wait. Then, all of a sudden, things start to go up, but you know they will go back down again, so you wait. What's the trigger for you to reinvest?

These are all questions with answers nobody knows, so it's important you aren't a panicked seller, and instead, are investing in a manner you are comfortable with so that you can ride out the inevitable ups and downs.

How far is too far?

In my work as a financial adviser, we always ask clients a question (among others) along the lines of: "How far are you willing to accept your portfolio may drop before things have gone too far for you?"

Responses from clients vary from minus 5 per cent, minus 10 per cent, minus 15 per cent and minus 20 per cent. Most of the time, although not always, the younger someone is, the more likely they are to pick the minus 20 per cent answer

because they have time on their side for things to recover.

Client story: Cashing out when the going gets tough

In all the years I've worked in financial advice, I've only ever had one client sell out twice, and it did a huge amount of damage to their retirement savings. Let’s call this client Wendy.

Wendy earned an average income but put a little extra into superannuation each year, so she had built up a balance of over $500,000.

Wendy and her husband had a mortgage on their own home that they were not going to be able to pay off by the time they reached 65, and they were always going to need to access Wendy’s super to clear the mortgage when retirement came.

If we go back to 2008/2009, the GFC hit and caused share markets (and, as a result, superannuation balances) to fall significantly. At this stage, Wendy was still 15 years off retiring.

As markets began to fall, Wendy started panicking. She watched her super balance drop and started calling me regularly.

My advice to her every time was to leave her super balance alone; things would eventually turn around. She was 15+ years off from retiring and had plenty of time to ride things out.

In March 2009, Wendy had had enough. She instructed me to move her whole superannuation balance to the cash investment option in her super account and said she would reinvest ‘when things got better’.

The day after she made the switch, markets dropped a little more. By 9 March 2009, stock markets around the world bottomed and started to recover.

Wendy was convinced things would drop further, so didn’t reinvest her super. Almost a year later, I convinced her to reinvest half her super balance.

In the years that followed, she reinvested the remaining balance but would always say to me ‘super never recovered since the GFC’.

In reality, the share markets and super balances had recovered, and we eventually reached all-time record highs again.

If Wendy had not sold out her super balance, she would also have had a super balance at the highest level it had ever been. Instead, her balance hovered around $300,000 after making some withdrawals once she turned 60 to pay for a few different things.

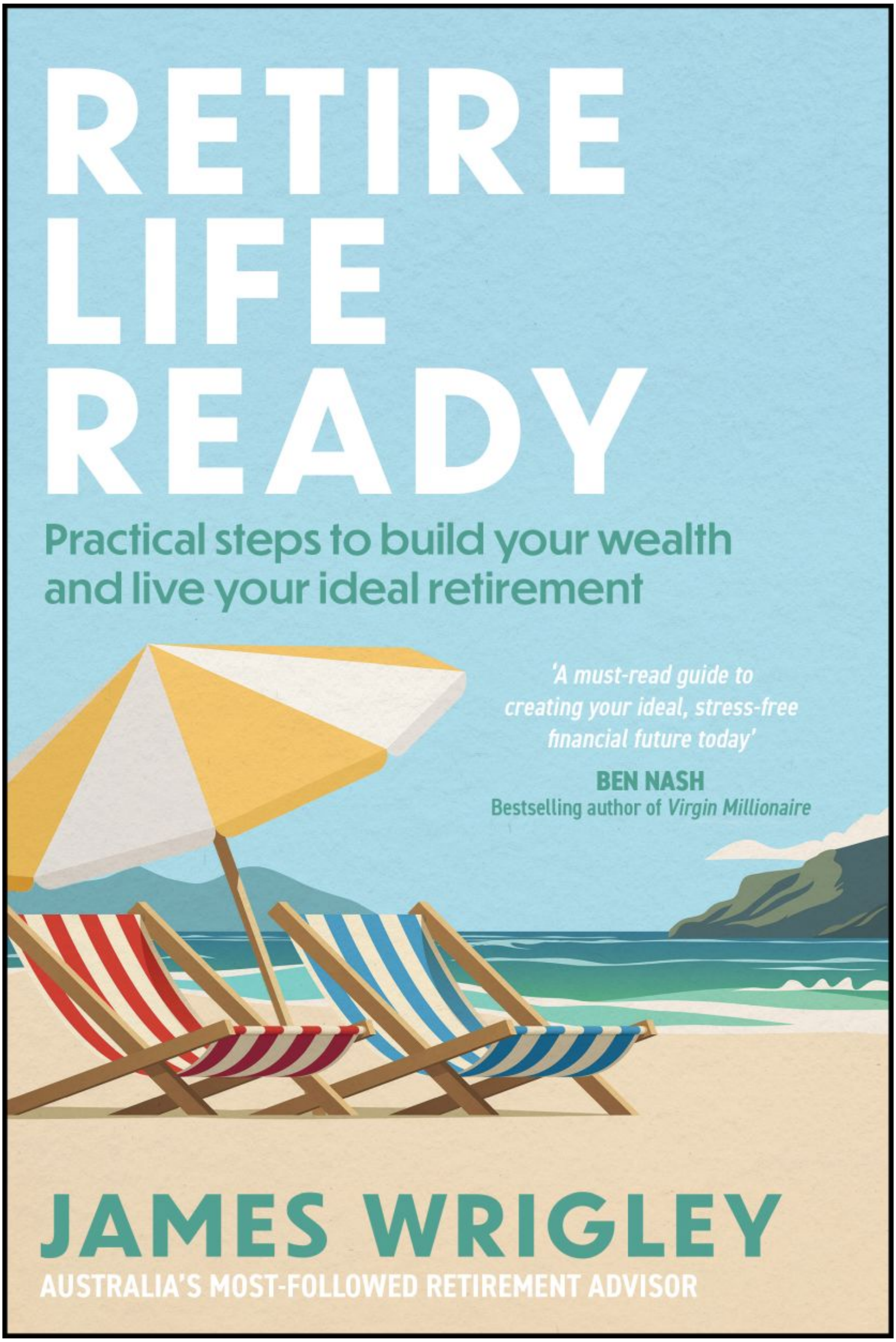
Fast-forward and we had the COVID market downturn. Wendy was a whole lot closer to retirement by now, but she went one better than she did during the GFC.

This time Wendy picked the absolute bottom of markets during COVID to tell me she’d had enough and wanted to sell out. Fortunately, I convinced her to hold onto some of her investments, so the damage wasn’t as bad the second time around.

Wendy has now retired, cashed out all her superannuation and paid off their mortgage. She doesn’t have any superannuation left. Had she not been a panicked seller, Wendy would have had several hundred thousand left in her superannuation fund after the withdrawal to clear the mortgage.

If you can’t accept that your investments may go down from time to time, you shouldn’t be investing. You can’t expect to earn the good returns when times are good and not endure some of the poor returns when things aren’t so great.

Edited extract from Retire life ready: Practical steps to build your wealth and live your ideal retirement by James Wrigley (Wiley, $34.95), available 29 October at all leading retailers.



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COMMODITIES

Valuation vs Sentiment For Pilbara Minerals

The US-Australia critical minerals investment agreement has driven lithium miner Pilbara Minerals' share price on sentiment, well above fundamentals, on most assessments.

- **US-Australia critical minerals deal sends miner share prices surging**
- **Pilbara Minerals posts solid September quarter beat**
- **Lithium prices remain below new production threshold**
- **Most brokers see Pilbara Minerals as overvalued**

By Greg Peel

The much anticipated, belated face to face meeting between Prime Minister Albanese and President Trump was hailed a raging success, with the lever of joint rare earth and other critical minerals investment deftly pulled, as expected.

The agreement has since put a rocket under the share prices of relevant miners, particularly rare earth miners but also others in the wider spectrum of critical minerals, including lithium miner Pilbara Minerals ((PLS)).

Throw in a slight rise in otherwise wallowing lithium prices recently plus an impressive September quarter production and sales report and Pilbara Minerals' share price has risen 45% year to date compared a 10% rise in spodumene prices and 4% for Chinese lithium carbonate prices.

Is this justifiable? The jury is somewhat out.

pouring lithium salts

Record Recoveries

Pilbara Minerals' September quarter production of 225kt was a 6% beat to consensus and 2% higher quarter on quarter, reflecting a stable performance from the optimised Pilgan plant post the P1000 project, Macquarie notes.

Lithium recovery saw a significant step-up to a record 78.2%, from 71.6% in the June quarter, which was attributable to its ore-sorting facility -- a key positive in Macquarie's view as it also presents upside to future spodumene output growth and unit cost reduction.

Adding to the impressive performance was a -13% quarter on quarter fall in unit operating costs, alongside a 20% increase in realised prices.

The key downside, Ord Minnett suggests, and a result of the soft pricing environment for lithium overall, was a reduction in the company's cash balance of -$122m, although that fall shrinks to -$72m if a build-up in working capital is excluded.

After removing working capital adjustments and pricing adjustments, the miner still made a loss of -$40m, Citi notes, even at a record low unit cost.

With unit costs expected to pick back up for the remainder of the year, Pilbara is focusing on optimising at the lowest cash burn until spodumene concentrate prices recover.

Navigating A Volatile Environment

Pilbara Minerals continues to navigate a volatile lithium market environment, Bell Potter notes, through several initiatives targeting cash preservation during the current weaker lithium price environment. At Pilgangoora, cost reduction and operational enhancements include the transition to an owner-operator mining fleet and the processing of higher levels of lower grade ore.

At its South Korean lithium hydroxide facility, the miner and joint venture partner POSCO have agreed to moderate production in the short term. While Train 2 delivered first customer certification in the quarter, Macquarie notes the POSCO JV operated with a lower run-rate and the full-year spodumene offtake was reduced to circa 150kt.

Macquarie believes this indicates the plant is not generating a positive margin in the current price environment.

Pilbara Minerals continues to advance earlier stage projects (Colina Project in Brazil, P2000 expansion and mid-stream demonstration plant at Pilgangoora, downstream conversion partnership with Ganfeng), preparing itself to capture value on what Bell Potter expects will be stronger lithium markets over the long term.

Despite beats across the board on September quarter metrics, management has retained FY26 guidance. Notably, unit cost guidance was maintained despite the 7% beat in the September quarter, with management assuming some negative seasonal impact on operations from the wet season and a decline in recoveries from the increased use contract (low grade) ore at the plant.

Too Rich?

Morgan Stanley has to date provided only a bullet point update, outlining quarter metrics without qualification, other than an unchanged impact to the broker's thesis. Morgan Stanley retains an Overweight rating.

Canaccord Genuity notes recent developments in US policy have provided support in the critical minerals space, which have supported valuations of equities exposed to those sectors, including lithium. Ultimately, the US-Australia agreement will see both governments invest at least US$1bn into critical minerals projects to help reduce the West's reliance on Chinese supplied materials/products.

Given China's dominance in the downstream lithium market, Canaccord believes this could present further support for lithium companies, in particular companies with technology or operational excellence. This view supports Canaccord's unchanged Buy rating.

Macquarie agrees government support for a critical minerals framework could shift Pilbara Minerals' investment thesis but timing is uncertain. Macquarie sees the stock as fully valued given an implied spodumene price in excess of US$1,200/t, with current spot around US$850/t.

Citi points to management comment at the conference call that the restart of the company's Ngungaju project would require sustained spodumene carbonate pricing above US$1200/t.

Citi retains a Neutral rating, while Macquarie has downgraded to Neutral from Outperform.

While Pilbara Minerals benefits from a strong balance sheet and its high-quality Pilgangoora asset, Morgans believes its share price has moved well ahead of fundamentals.

This broker argues the recent rally appears sentiment-driven, following firmer lithium prices and the Australia and US critical minerals partnership, from which near-term benefits remain limited at this stage.

Policy developments are likely to drive volatility, and despite a minor price recovery, current price levels remain insufficient for robust cash generations. With the market oversupplied in the medium term, Morgans sees the risk of an equity retracement and has subsequently downgraded to Sell from Hold.

Bell Potter also has downgraded to Sell from Hold following recent strong share price appreciation. Bell Potter holds a positive long term lithium market outlook and acknowledges Pilbara Minerals' market-leading position and growth optionality.

However, the broker believes current market valuation implies a spodumene carbonate index price of over US$1,400/t into perpetuity; see also Macquarie's assessment earlier.

UBS still expects a US$1,100/t price in 2026, but despite this forecast, and a belief that Pilbara Minerals remains the best positioned to capitalise on a recovery in prices, UBS struggles for valuation support and hence retains a Sell rating.

Ord Minnett states simply it maintains a Sell recommendation on valuation grounds.

Diverse Targets

Given the number of variables that inform a broker's valuation of a mining company, it is not unusual to see a wide range of valuations and thus target prices. Pilbara Minerals is no exception.

Ord Minnett is the only aforementioned broker not to increase its target on the back of the strong September quarter. Noting that at the time of writing, the shares were trading at $3.17, Ord Minnett retained a $1.35 target.

Some target increases were quite substantial. Citi, for one, increased to $3.25 from $2.20 to be the top marker among the seven brokers monitored daily by FNArena covering Pilbara Minerals.

The average target among these brokers is now $2.61, up from $2.26.

More positive is Canaccord Genuity, with a target increase to $3.30 from $3.00.

COMMODITIES

How Much Sandfire 'Premium' Is Justified?

Shares in Sandfire Resources hold their ground following first quarter results showing progress at Motheo and Matsa, while a further growth option awaits.

-Sandfire Resources' FY26 guidance retained for production, costs, and opex post September quarterly
-Growth option via the Black Butte Copper Project in the US
-Prospects for a dividend as Jarden forecasts year-end net cash
-Analysts debate valuation 'premium'

By Mark Woodruff

Sandfire is one of few pure play copper exposures on the ASX

Since reaching a low of $8.05 in April, shares in leading ASX-listed pure play copper exposure Sandfire Resources ((SFR)) have rallied strongly to around $16.00, though valuation concerns persist in the broking community.

Until now, the company has benefited from higher copper prices across its operating hubs in Spain and Botswana, with additional upside potential from a prospective deposit in Montana, USA.

Management this week announced group copper equivalent production of 35.5kt for the September quarter, almost 5% ahead of management's plan. Sandfire remains on track to achieve the mid-point of unchanged FY26 guidance of 157kt. FY26 cost and capex guidance were also retained.

Those stronger realised copper prices, 2% above the consensus estimate, together with higher-than-expected Motheo shipments drove a 9% revenue beat to US$328m, explains Macquarie, which in turn translated into earnings outperformance.

The Matsa operation in Spain delivered 21.8kt of copper equivalent production, while Motheo in Botswana produced 13.6kt.

The midpoint of copper production guidance at Matsa of 96kt remains unchanged with the mine plan continuing to project stronger contained metal production in the second quarter.

Motheo in Botswana contributed 12.1kt, -1.5% below the consensus forecast, with volumes also anticipated to lift as access to higher-grade ore increases, notes Morgan Stanley.

Management expects contained metal volumes at Motheo to ramp-up across the remainder of the year as access has been recently re-established in Stage 1 of the higher-grade A4 pit after de-watering.

Remembering copper equivalent production converts the value of by-product metals, such as gold and zinc, into an equivalent amount of copper, actual group copper production of 24.6kt missed the consensus estimate by -3.5%.

Morgan Stanley explains this shortfall was primarily due to lower output at Matsa, where copper production of 12.5kt was -4.5% below expectations, reflecting the mining of lower-grade, more complex ore, with production expected to improve in the second quarter.

Costs

UBS observes an elevated cost base at Matsa, driven by the start-up of the new tailings facility as well as the strengthening of the euro against the US dollar, both of which continue to pressure unit costs.

With no material adjustments to the analysts' production or cost assumptions, UBS forecast around 54kt of copper at underlying operating costs of roughly -US$90/t processed (versus guidance of -US$86/t) and capital expenditure of -US$150m.

These cost headwinds are being offset by strong operational performance at Motheo, which is expected to incur higher non-cash costs associated with the A4 ramp-up and deferred stripping, explains UBS.

Motheo continues to deliver the lowest underlying operating unit costs across the group at -$42/t, compared with -$85/t at Matsa.

Quarterly costs at Motheo were further supported by negative treatment and refining charges, underscoring the persistent tightness in global copper concentrate markets. With smelting capacity exceeding available feed due to upstream supply disruptions, Jarden explains Sandfire effectively captured more than 100% of the metal value from production rather than incurring typical smelting and refining costs.

Management expects costs to rise modestly at Motheo to reflect full year guidance of -$44/t as A4 ramps-up, given longer haulage and additional handling requirements.

Revenue of US$328m came in 8% higher than Jarden's estimate and was a 9% beat versus consensus as five Motheo concentrate shipments departed Walvis Bay.

Group earnings (EBITDA) of US$137m came in -4% below the consensus estimate, notes the broker.

Upcoming dividends?

Net debt declined by -$61m to finish the September quarter at $62m for a cumulative reduction in net debt across the past year of $283m. Jarden continues to forecast a net cash position by end 2025.

Ord Minnett expects Sandfire to prioritise a dividend as its initial form of capital return, supported by its substantial $262m franking credit balance.

Key positive and negative in September quarter

During the quarter, Sandfire received the final regulatory approval for the new tailings storage facility (TSF) at Matsa. Early-stage construction activity commenced this month.

Regarding Motheo, Macquarie highlights regulatory changes in Botswana add some uncertainty, with new rules allowing the government to increase its project stake to 24% from 15%.

Potential new project

On the earnings call, just after the September quarter results release, Macquarie observed management indicated the Black Butte Reserve and Resource update and preliminary feasibility study (PFS) are expected during mid-to-late December.

Sandfire's Black Butte Copper Project is an underground copper development located near White Sulphur Springs, in central Montana, USA. The company's interest in the project is held via an 87% equity stake in Canadian-listed Sandfire Resources America Inc, which owns 100% of the project.

A key growth option for the company, it is considered one of the highest-grade undeveloped copper projects in the world and forms part of Sandfire's strategy to build a diversified global copper portfolio alongside its operations at Matsa and Motheo.

Initial plans have targeted 30-35 kt per year of copper in concentrate over a mine life of roughly 10-12 years.

The updated Black Butte PFS is a key catalyst for strategy, suggests Macquarie.

Outlook

Morgans believes Sandfire trades at a premium due to its high-quality, dependable operations and the scarcity of comparable copper producers on the ASX.

However, the Hold-rated broker views the stock as fully valued at current levels and would look for further exploration success across the portfolio to strengthen long-term conviction.

Also alluding to the "scarcity premium", UBS struggles to identify valuation support at current levels and retains a Sell rating.

Elsewhere, Ord Minnett views Sandfire as the most dependable and lowest-risk pure-play copper exposure within its research coverage.

There are six daily monitored brokers in the FNArena database researching Sandfire Resources. Ord Minnett has an Accumulate rating (midway between Buy and Hold), while three others are on Hold (including Citi which is yet to update its research for the quarterly result), and two brokers have Sell (or equivalent) ratings.

The average target of the six brokers rose to $14.50 from $13.68 following the September quarter release, implying around -9% downside to the $15.96 share price at the time of writing.

Outside of daily coverage, Jarden's earnings forecasts have risen after incorporating higher medium-term copper and zinc price forecasts, the key driver of an increase in the broker's target to $11.80 from $11.00.

Jarden's rating for Sandfire is, however, downgraded to Sell from Neutral as valuation is now seen as stretched.

Jarden analysts will remain watchful for more compelling entry points. Developments that could improve their outlook include additional copper supply disruptions or potentially value-accretive corporate activity.

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ESG FOCUS

Water Megatrend 2.0: Regulations Force Multi-Billion Dollar Investment Boom

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:
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Mandatory compliance and ageing infrastructure are driving a structural boom in Australia's water sector, validating companies pivoting to high-margin, recurring revenue models.

- **Urban water CAPEX forecast to double to $10bn annually by 2027**
- **De.mem achieves first positive EBITDA on 43% gross margin (ahead of acquisition)**
- **PFAS remediation accelerates as Environmental Group secures first commercial contract**
- **Rivco Australia trades at -20% discount to NAV despite record profit**
- **Operating expenditure surges to 58% from 19% of total spending, favouring service-based models**

By Valery Prihartono

Spending on 'water' is expected to accelerate in the years ahead

From Drought Cycles to Regulatory Mandates

Australia's water investment story has fundamentally shifted.

The 2024 narrative focused on climate-driven scarcity and drought cycles. Today's reality is far more compelling for investors: non-negotiable regulatory mandates and critical infrastructure renewal are forcing unprecedented capital deployment regardless of rainfall.

The numbers tell the story. The Water Services Association of Australia forecasts annual capital expenditure in the urban water sector will double to over $10bn by 2027.

This isn't cyclical spending driven by weather patterns; it's structural investment mandated by compliance requirements and asset renewal that can't be deferred.

More critically for ASX-listed water companies, the composition of this spending has shifted dramatically. Operating expenditure has surged from just 19% of total water sector spending in 2009 to over 58% in 2022.

This structural shift directly advantages companies offering continuous service-based solutions over one-off equipment sales.

The PFAS Catalyst: Compliance Creates Commercial Opportunity

Per- and Polyfluoroalkyl Substances (PFAS) remediation exemplifies how regulatory pressure is creating investable opportunities. These "forever chemicals" contaminate sites across waste management, airports, and military bases, with governments moving from investigation to mandatory action.

Environmental Group ((EGL)) --market cap circa 89m-- recently secured its first commercial contract for its patented PFAS extraction technology; a critical validation event.

The company's Australian-patented Foam Fractionation process removes over 99% of PFAS from contaminated water, soil, and biosolids with zero excess waste.

This commercial breakthrough de-risks the technology and confirms the market is transitioning from pilot programs to scaled deployment. With PFAS contamination widespread and remediation becoming legally mandated, the addressable market is expanding rapidly.

SciDev ((SDV)) --market cap circa 56m-- is similarly positioned for opportunity, making strategic moves into the US and European PFAS remediation markets where regulatory enforcement is accelerating ahead of Australia.

De.mem: The Profitability Inflection Point

De.mem ((DEM)) has delivered the clearest validation of the recurring revenue model's superiority in the water sector.

The company (market cap circa $31m) achieved its first positive half-year adjusted EBITDA of $556,000 in H1 2025, a dramatic turnaround from negative -$389,000 in H1 2024. More importantly, gross margins expanded to a record 43%, up from 18% in 2017.

This margin expansion directly reflects De.mem's strategic pivot toward specialty chemicals and Build, Own, Operate (BOO) services, which now underpin a 90% recurring revenue base.

The company's bolt-on acquisitions (more on that below) are showing an average 69% revenue growth , while its proprietary NSF-certified Graphene Oxide-enhanced membrane technology progresses toward commercialisation for high-throughput applications.

The EBITDA inflection validates management's multi-year transformation from a capital-intensive equipment supplier to a high-margin service provider.

For investors, this represents the proof point the business model transition works.

Earlier this month, De.mem announced the acquisition of Core Chemicals, a specialty chemicals supplier to gold mining clients in Western Australia, for a total consideration of approximately $3m.

The purchase has been funded through an oversubscribed placement of De.mem ordinary shares at 10.5 cents per share.

Management has suggested significant revenue synergies through new gold mining client acquisition and cross-sell of expanded product and services portfolio.

The company’s total adjusted EBITDA for the 12 months ended 30 June 2025 was $885k.

The Core Chemicals acquisition would have added approximately $730k, pushing the pro-forma adjusted EBITDA for the 12 months ended 30 June 2025 to $1.6m.

Fluence: Deliberate Mix Shift Toward Quality Earnings

Fluence Corp ((FLC)) --market cap circa $95m-- is actively reshaping its earnings quality through a strategic pivot away from volatile, lower-margin large engineering projects toward standardised Smart Product Solutions (SPS) and recurring service contracts.

The margin differential is substantial. Traditional large engineering projects typically deliver approximately 15% gross margins, while Fluence's standardised solutions and service contracts achieve margins between 25% to 40%.

H1 2025 revenue rose 64.7% year-over-year to US$33.1m, demonstrating strong momentum as this transition accelerates. The company's global footprint and diversified contract base provide multiple pathways to capture the structural spending increase.

For investors evaluating Fluence, the key metric is tracking the percentage of revenue derived from higher-margin Smart Product Solutions versus legacy project work.

The faster this mix shifts, the more valuable the earnings stream becomes.

SciDev: Industrial Chemistry Meets Global Compliance

SciDev's business model centers on recurring revenue from its OptiFlox technology subscriptions and consumable chemical sales to water-intensive industries including mining, oil and gas, and chemicals.

The company generated $103.4m in revenue for FY25, underpinned by the industrial sector's non-discretionary need for water treatment solutions. Strict regulations governing industrial wastewater disposal create continuous demand for SciDev's chemistry solutions.

SciDev's strategic expansion into US and European PFAS markets positions the company to capture regulatory-driven growth beyond Australia.

Industrial facilities facing PFAS compliance mandates represent a substantial addressable market that is only beginning to be quantified.

Rivco Australia (ex-Duxton Water): The Pure Asset Play Trading at Deep Discount

Duxton Water, which recently rebranded as **Rivco Australia ((RIV)),** offers a fundamentally different exposure to the water theme as a Listed Investment Company managing permanent water entitlements in the Murray-Darling Basin.

The company (market cap $231m) delivered a record half-year Net Profit Before Tax of $35.3m in H1 2025 while fundamentally strengthening its balance sheet. Rivco repaid $98m in debt, reducing gearing from 31% to just 5%.

The compelling investment case lays in valuation. Rivco Australia are seen trading at a -20.43% discount to its post-tax Net Asset Value (NAV) of $1.86 per share. This discount exists despite record profitability, minimal gearing, and a strong dividend track record; the company declared its 17th consecutive and increasing dividend of 3.72 cents per share.

For investors seeking stable, asset-backed exposure to water scarcity without operational execution risk, the present discount to NAV presents a clear valuation opportunity.

The permanent water entitlements the company owns represent increasingly scarce, non-replicable assets in Australia's most critical agricultural region.

Investment Strategy: Recurring Revenue Quality Matters

The unifying theme across successful ASX water companies is the strategic pivot toward recurring revenue models.

Whether through BOO contracts (De.mem, Fluence), chemical subscriptions (SciDev), PFAS remediation services (Environmental Group), or asset leasing (Rivco Australia), the companies capturing investor attention are those building predictable, high-margin revenue streams.

This convergence isn't coincidental, it directly mirrors the water sector's shift from capital expenditure to operating expenditure.

As utilities and industrial users face mandatory compliance requirements and ageing asset bases, they are prioritising long-term service partnerships over equipment purchases.

The investment implications are clear:

- Assess Revenue Quality: Companies with high recurring revenue deserve premium valuations over project-based competitors. De.mem's 90% recurring revenue base exemplifies this quality.
- Track Margin Expansion: Gross margin improvement signals successful business model transformation. De.mem's journey from 18% to 43% margin validates the strategy.
- Valuation Opportunities: Rivco Australia's -20% discount to NAV represents a clear entry point for investors seeking asset-backed water exposure.
- Regulatory Catalysts: PFAS remediation is transitioning from pilot programs to commercial deployment. Environmental Group's first commercial contract and SciDev's international expansion position are both to capture this growth.
- Global Leverage: Companies with international operations (SciDev, Fluence) can access larger regulatory-driven markets beyond Australia's borders.

The Structural Tailwind Strengthens

Australia's water sector presents a compelling structural investment thesis that is strengthening rather than weakening.

The shift from drought-driven cyclical spending to compliance-mandated structural investment creates durable tailwinds for companies positioned correctly.

The $10bn annual capital expenditure forecast represents just the beginning. As asset bases continue ageing and environmental standards tighten, the urgency of maintenance and compliance spending intensifies. The companies building high-margin, recurring revenue models are capturing disproportionate value from this non-negotiable investment wave.

For investors, the water megatrend 2.0 offers multiple entry points across technology providers (De.mem, SciDev, Environmental Group, Fluence) and asset managers (Rivco Australia). The key is identifying which business models align with the sector's structural shift toward operating expenditure and service-based solutions.

The water sector's evolution from equipment sales to service partnerships mirrors transformations in other infrastructure-adjacent industries.

Companies successfully navigating this transition are building defensible competitive positions and predictable earnings streams that, if sustained, should command premium valuations.

FNArena's dedicated ESG Focus news section zooms in on matters Environmental, Social & Governance (ESG) that are increasingly guiding investors preferences and decisions globally. For more news updates, past and future:
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ESG FOCUS

Climate Risk is Silently Squeezing ASX Profits

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Impacts from changing climate and weather patterns are increasingly showing up in corporate earnings releases. A sign investors should not ignore.

- **Floods, fires and fees are increasingly impacting on corporate profits**
- **2025 insured losses from major disasters is second-highest total among developed markets in nearly five decades**
- **For affected companies, changing climate is emerging as unavoidable cost**
- **Over time, valuations for property and companies might be de-rated**

By Lily Brown

In early 2025, torrential rain swept across New South Wales and Queensland, submerging towns, cutting off tens of thousands of residents, and damaging more than 100,000 properties.

On the other side of the continent, Cyclone Zelia tore through Western Australia’s Pilbara region as a Category 5 storm, inflicting hundreds of millions of dollars in damage.

Globally, the pattern is familiar. Typhoon Bualoi ravaged Southeast Asia, catastrophic floods hit Brazil, and wildfires spread across Europe, driving worldwide disaster losses to roughly US$131bn in the first half of 2025, US$80 bn of which were insured.

These are not anomalies. They mark a new normal in which climate volatility is beginning to seep into corporate balance sheets everywhere.

Australia’s insurers are already absorbing the strain. The Insurance Council of Australia (ICA) reports -$1.3bn in insured losses from major disasters in 2025, the second-highest total among developed markets in nearly five decades. As Munich Re board member Thomas Blunck put it:

“Disasters… have become more likely due to global warming and they teach us a very important lesson: people, authorities and companies must all adapt to new circumstances.”

For ASX-listed firms —especially across property, utilities, energy and agribusiness— that adaptation is becoming an urgent financial exercise.

Climate risk is no longer a disclosure line in an ESG report; it’s an emerging cost centre. Rising insurance premiums, self-insurance decisions and resilience capex are now showing up in P&Ls, but are not yet fully priced into valuations.

Below, we examine how these pressures are translating into margin compression across key sectors – and why investors who factor insurance and resilience costs into forecasts may see risk (and opportunity) before the market does.

Corporate costs increasingly include impacts from a changing climate

Property Trusts: Insurance Premiums and Asset Vulnerability

The ICA estimates around 1.4 million Australian properties face flood risk, underscoring how geography increasingly dictates value.

Commercial parks in western Sydney, retail centres near river systems, and coastal logistics hubs sit at the intersection of yield and exposure.

For property trusts, this is translating into a slow but structural drag. Insurance and maintenance costs are rising faster than rents or valuations can adjust -- particularly for assets in high-risk corridors.

Insurance Costs Eating Into NOI

Disclosures from GPT Group ((GPT)), Dexus ((DXS)), and Stockland ((SGP)) show the trend clearly.

Dexus's FY24 Sustainability Data Pack notes higher management costs tied to climate-risk mitigation, while GPT's 2024 Climate and Nature Disclosure Statement points to "increased operational expenses from higher insurance premiums" and anticipates further rises "due to stricter regulations."

These costs feed directly into Net Operating Income (NOI), eroding returns even when occupancy and rents remain stable.

Some managers are absorbing higher deductibles or self-insuring smaller assets to keep coverage affordable, but that only shifts risk from insurer to balance sheet.

Resilience Capex and Distribution Pressure

Beyond premiums, landlords are investing more heavily in resilience upgrades; flood barriers, cooling systems, and fire-resistant retrofits.

These don't feature in headline numbers but are increasingly reshaping capital allocation.

Stockland's FY25 earnings call captured the tension: the group trimmed its payout ratio target to 60–80% of funds from operations (FFO) from 75–85% to preserve flexibility amid cost pressures.

Investor Takeaway

For investors, the narrative has shifted: **climate risk is now a valuation input**, not a disclosure formality.

Analysts are gradually incorporating higher insurance and maintenance assumptions into REIT models, but if premium inflation continues to outpace rent growth, FY26–27 earnings forecasts could prove optimistic.

In a yield-focused sector, the key differentiator will increasingly be insurability -- a test many portfolios have yet to face.

Utilities: Infrastructure at Risk

For Australia's listed utilities, climate exposure has evolved from a sustainability topic to a core operational and balance-sheet risk.

Energy networks including APA Group ((APA)) and Origin Energy ((ORG)) have reported higher outage-related expenses and maintenance costs. The early-2025 floods alone caused substation shutdowns and unplanned repairs that will flow through FY25 results.

The Australian Energy Market Operator's 2025 Electricity Statement of Opportunities highlights the trend: extreme weather events are driving more frequent network constraints, especially in the northern and eastern states.

That translates directly into higher opex and accelerated depreciation as older infrastructure is rebuilt ahead of schedule.

The Insurance Premium Squeeze

According to Aon's 2025 Climate and Catastrophe Insight, insurers are re-pricing exposure to energy infrastructure in high-risk zones. APA Group disclosed a 15–20% rise in reinsurance premiums in FY24, citing "natural peril exposure" as a key driver.

While regulators allow partial cost pass-throughs, these adjustments lag real-time expenses, creating short-term margin compression even in regulated returns.

Generation Assets Under Pressure

Thermal plants are also showing vulnerability. February's record heat forced temporary curtailments of gas turbines and reduced cooling efficiency at coastal stations, while severe storms damaged wind and solar farms in Queensland and South Australia.

These events erode reliability scores and inflate maintenance budgets; costs that are now frequent enough to matter in valuation terms.

To reduce some of this vulnerability, insurers are advocating for and rewarding higher building standards, climate-resilient materials, and smarter geographical planning.

Some, like AusNet, are paying heed. The company's 2023 Task Force on Climate-related Financial Disclosures (TCFD) report states:

"Managing physical climate-related risks is not new to AusNet and we have managed it as part of our core business for many years."

Investor Takeaway

For investors, the takeaway is clear: utilities are becoming frontline assets in a changing climate, where maintenance intensity, insurance pricing, and resilience capex are now key valuation variables.

Agribusiness: Climate Volatility Meets

Modernisation Costs

Agribusiness remains the clearest intersection of climate risk and capital cost. While strong livestock prices lifted the sector's gross value toward record highs, volatile weather kept crop yields and export quality uneven.

Operational and Insurance Costs Rising

Listed names such as GrainCorp ((GNC)) and Elders ((ELD)) have flagged higher logistics and maintenance costs due to weather disruptions. Insurance expenses are also climbing, with the ICA warning "premium prices are rising because of the escalating costs of natural disasters".

At the same time, insurers are adapting: new parametric products and risk-based pricing models are emerging, but affordability in high-risk zones remains a constraint. Many producers still self-insure or underinsure, heightening cash flow volatility.

Supply Chains Under Strain — and Modernising

While floods and heat disrupted freight routes earlier in 2025, the medium-term story is one of adaptation.

Government infrastructure upgrades and digitised supply-chain systems are improving resilience and traceability, even as they introduce new exposures —from cyber risks to automation breakdowns— that insurers are still learning to price.

Investor Takeaway

For listed agribusinesses, the convergence of climate volatility, insurance inflation and financing differentiation is reshaping the earnings profile.

Expect greater variance in seasonal results, elevated working-capital needs, and widening valuation dispersion between diversified operators and regionally concentrated peers.

In short, climate resilience is fast becoming the new measure of quality in this sector.

Energy & Resources: Transition Meets Physical Risk

In energy and resources, the climate challenge is twofold: decarbonisation on one side, physical disruption on the other.

Physical Impacts on Production

Recent weather extremes have been materially visible in production reports. BHP Group's ((BHP)) FY25 operational review cited cyclone-related interruptions in the Pilbara and heavy rainfall in Queensland coal mines, while Rio Tinto ((RIO)) flagged reduced iron ore output due to cyclone damage.

Sustained heat has also hampered LNG operations, lifting maintenance and power costs for Woodside Energy ((WDS)) and Santos ((STO)).

Rising Insurance and Self-Retention

The global reinsurance market for energy and mining assets remains tight. Premiums and deductibles continue to climb, prompting several ASX miners to self-retain more risk, effectively turning weather volatility into a direct balance-sheet item.

Investor Takeaway

Investors have long priced policy risk; now they must price weather-adjusted reliability. Persistent disruptions can erode utilisation rates, inflate opex and mute production growth even in a commodity upcycle.

In valuation terms, that means reassessing assumed operating stability and factoring resilience spending directly into cost curves. For long-duration projects, insurability itself is emerging as a gating factor for future expansion.

Climate as a Valuation Variable

The thread running through all these sectors is clear: climate risk has become a line item, not an afterthought.

Insurance costs, self-insurance provisions, and resilience capex are steadily rising. The companies that plan for them early will preserve margins and valuation headroom.

For investors, the next step is practical:

- Stress-test portfolios for physical and financial climate exposure;
- Track insurance cost trends and resilience spending;
- Reassess dividend models that assume static operating costs.

Ignoring these factors risks underestimating true cash flow volatility. Those who price climate correctly won't just avoid surprises; they'll spot resilience before it's re-rated.

Because in today's market, climate isn't just a background risk. It's a valuation variable.

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FEATURE STORIES

Australian Banks: Results Season Preview

Back in May, analysts declared Australian banks overvalued. Share prices outperformed since. Heading into the November season, analysts declare banks overvalued.

- **Analysts continue to believe Australian banks are overvalued**
- **Not one Buy rating afforded to the majors or regionals**
- **Focus on bank restructures**
- **Macro backdrop improving, but unemployment rising**

By Greg Peel

The November Australian bank reporting season kicks off with Westpac's ((WBC)) full year FY25 result on November 4, National Australia Bank ((NAB)) on November 6 and ANZ Bank ((ANZ)) on November 10.

Macquarie Group ((MQG)) provides first half FY26 earnings on November 7 and Commonwealth Bank ((CBA)) a September quarter update on November 14.

The Backdrop

Macquarie's Macro Strategy team expects Australia's economic growth to recover from a weaker pace in 2025 towards pre-covid trends in 2026.

The consumer is expected to drive the recovery as RBA rate cuts flow through, while business investment recovers in 2026. With strong house price growth, improved labour availability, and rate cuts, the outlook for housing construction is improving.

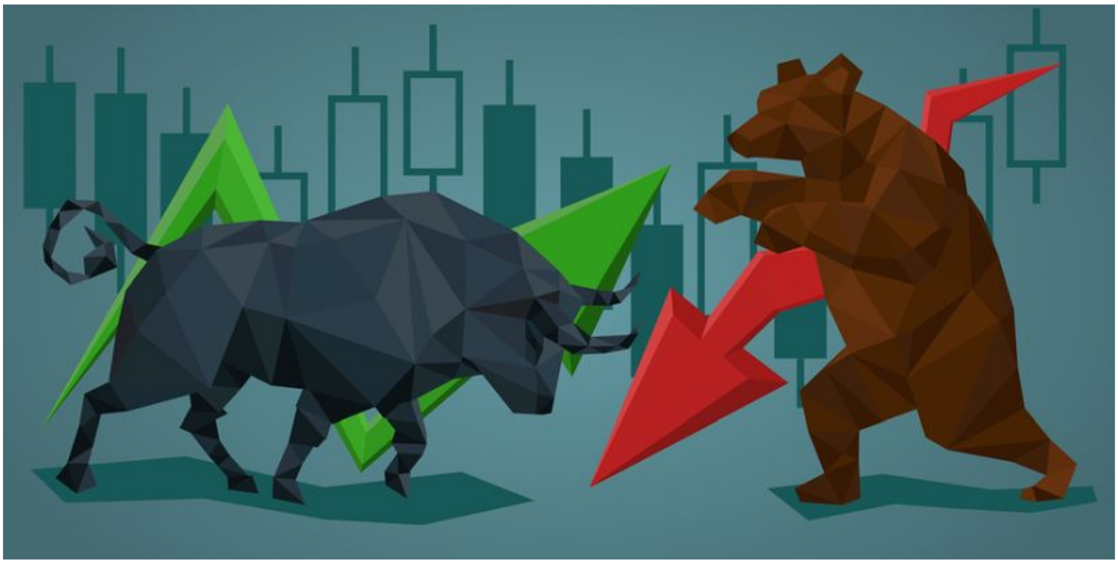
The housing market is accelerating faster than Macquarie anticipated, with annualised price growth lifting to 10%, and household expectations for prices lifting to record highs despite stretched affordability.

With the expansion of the first home buyer scheme (FHBG) from October 1, Macquarie expects the housing market to strengthen further in the months ahead. This has driven the strategists to upgrade their near-term housing credit growth forecast and suggests a favourable backdrop for banks, and non-bank financials.

Unemployment remains a risk to growth in bad & doubtful debts (BDD), and unemployment surprised to the upside in lifting to 4.5% in September.

While this is the highest level since 2021, it remains below pre-covid levels and close to the RBA's estimates of non-accelerating inflation rate of unemployment (NAIRU). Leading indicators are somewhat mixed, Macquarie notes, but suggest the potential for a slight further deterioration ahead.

That said, given rising house prices Macquarie sees limited risk to credit quality from the modest rise in unemployment.



Valuations and outlook for banks continue to polarise the investors' debate in Australia

Elevated Valuations

Heading into the May bank reporting season, analysts warned bank valuations were elevated, and feared a rise in bad debts as cost of living pressures had their impact, particularly mortgage costs, despite surprisingly low unemployment.

The reasons for elevated valuations were several.

In between banks closing their books on the first half in March, and reporting earnings in May, came Trump's Liberation Day. As share prices crashed globally, Australia's banks were seen as a safe haven by the world.

While TACO Trump quickly stalled his tariffs, the risk of high tariffs on China impacting on commodity demand and thus the Australian economy had Australian resource stocks being sold off, and selling out of Australia's second largest sector typically leads to buying in the largest –- the banks.

A typical super fund is index-tracking, and flows into super funds from employees currently continues to exceed withdrawals from retirees, hence more and more needs to be allocated to the stock market, and into the biggest sector in particular.

There are a large number of long-term retail shareholders sitting on significant capital gains from their bank positions, who thus face significant capital gains tax implications if they sell.

Finally, rising bank share prices become self-fulfilling. As the market cap share of the ASX200 rises, index-tracking funds must adjust their portfolio allocations accordingly, buying more bank shares and selling something else, such as resources.

Heading into the May season, analysts declared the banks "fundamentally overvalued". To that end, banks would have to post reasonable results or swift selling would eventuate.

They did. Bad debts were the biggest surprise, remaining benign. Bank share prices have risen ever since (although CBA has come off its highs to be back around its May level). As of last week, bank share prices have outperformed again, up 17.4% year to date versus the ASX200's 10.1%.

Heading into the November season, the banks have had a strong run of outperformance. Qualitatively, it isn't difficult to understand why, says Citi. Credit growth continues to strengthen, margin expectations will benefit from fewer RBA rate cuts now expected, productivity is being addressed and asset quality remains sound.

While bank valuations remain stretched, and Macquarie continues to see downside risk to margins and earnings, the macro backdrop for banks has improved.

Indeed, in the near term, this broker sees upside risk to consensus earnings from faster credit growth and benign credit quality. While in the medium term, margin headwinds are likely to offset these tailwinds, they will take time to emerge, Macquarie suggests.

Macquarie remains Underweight the banks sector.

The Australian bank sector relative to the ASX200 is trading above its historical average but within one standard deviation, UBS notes.

Furthermore, banks globally have had an impressive year-to-date run, with Europe up 42% and the UK up 32%. Australian banks appear fairly or fully priced on UBS' valuations and with the resources sector now improving in the second half of 2025, there may be some rebalancing ahead, UBS warns.

Despite a reasonable earnings season in May, only one broker monitored daily by FNArena found cause to set a Buy rating on one of the four majors or the two regional banks. UBS had a Buy rating on Westpac, while all the others could score no better than Hold, with CBA typically attracting a full suite of Sells.

UBS no longer has a Buy rating on Westpac. Heading into the November season, there is again only one Buy rating; Morgan Stanley has an Overweight rating on NAB.

There is otherwise only a mix of Holds and Sells, again, with CBA, as always, attracting eight Sells.

FNArena Major Bank Data					FY1 Forecasts				FY2 Forecasts			
Bank	B/H/S Ratio	Previous Close $	Average Target $	**% Upside to Target**	% EPS Growth	% DPS Growth	% Payout Ratio	**% Div Yield**	% EPS Growth	% DPS Growth	% Payout Ratio	**% Div Yield**
JDO	6/0/0	1.74	2.08	**19.64**	42.7	N/A	0.0	**0.0**	37.6	N/A	0.0	**0.0**
MQG	1/4/0	226.45	225.77	**0.89**	11.5	11.2	66.2	**3.2**	6.4	5.0	65.3	**3.4**
NAB	1/2/3	44.62	36.54	**- 16.12**	0.7	0.7	75.3	**3.9**	2.5	1.3	74.4	**4.0**
ANZ	0/4/2	37.10	32.95	**- 10.65**	- 3.3	0.0	78.7	**4.5**	14.8	- 4.9	65.2	**4.3**
BOQ	0/3/3	7.08	6.55	**- 4.19**	100.0	2.6	69.4	**5.7**	3.7	3.6	69.4	**5.9**
WBC	0/2/4	39.50	33.37	**- 13.23**	- 1.0	- 7.7	77.0	**4.0**	4.7	3.3	76.0	**4.1**
BEN	0/2/3	12.73	11.27	**- 10.34**	N/A	0.0	72.7	**5.0**	1.9	0.0	71.3	**5.0**
CBA	0/0/6	174.02	118.61	**- 30.42**	5.4	3.0	78.3	**2.9**	3.6	3.8	78.4	**3.0**

The Restructurers

Heading into this season, much focus is on the performance of the two majors which have recently announced restructuring strategies --ANZ Bank and Westpac-- targeting productivity improvements via updated systems.

The market has received ANZ's reset strategy announcement positively, with the shares outperforming peers by some 10% over the month and 12% year to date. While the shares are playing catch-up after a period of operational and market underperformance, Citi suggests natural questions arise as to where the shares will settle, and how should we view ANZ versus Westpac as both target 12%-plus returns on tangible equity (ROTE).

Citi believes the Westpac strategy is sound in clearing more than a decade of technical debt, which is being augmented by near term cost-outs as management stay disciplined on productivity.

ANZ's strategy, in contrast, offers a more pragmatic technical solution in redesigning the "Plus" front-end. Citi believes investors will favour the front-ended productivity benefits and synergies, which are faster and easier to understand versus Westpac's back-ended "UNITE" benefits.

Overall, ANZ Bank remains Citi's preferred exposure given a circa -20% discount to Westpac the deciding factor as both aspire to 12% ROTEs.

To Citi, ANZ's 2030 target looks "large and fast". While the final leg of ANZ's return ambitions are revenue-linked, the substantial drivers of the uplift to FY28 are cost-related. Productivity measures are front-ended and more easily controlled by management, as are synergies from the Suncorp acquisition which are targeted at more than 50% of the cost base.

By contrast, Westpac's UNITE looks sensible to Citi but longer-dated. In contrast to ANZ's strategy, Westpac's strategy plan necessitates significant investment upfront, with the productivity benefits from the integration of systems and processes expected from FY28 onwards. Westpac has laid out relative targets as it projects its

ROTE and cost-to-income ratios to outperform peers by FY29.

But it takes differing views to make a market.

On balance, UBS thinks Westpac has the biggest potential to surprise to the upside aided by a growing business and institutional portfolio tilt. In a messy and noisy result, ANZ Bank is set to rebase its earnings under its new CEO, UBS suggests, hopefully taking sufficient restructuring charges in the process.

Morgans has downgraded Westpac to Sell from Trim due to recent share price strength.

Westpac has a similar asset base, funding mix and domestic retail concentration as the premium priced CBA, Morgans notes. However, its growth, profitability and return on equity have been weaker than its larger competitor, which is ultimately reflected in Westpac's lower earnings and asset-based multiples and higher yield.

If Westpac can improve its financial performance with new management, growth in business banking, technology simplification and regulatory capital improvement (all not without risk of disappointment) then Morgans suggests Westpac may outperform CBA on a relative basis (but is still expensive on an absolute basis).

Morgans has a Trim recommendation on ANZ Bank given its compressed total return potential at current prices. While ANZ may have the lowest trading multiples amongst domestic major banks, Morgans views ANZ as being relatively more complex due to its larger exposures to Institutional (including relatively volatile Markets) and international (particularly New Zealand and US$) activities and greater reliance on wholesale and term deposit funding.

Citi is Neutral on both Westpac and ANZ. UBS is Neutral on Westpac and has a Sell on ANZ.

As noted, no broker has a Buy rating on either.

The Rest

NAB differentiates itself from its major bank peers with its leading SME banking franchise, Morgans notes.

While this market is less commoditised and offers higher returns than home lending, it also has higher risk and regulatory capital intensity and competition is intensifying.

Alongside NAB's greater exposure to wholesale funding, Morgans thinks this implies NAB has a higher cost of capital than its retail-focused peers. Previously constrained investment spend has also been lifted.

Morgans doesn't think NAB's return on equity-to-cost of capital spread and growth outlook justifies its elevated trading multiples.

As well as being Australia's largest bank, compared to its peers CBA has the highest return on equity, lowest cost of capital, leading technology, largest position in the residential mortgage market and largest low-cost deposit base, and a loyal retail investor and customer base. But brokers have held almost a perennial view that the stock is relatively "overvalued".

What's that definition of insanity?

Whereas CBA shows eight from eight Sells, disruptor Judo Capital ((JDO)) attracts seven from seven Buys. Enough said.

Macquarie Group is more investment bank than commercial bank, but it does wear both hats. UBS suggests Macquarie, which is reporting first half earnings, could surprise to the downside with earnings now 40/60% skewed to the second half.

The risk with the result is that depending on the timing of realisations, the typical reliance on second half seasonality could be greater this year to meet guidance and consensus, Citi warns.

The Last Word

First half bank results back in May were generally in line with consensus.

Updates for the third quarter were more favourable, UBS notes, with banks appearing well-positioned to meet second half expectations. However, earnings quality was impacted by one-off benefits such as gains from credit and net interest margin (NIM) outperformance.

Some of the key themes likely to drive upcoming bank results, UBS offers, could come from cost and efficiency gains and NIM stability given lower price competition and residual replicating portfolio benefits (a form of hedging). Investor focus will be on costs guidance, specifically with regard recent restructurings.

Pricing on both sides of the balance sheet will become key as replicating portfolio benefits fade in FY26 and rate cuts will require banks to more optimally price mortgages, with deposit costs and elasticity tested. UBS suggests volume is a source of earnings upside.

All above views sourced for this article were published ahead of this week's release of September quarter CPI data. Prior to the release, the month of September jump in unemployment to 4.5% had the market factoring in a near 100% chance of an RBA rate cut on Cup Day.

The jump in headline CPI to 3.2% from 2.1% (largely a result of expiring electricity rebates) has those odds now at zero.

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INTERNATIONAL

Gen AI Buildouts Spur Tech Infrastructure Boom

Hyperscalers' ambitious capital spending on generative AI projects represents a once-in-a-decade cycle offering a meaningful tailwind for picks and shovels providers to power Gen AI workloads, ClearBridge Investments suggests.

- **Ambitious capital spending on generative AI projects by hyperscalers, which we view as a once-in-a-decade cycle, represents a meaningful tailwind for technology infrastructure providers supplying the picks and shovels to run large language models.**
- **Cloud infrastructure software companies play a critical role in enabling AI workloads by providing specialised computing, data management and workload monitoring services to enterprise customers.**
- **The processing needs of inference models like the leading chatbots require more specialised chips than traditional enterprise applications, leading to a renaissance in custom silicon development by semiconductor makers.**

By Hilary Frisch, CFA, Director, Senior Research Analyst for Software Services & Enterprise Technology, ClearBridge Investments and Brian Hinkes, Director, Senior Portfolio Analyst, ClearBridge Investments

Hyperscaler Capex Growing Steadily

Since the first public availability of ChatGPT three years ago, generative artificial intelligence (Gen AI) has expanded rapidly across consumer and business markets, both among public traded companies and privately held firms.

Cloud hyperscalers were among the first providers of Gen AI services and, judging by their capital spending commitments, they should remain the drivers of Gen AI adoption.

While use cases, commercial monetisation and potential disintermediation of certain parts of the economy remain at an early stage, large language models (LLMs) are proliferating, and we believe industries providing the picks and shovels to power Gen AI workloads offer compelling investment opportunities today.

We broadly describe these industries as technology infrastructure providers, as they bring together the data and processing power needed to make LLMs function.

More specifically, we see cloud infrastructure software companies and developers of application-specific integrated circuits (ASICs) —custom silicon solutions— as near- to medium-term beneficiaries of ambitious Gen AI capex.

Both industries are seeing improving fundamentals and new growth avenues thanks to Gen AI — a trend that appears to be in its early innings.

Exhibit 1: Beneficiaries of Gen AI Capex

Beneficiaries	Main Subtypes	Need Met
Cloud Infrastructure Companies	Data Warehousing Software Providers	Collecting, analysing and protecting data are critical functions in enterprise IT operations run in the cloud. Quality data is also an essential input in training LLMs.
	Monitoring and Observability Software Providers	Offer oversight of the complexity of enterprise technology stacks and the unique configurations of software applications and hardware that work together to manage operations.
ASICs Developers	Custom Silicon Developers	A wave of new AI chips designed for specific needs, purpose-built for AI by hyperscalers, often in conjunction with dedicated chipmakers.

GenAI Buildouts - image 1

Source: ClearBridge Investments.

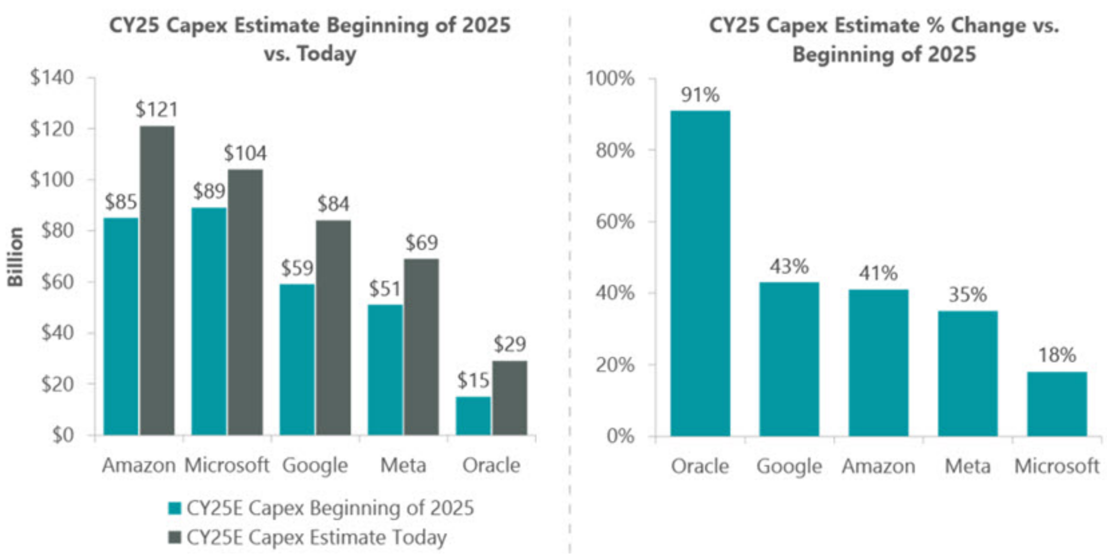
In 2025, the four major hyperscalers —Microsoft, Amazon, Alphabet and Meta Platforms— are forecast to spend a combined $378 billion, up 65% compared to 2024 and a meaningful increase from the start of the year (Exhibit 2), while projections for 2026 indicate steady spending growth.

Not included in these totals are multibillion budgets by rising cloud platforms like Oracle, CoreWeave and privately held names.

Such commitments, which we view as a once-in-a-decade capex cycle, represent a meaningful tailwind for technology infrastructure providers.

And the fact that the capex is coming from these mega cap companies' own cash flows rather than through new debt issuance gives us confidence in Gen AI as a secular evolution in computing.

Exhibit 2: Hyperscaler Capex Keeps Increasing



GenAI Buildouts - image 2

As of 31 August 2025. Source: Company reports and statements; ClearBridge Investments.

Infrastructure Software Recovering

Cloud infrastructure companies play a critical role in enabling AI workloads by providing the foundational computing, storage and networking resources needed to train, deploy and scale LLMs.

Many enterprises initially attempted to build AI capabilities in-house with ad-hoc tools, but the complexity and high failure rates of these DIY efforts have driven a shift back toward proven platforms from specialised vendors. The expertise and ecosystems developed by cloud infrastructure

firms for running AI at scale have become preferable to "home grown" solutions, especially as companies realise that reliable performance and security are paramount for AI projects.

The evolving business model at Oracle illustrates the high demand for AI infrastructure that can effectively run training models. The company's Oracle Cloud Infrastructure has emerged as a viable fourth hyperscaler with server configurations designed to scale quickly, with advanced networking capabilities and cost savings compared to competitors.

Oracle is a key partner in the U.S. government's Stargate AI initiative, has won several large commercial contracts recently with OpenAI and xAi and works with Meta to train its Llama models.

The company should also see tailwinds from its abundant supply of sought-after Nvidia graphic processing units (GPUs), key components in its newest AI superclusters configurations that are linked together with extremely fast interconnects, enabling the kind of large-scale distributed training that models require.

Oracle's transformation highlights how the cloud market is expanding to new players building cloud infrastructure finely tuned for the unique needs of AI.

Rapid AI adoption is turbocharging digital transformation as companies modernise IT systems and migrate more workloads from on-premise data centres to the more AI-applicable cloud.

This wave of cloud migration creates knock-on demand for infrastructure software and services that can manage complex, distributed applications.

The result is a rising tide for both the major hyperscale clouds (Microsoft Azure, Amazon Web Services, Google Cloud) and a cadre of "vertical" best-of-breed infrastructure software players that focus on specific needs.

Many enterprises now use a combination of both — leveraging hyperscalers for base cloud services and supplementing them with independent software vendors for specialised functions like data analytics or monitoring.

In fact, the average large business today uses hundreds of different software applications to get work done, highlighting the complexity of modern tech stacks.

Many infrastructure software makers feature consumption-based business models as opposed to subscription models offered by most application software vendors.

Consumption models enable customers to only pay for what they use, providing flexibility and enabling prioritisation in IT budgets.

After a soft period in 2024 when many enterprises were optimising costs and digesting their cloud spend, consumption-driven providers are now seeing re-accelerating growth in their quarterly results, boosted by strong reception to new AI product offerings and increased usage.

Infrastructure Software: Data Warehousing

Collecting, analysing and protecting data are critical functions in enterprise IT operations run in the cloud. Quality data is also an essential input in training LLMs.

Data warehousing software makers fill this need with cloud-based architectures that enable customers to organise their data for the purpose of advanced analytics and GenAI use.

Snowflake, for instance, enables enterprises to unify siloed data and run large-scale analytics or training workloads efficiently across multiple cloud environments.

The company has reported greater uptake of these and newer AI and machine learning offerings among its larger customers as incremental drivers of its greater than 30% year-over-year revenue growth.

Privately held Databricks is also a critical piece of this ecosystem, furthering advanced AI and industry standards around data lakes, data storage and AI.

The company's forays into supporting PostgreSQL relational database environments (via internal development and, most recently, acquisition) significantly expands its purview and future total addressable market (TAM) and should also drive consumption.

Infrastructure Software: Monitoring and Observability

Where a corporate IT department may have managed a handful of third-party vendors in the past, today the number of specialised platforms and applications can run into the hundreds.

The complexity of enterprise technology stacks and the unique configurations of software applications and hardware that work together to manage operations underscore the need for comprehensive oversight of all these functions.

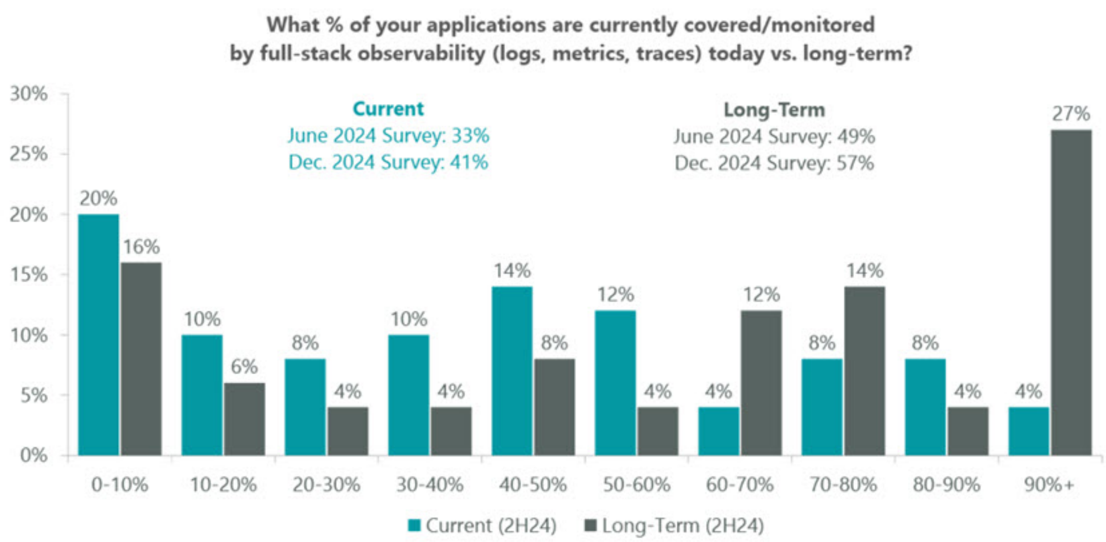
Monitoring and observability software providers offer that oversight, helping customers monitor and analyse IT performance as well as identify issues and threats.

Observability is an underpenetrated market, and we see continued growth as organisations increasingly reliant on digital infrastructure expand the number of applications monitored.

We believe LLM observability, a rapidly growing market due to the acceleration of Gen AI workloads, creates a new vector for growth for these stocks not reflected in fundamental estimates.

While competition is high due to the presence of lower-priced, open-source data monitoring vendors and some enterprise customers insourcing some observability functions, we believe companies with the end-to-end platforms to consolidate multiple observability vendors, like Datadog and Dynatrace, can sustain high teens to low 20s percent revenue growth for multiple years.

Exhibit 3: Monitoring to Expand Across More Applications



GenAI Buildouts - image 3

As of 31 December 2024. Source: KeyBanc Capital Markets, June and December 2024 CIO surveys.

In our view, larger software companies that host customers on their own cloud infrastructure are also well-suited in the near-to-intermediate term for an ongoing capex cycle.

Capex at Microsoft, for example, is expected to shift back toward revenue-driving activities such as chip purchases from recent spending on land and buildings for data centres, which should drive consumption and enable the company to recognise in its results some of the very large Gen AI bookings it has generated to date.

Custom Silicon to Power Next Wave of AI Buildouts

The unprecedented compute demands of Gen AI have not only supercharged cloud capex, they have also upended the semiconductor landscape.

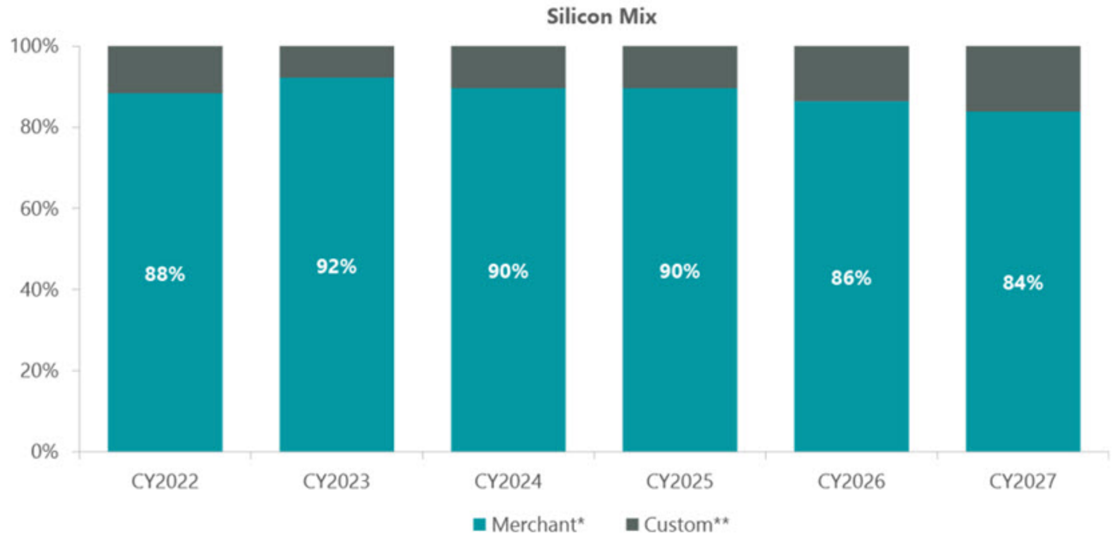
Serving millions of intelligent queries through inference models like ChatGPT and Google Gemini requires far more specialised chips than traditional enterprise applications.

This has led to a renaissance in custom silicon development, marked by the design of “XPUs,” where X can stand for any accelerated processor (GPU, CPU, etc.) tailored to AI.

While Nvidia's GPUs and its complete ecosystem of chips and software have led the company to maintain a large market share lead, other semiconductor makers also play critical roles in developing custom silicon as a complement or alternative to Nvidia.

The result is a wave of new AI chips designed for specific needs — some targeting training giant models, but the majority optimised for inference models already in use and many integrating novel approaches to boost performance or efficiency.

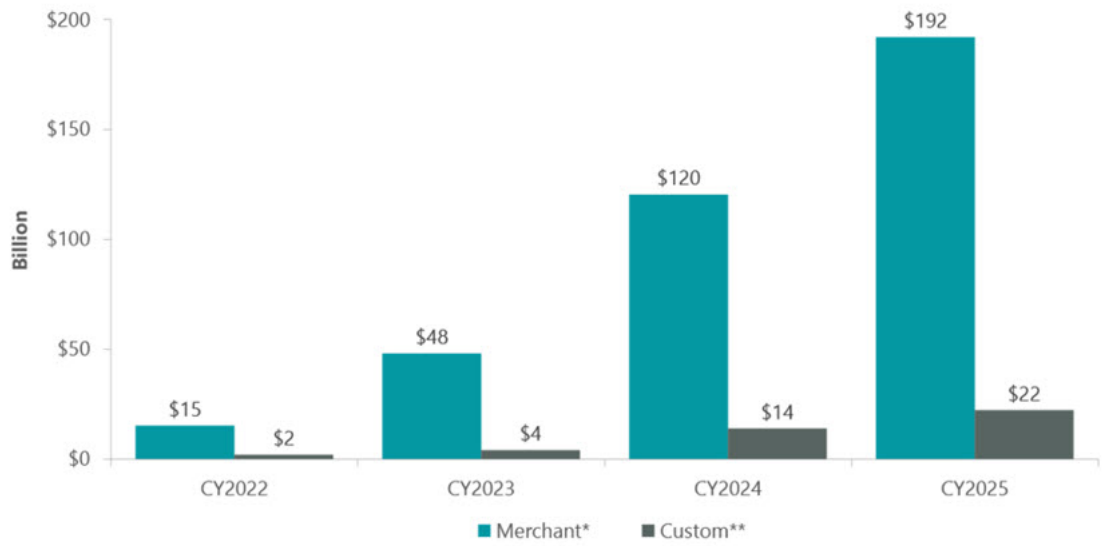
Exhibit 4: Custom Silicon a Small but Rapidly Growing Part of AI Chip Market



GenAI Buildouts - image 4

*Merchant consists of Nvidia and Advanced Micro Devices processors. **Custom consists of Broadcom and Marvell Technology silicon.
As of 26 September 2025. Sources: Visible Alpha (Street Estimates), ClearBridge Investments.

Exhibit 5: Custom Silicon Sales Just Starting to Ramp



GenAI Buildouts - image 5

*Merchant consists of Nvidia and Advanced Micro Devices processors. **Custom consists of Broadcom and Marvell Technology silicon.
As of 26 September 2025. Sources: Visible Alpha (Street Estimates), ClearBridge Investments.

These ASICs are purpose-built by the hyperscalers themselves, often in conjunction with dedicated chipmakers. Broadcom, for example, is developing ASICs for the high performance needs of customers that include Google, Meta and OpenAI.

This strategy of partnering rather than competing with the hyperscalers has proved fruitful: Broadcom is capturing an increasing share of AI semiconductor spend as those giant customers ramp up their data centres.

Broadcom's AI chip revenues are expected to grow sharply as these projects scale, validating its approach of selling to all the major AI players rather than betting on one end-product.

While Broadcom is the clear market share leader in custom silicon, we believe the TAM is large and growing rapidly enough to support multiple players.

ARM Holdings makes custom CPUs that go into some of Nvidia's GPU configurations and has benefited significantly from this relationship.

Marvell Technology also designs chips primarily for inference models, having progressed significantly in its intellectual property and processing capabilities and counting Amazon and Microsoft among its core customers.

In addition to chip design, Marvell's lineup of network connectivity solutions (like high-speed ethernet adapters and switches) makes it a sought-after partner to build the plumbing for AI supercomputers.

The company's networking products are crucial in stitching together AI clusters — for example, high-bandwidth switches and optical interconnects to move data between thousands of processors in parallel.

As AI models become larger and more distributed, we believe networking is becoming as important as processing speed, and Marvell's solutions address that critical bottleneck.

Like Broadcom, we view Marvell as well suited to participate as hyperscalers diversify their semiconductor spending away from just buying off-the-shelf GPUs.

Importantly, these custom silicon developers are targeting an inference market that now represents the bulk of new net AI spending and is growing at a much faster pace than the training market.

Custom silicon developers also make networking chips, switches and interconnect devices to meet the higher-bandwidth data movement and massive storage requirements of AI workloads.

These companies partner with a number of supporting players in the semiconductor capital equipment, electronic design automation and contract manufacturing areas that supply the high-performance silicon wafers and design tools to meet the increased chip complexity in the Gen AI era.

Conclusion

The development and adoption of Gen AI is a secular growth trend still in its early innings.

It remains to be seen which parts of the technology universe will ultimately benefit or be challenged by Gen AI, but we believe consistent capex growth by hyperscalers creates a positive demand environment for both infrastructure software and custom silicon developers.

Earnings and free cash flow growth rates for mega cap hyperscalers remain healthy, which should continue to support the growth outlook for more vertically focused companies supporting Gen AI buildouts.

Technical limitations

If you are reading this story through a third party distribution channel and you cannot see charts included, we apologise, but technical limitations are to blame.

RUDI'S VIEWS

Rudi's View: Identifying Quality Opportunities

In this week's Weekly Insights:

- **When Anxiety Becomes The New Norm**
- **Identifying Quality Opportunities**

By Rudi Filapek-Vandyck, Editor

When Anxiety Becomes The New Norm

At times, investors are their own worst enemies.

I have been surprised by how deeply negative market sentiment has become over the past two months or so.

At least one advisor went 100% in cash (and made a lot of hullaballoo about it) and the number of messages on social media that assures us all markets are ready to implode has only gathered more pace.

I don't think I've ever been on the 'still positive' side of market commentary while so many voices are so deeply negative. It's a complete new experience.

But let me explain how this works inside the (tiny) Australian media landscape.

The choice between publishing a supportive story or analysis about megatrend AI and today's share market or a sharply negative critique is choosing for a few hundred readers versus many thousands.

That's not hyperbole. Such is the situation in Australia today. Feedback and observations from other publications confirm this.

So if I am looking to increase readership or to chase eyeballs, what do you think the next story's angle will be?

And this is how general anxiety feeds upon itself and becomes the new trend.

Indeed, as the finance sector is always ready to serve whatever becomes popular, investors are their own worst enemies.

Sorry, ladies & gents, but FNArena is nowhere near ready to join in with the doom & glooming elsewhere.

This by no means equals us saying there are no risks out there, but we do feel general anxiety levels have likely ramped up too much, too soon.

Way too much, way too soon.

A brief pull back in the current up-trend, whenever it occurs, would be nothing unusual and virtually nothing at this stage suggests such event will mark the end of AI development or the ongoing bull market for equities.

As is so often the case, perspective and context have gone badly missing amidst fear and anxiety gripping investors' minds.

FNArena has published two counter-punching, well-documented and researched, blatantly supportive stories these past few days.

I highly recommend you read them:

https://fnarena.com/index.php/2025/10/27/gen-ai-buildouts-spur-tech-infrastructure-boom/

https://fnarena.com/index.php/2025/10/24/the-casandra-cascade-industrialisation-of-fear/

As said, today's AI megatrend is not without its risks and detractors, but a little bit of proper context and perspective goes a long way.

Identifying Quality Opportunities

It's a commonly heard phrase around investors and market commentators: sometimes a stock looks 'cheap' for good reason.

Eternally struggling car parts distributor Bapcor ((BAP)) comes to mind, but equally so Treasury Wine Estates ((TWE)), Fletcher Building ((FBU)) and Endeavour Group ((EDV)).

It's not that those stocks can never ever see the return of better times, but good investments they have not been and many that thought to add a cheap looking bargain to their portfolio are today left licking their wounds.

One does not hear it as often, but the opposite holds true too; sometimes a stock looks 'expensive' for good reason.

In some cases, that reason is strong operational momentum with yet more upside to follow-through.

As long as the trend remains strong and supportive, such expensive looking shares continue to defy the skeptics and their calls of 'grossly overvalued'.

Think Life360 ((360)), but also Zip Co ((ZIP)) and Hub24 ((HUB)), to point out a few examples.

For investors comfortable with riding the uptrend, amidst general skepticism and day-to-day volatility, the 'art' is to stay focused on the operational momentum, and to trust its robustness and durability.

This is always easiest in hindsight. Audinate Group ((AD8)) was once such a highflyer, but that seems a long time ago today.

The same observation can be made about Tyro Payments ((TYR)), as well as the above mentioned Bapcor and Treasury Wine.

Good news stories don't last forever. We all pay homage to that lesson eventually.

Which should not distract us from the fact there are companies out there that seem to have a lot of growth potential up for grabs.

Sometimes, such companies combine this potential with supportive industry dynamics, or an effective moat, market leadership, exceptional management, a unique product to sell, etc; in other words: they have what makes them 'special'.

Long-time shareholders in companies such as Cochlear ((COH)), Macquarie Group ((MQG)), TechnologyOne ((TNE)) and Wesfarmers ((WES)) know first-hand what it means to be on the register of such special (out)performers.

For those not yet on board, however, the dilemma is always the same: when does one jump on board?

Share prices seldom look genuinely 'cheap' and, outside of true misery and share market sell-offs, any pullbacks might not be deep enough for buying-in comfort.

Before we get to address that dilemma, we must first identify which companies might be of the special kind.

Below is a list of some of tomorrow's potential *All-Weathers*, high quality growers ready to generate plenty of sustainable rewards for shareholders over an elongated period of share ownership.

Maybe, if/when that long-awaited share market sell-off finally arrives, this also provides better entry points in what are usually (and consistently) above-average valuations.

1. Sigma Healthcare ((SIG))

The reverse take-over of Sigma Healthcare by Chemist Warehouse (conveniently marketed as a 'merger') has created a true retail-wholesale leader in Australia, ready to use scale and reach to further its market dominance.

Apart from ongoing benefits from synergies and network optimisation, management is targeting growth through expansion of the discount chemist's footprint.

International expansion includes plans to enter the UK (which apparently has no peer and a local market leader everyone likes to critique), as well as active store roll-outs in Ireland, New Zealand and the UAE.

Last week's AGM update surprised to the upside and revealed sales of GLP-1s are starting to contribute to the already robust-looking growth story.

Trading on 49x times upgraded FY26 EPS forecasts, 'cheap' and 'undervalued' are not words that spring to mind, also showing the market's confidence this company remains ready to deliver.

Continued success can potentially come with ramifications for Wesfarmers and Ebos Group ((EBO)) who both run competing businesses.

For shareholders in the latter two businesses, a close eye on further developments is required.

2. Generation Development ((GDG))

The past two years have been nothing other than transformational for Melbourne-based financial services provider Generation Development, others might also use the term 'spectacular'.

Some of us might remember the old name of Austock which disappeared in late 2017, but the present business is no longer comparable.

Todays $3bn market capped powerhouse is the domestic market leader for selling investment bonds, fully owns Lonsec for research and ratings of fund managers and financial products, while Evidentia Group has brought in a large distribution capability for financial advisors.

Then there's a strategic alliance with international giant Blackrock to develop a 'holistic retirement solution'.

It is difficult to not consider this company as at the epicentre of a growing demand for lower-risk superannuation solutions and dependable income.

This is exactly why the share price looks so steep over the past two years. Similar as with Sigma Healthcare, this month's AGM update proved yet again better-than-forecast and management remains as confident as ever.

3. Cuscal ((CCL))

Carrying the ASX-code that once belonged to Coca-Cola Amatil (am I showing my age?), Cuscal only listed in November 2024, but it has managed to attract attention from many an under-valued opportunity seeker, in particular post the recent August results season.

Even after an almost doubling in share price year-to-date, the forward-looking PE is still only 18x times (the market average is closer to 20x).

But then, most investors have yet to get acquainted with what Cuscal is and does.

Cuscal is a payments and regulated-data infrastructure provider that enables banks, mutuals and fintechs to move money and connect to real-time rails, including NPP services such as PayID, Osko and PayTo.

The company (market cap circa $800m) also provides card issuing and acquiring (Visa/Mastercard), supports digital wallets, and offers fraud/financial-crime solutions, underpinned by its status as an APRA-regulated Authorised Deposit-taking Institution (ADI) with direct settlement access.

Through Basiq, Cuscal supplies Open Banking (CDR) connectivity so clients can securely share and consume data.

Strategically, it has exited non-core rediATM and is scaling via the proposed acquisition of Indue.

There's a limited track record as a public entity and it should not be forgotten this means higher risk too, but maybe Cuscal is one to keep on one's radar?

The two daily monitored brokers in the FNArena universe have price targets still double digits above the present share price, with growth projections to match.

4. Codan ((CDA))

The corporate transformation of Codan over the past two years has at least been as spectacular as for the companies mentioned above.

Year-to-date the share price is up more than double, eclipsing even the $34 price target set by the most bullish among brokers covering, UBS.

The latter's optimism is based on Codan's exposure to three key favourable macro themes: gold price strength, global defence investment, and public safety.

In particular gold and defence are magical memes in 2025.

Minelab remains the global leader in handheld detectors (the kind you see people wandering around with around beaches and elsewhere) with mining prospectors in Africa especially keen to use them.

Increasingly, the Communications business is driving group profits as its unmanned systems are finding favour among military forces.

Here the key challenge is to distinguish hot inflows from momentum followers from true afficionados of a company reborn into an upgraded version of itself.

5. Objective Corp ((OCL))

Let's start with the negative news: Objective Corp is no equal of TechnologyOne.

But then few companies listed on the ASX --technology services providers or otherwise-- can truly stand up in comparison with the track record and achievements since 2004 of what might well be Australia's highest quality achiever.

Objective Corp (market cap less than $2bn) shares many similarities, including low customer churn and a high ratio of recurring revenues.

August results convinced those still in doubt and the share price surged to an all-time record high, from which it has (slightly) retreated since.

PE ratios are not as high as those of Tech1, but then again, higher dependability and quality deserves a higher multiple.

At 50x times FY26 prospective EPS and 43.5x times FY27 forecast EPS nobody calls this share price a bargain.

There is potential for positive surprise from international expansion, but this can also translate into higher risk.

6. Telix Pharmaceuticals ((TLX))

A biotech remains a biotech and CSL's prominent success until the covid epidemic cannot be taken as a true benchmark for smaller cap peers because plasma collecting provides for a more infrastructure-alike, less speculative groundwork.

But Telix Pharmaceuticals' achievements over the two years past has parts of the local investment community genuinely in awe leading to declarations of this potentially becoming 'the next CSL'.

Whether the big promise can be delivered upon might well be decided in the weeks ahead.

As Citi analysts explained in their recent update, safety run-in data from 30 patients in the phase 3 ProstACT Global trial for TLX591 in metastatic castrate-resistant prostate cancer will be released.

The trial includes three treatment groups and results will determine whether the main phase of the study proceeds.

The second catalyst is the FDA re-submission of Pixclara, a brain imaging agent. While this is not viewed as a major valuation driver, maintaining progress on near-term milestones is seen as important for sustaining investor confidence.

For those not yet familiar, Telix Pharmaceuticals (nowadays also listed on Nasdaq) develops radiopharmaceuticals for cancer diagnosis and treatment.

Revenue is anchored by a PSMA PET imaging franchise for prostate cancer (Illuccix and next-generation Gozellix), supported by a growing European roll-out and an owned radiopharmacy network that strengthens distribution and margins.

The pipeline spans kidney (Zircaix) and glioma (Pixclara) diagnostics plus therapeutics including TLX591 (beta), TLX592 (alpha) and TLX101, offering a second act beyond imaging.

The sell-off earlier in the year is a reminder that risk remains tangible for a young and upcoming business dealing with health departments and government budgets and regulations, not to mention the always unpredictable outcome of trials even if this business could develop into a 'special one' longer term.

The list doesn't stop with these six.

I'd also nominate **Washington H Soul Pattinson** ((SOL)) which is equally re-inventing and transforming itself through full ownership of Brickworks and Milton Corp.

Soul Pattinson already had a commendable track record as a wily long-term investor, but today management is building a true multi-asset manager.

The share price has come under pressure recently which I suspect stems from homebuilders being out-of-fashion in the US (see: Brickworks), on top of regulatory and growing investor worries about corporate credit markets (more "bubbles").

I suspect these concerns will evaporate as time passes by.

Pinnacle Investment Management ((PNI)) is successfully building a unique funds management distribution platform and its weaker share price is likely also related to corporate credit concerns.

Others to consider include **ARB Corp** ((ARB)), **Breville Group** ((BRG)), **Pro Medicus** ((PME)), **SiteMinder** ((SDR)), and **Supply Network** ((SNL)).

Contrary to the first five mentioned, share prices have been weaker in 2025, which suggests longer-term opportunity to add more quality to the portfolio, all else remaining equal.

Paying subscribers have 24/7 access to my curated lists for All-Weathers and related categories:

https://fnarena.com/index.php/analysis-data/all-weather-stocks/

Following today's update, and for the reasons explained, Ebos Group will be removed from my selection of Potential All-Weather Performers, together with Steadfast Group ((SDF)).

Review All-Weather Model Portfolio

The financial year ending on June 30th 2025 featured the return of Donald Trump in the White House and of extreme market volatility.

The second half of the year also saw doubt creeping into general sentiment towards AI and demand for data centres.

All in all, a gain of 13.85% (pre-fees) for the twelve months is not something to be unhappy about, right?

FY25 review of the All-Weather Model Portfolio: https://fnarena.com/index.php/download-article/?n=4B38C0EF-A173-8CE6-736A7AFC7B19FC49

Model Portfolios, Best Buys & Conviction Calls

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

FNArena Subscription

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

Dividend Investing, The Smart Way 250(1)

Cover Investing in GenAi - medium sized

(This story was written on Monday, 27th October 2025. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

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

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

RUDI'S VIEWS

Rudi's View: Eagers Automotive, Catapult, Fineos, Pro Medicus, Woolworths & More

Updates on Model Portfolios, Best Buys, Top Picks, Sector favourites and Conviction Buys.

By Rudi Filapek-Vandyck, Editor

Goldman Sachs' Conviction

Not sure whether this says more about the Australian share market or about the analysts involved, but **Goldman Sachs' APAC Conviction list** only includes two ASX-listed stocks: Goodman Group ((GMG)) and ResMed ((RMD)).

For context: that's two out of 31, also including names such as Fujitsu, Hyundai Motors and TSMC.

Equally noteworthy, perhaps, is the corresponding selection for US equities currently does not contain any of the Mag7 or other popular AI names.

Instead, that selection of 24 includes Abbott Laboratories, Duke Energy, Johnson & Johnson, McDonald's, and Walmart.

The European list has 24 companies on it, including Anheuser-Bush InBev, AstraZeneca, Deutsche Telekom, Philips, and Repsol.

RBC Capital vs Market Sentiment

Not that anyone seems to care locally (not at this point in time anyway) but the quarterly reporting season in the US is once again confirming demand for data centres remains strong and healthy.

Don't take my word for it. That's one key conclusion **RBC Capital** analysts sent to their clientele locally earlier today (on Thursday).

RBC Capital has grabbed the opportunity to repeat its Outperform ratings for NextDC ((NXT)), Macquarie Technology ((MAQ)) and Megaport ((MP1)).

The latter carries the extra Speculative tag. Respective price targets are $20, $95 and $18.

Morningstar Identifies Dividend Champions

What makes a superior dividend stock?

Morningstar's attempt to answer that question this month offers a lot to ponder for Australian investors (always on the lookout for dividend and income).

The first attempt takes a longer-term perspective, backward-looking, and zooms in on growth and dividends accumulation over the ten years past.

Morningstar is correct in that such approach most likely reveals where investors *could* or *would* have maximised their income potential from the ASX, but there's a very, very important catch.

Your typical yield-seeker is unlikely to own such stocks as they do not start off on a high and/or reliable yield.

Having said so, and it's good to emphasise this, preferencing 'growth' over 'high yield' is indeed the superior investment approach, as also outlined in our very own Special Report, Dividend Investing, The Smart Way.

Paying subscribers can download this **Special Report** via the dedicated section on the website:

https://fnarena.com/index.php/analysis-data/special-reports/

So, thanks Harry Hindsight, but very few income seekers (if any) would have owned Fortescue ((FMG)), Pinnacle Investment Management ((PNI)), Pro Medicus ((PME)), Codan ((CDA)) or Northern Star ((NST)) over the decade past.

Yet, these are the 'strongest' dividend stocks on the ASX for the past ten years on Morningstar's assessment.

Others that score high are Nick Scali ((NCK)), Data#3 ((DTL)), Premier Investments ((PMV)), Atlas Arteria ((ALX)), and JB Hi-Fi ((JBH)).

In a second attempt, forward-looking, Morningstar's research filters for corporate moats, a level of predictability (below average uncertainties), as well as diversification, and preferably a yield of at least 4% at today's share price.

This time around the outcome includes a lot more familiar names for your average income seeking investor.

Morningstar's Dividend Pick list (23 names in total):

- ANZ Bank ((ANZ))
- Telstra Group ((TLS))
- Woodside Energy ((WDS))
- Rio Tinto ((RIO))
- Woolworths ((WOW))
- ASX Ltd ((ASX))
- APA Group ((APA))
- Sonic Healthcare ((SHL))
- GPT Group ((GPT))
- Amcor ((AMC))
- Dexus ((DXS))
- Atlas Arteria ((ALX))
- Steadfast Group ((SDF))
- Endeavour Group ((EDV))
- AGL Energy ((AGL))
- Aurizon Holdings ((AZJ))
- Dyno Nobel ((DNL))
- Spark New Zealand ((SPK))
- Chorus ((CNU))
- Charter Hall Long Wale REIT ((CLW))
- Viva Energy ((VEA))
- Genesis Energy ((GNE))
- Deterra Royalties ((DRR))

Three of the inclusions fail the minimum 4% requirement, only offering 3.5% at the start;

- Woolworths
- ASX Ltd
- Steadfast Group

Turns out, in comparison with FNArena's current consensus forecasts, Morningstar's 3.5% starting yield seems optimistic for Woolworths, potentially understated for the local bourse, and in line with consensus for Steadfast.

See Stock Analysis on the website for the details.

Morningstar's Best Stock Ideas

As of this month (October), Morningstar's selection of **Best Ideas** for ASX-listed stocks consists of the following:

- AGL Energy ((AGL))
- Auckland International Airport ((AIA))
- ASX Ltd ((ASX))
- Aurizon Holdings ((AZJ))
- Bapcor ((BAP))
- Domino's Pizza ((DMP))
- Dexus ((DXS))
- Endeavour Group ((EDV))
- Fineos Corp ((FCL))
- IDP Education ((IEL))
- Pilbara Minerals ((PLS))
- Ramsay Health Care ((RHC))

- SiteMinder ((SDR))
- Spark New Zealand ((SPK))
- Woodside Energy ((WDS))

For those not familiar with the methodology used at Morningstar, selections of Best Ideas are almost without exception inspired by assessments of 'undervaluation', regardless of specific reason or corporate quality involved.

That firm belief that 'undervaluation' will always see share prices revert back to a more appropriate valuation is why multiple stocks seemingly in a multi-year downtrend (or: continuously in struggle street) remain on the list (and often have been for a while).

Notable exceptions are Auckland International Airport, Fineos Corp, Pilbara Minerals and SiteMinder.

Bell Potter Is Nervous

This week's strategy update by Bell Potter exhibits an above-average level of nervosity (at least on my reading).

If US equities finally have that long-awaited correction, the Australian market is most likely to participate "strongly" to the downside is the one forecast that stands out.

Outside of resources, there's not much to smile about locally when it comes to earnings and growth, the report highlights, but that hasn't stopped multiples from rising, and rising (and rising).

Bell Potter sees **three potential triggers** for such a correction:

-Sticky inflation keeps US rates higher for longer (sort of happened on Thursday)

-The AI market leadership wobbles or stumbles

-Problems in the credit market reveal themselves

Bell Potter has identified **four quality stocks**, all Hold-rated, that should see no impact on their earning growth, hence share price weakness can be treated as an opportunity (i.e. Buy on weakness):

- Pro Medicus ((PME))
- TechnologyOne ((TNE))
- Catapult Group ((CAT))
- Eagers Automotive ((APE))

Morgan Stanley Picks Macquarie

Macquarie Group's ((MQG)) half-yearly update is scheduled for November 7 and analysts at Morgan Stanley worry the street (i.e. their colleagues elsewhere) has not sufficiently picked up that momentum has shifted to the second half.

That H2 skew happens as the timing of the recovery in global capital markets and in commodities revenues has arrived later than expected.

The consequence is Macquarie's result release could potentially turn out a big 'miss' on current forecasts, even though management would still retain full year guidance.

Having said all of that, adjusted for Shield and public markets asset manager sale, Morgan Stanley's FY26 earnings forecasts are circa 5% ahead of market consensus.

All shall be revealed on the 7th.

Citi's Reluctant Bulls

One quote to top it off:

"Over the past couple of weeks, we have met with clients both in the US and the Australasia region.

"We have been struck by the nagging concerns related to valuation, bubbles, credit and macros (i.e. labor).

"Yet, allocations to US large cap equities appear steadfast. Thus, the notion of reluctant bulls strikes us as appropriate for describing current investor mindset.

"On the one hand, we believe this sets up for a classic wall of worry to climb as supported by incremental

fundamental data.

"On the other, we need to expect sharp reactions to the downside on perceived disappointments."

Over in the US, Citi strategists suggest **US equities will most likely rally into year-end**.

Adding to their conviction is that, historically, whenever the share market return has been strong between January 1st and October 31st, this is most likely followed up with more positive returns in November-December.

More reading:

https://fnarena.com/index.php/2025/10/23/rudis-view-als-bega-coles-elders-light-wonder-lovisa-telix-more/

https://fnarena.com/index.php/2025/10/16/rudis-view-small-caps-quality-gold-balance-maximum-diversification/

(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.

P.S. II - *If you are reading this story through a third party distribution channel and you cannot see charts included*, we apologise, but technical limitations are to blame.

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

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

WEEKLY REPORTS

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

Weekly update on stockbroker recommendation, target price, and earnings forecast changes.

By Mark Woodruff

Guide:

The FNArena database tabulates the views of eight major Australian and international stockbrokers: Citi, Bell Potter, Macquarie, Morgan Stanley, Morgans, Ord Minnett, Shaw and Partners and UBS.

For the purpose of broker rating correlation, Outperform and Overweight ratings are grouped as Buy, Neutral is grouped with Hold and Underperform and Underweight are grouped as Sell to provide a Buy/Hold/Sell (B/H/S) ratio.

Ratings, consensus target price and forecast earnings tables are published at the bottom of this report.

Summary

Period: Monday October 20 to Friday October 24, 2025
Total Upgrades: 13
Total Downgrades: 12
Net Ratings Breakdown: Buy 60.00%; Hold 31.42%; Sell 8.58%

For the week ending Friday, October 24, 2025, FNArena tracked thirteen upgrades and twelve downgrades for ASX-listed companies from brokers monitored daily.

Average target price increases outpaced cuts for the sixteenth consecutive week, while rises in average forecasts by analysts exceeded falls, aided by increases in commodity price forecasts.

Within the Industrials sector, Qoria's average target price rose by around 23% following a strong first quarter update, along with an upgrade to FY26 revenue guidance.

Qoria provides child online safety, parental control, and school digital-safety solutions through a suite of integrated technologies under brands such as Linewize, Smoothwall, Qustodio, and NetRef.

Total annual recurring revenue (ARR) rose 24% year-on-year in the first quarter to $149m, supported by strong growth in the Qustodio segment as targeted marketing initiatives delivered results, Ord Minnett explained.

Free cash flow of $11.5m exceeded the broker's $10.3m estimate, driven by stronger cash receipts and lower interest payments.

Management raised FY26 revenue guidance to above $145m from above $140m, modestly ahead of the $144m consensus forecast. All other guidance metrics including ARR growth, EBITDA margin, and free cash flow remain unchanged.

Qoria also indicated net debt should remain flat in FY26 relative to FY25, before reducing materially in FY27 and beyond.

Bell Potter continues to see 'Value' with the stock trading on an FY26 EV/Revenue multiple of around 8x, representing a reasonable discount to Catapult Sports at roughly 10x and Life360 at about 12x.

The tables below show automotive aftermarket parts, accessories, equipment, and service provider Bapcor suffered the largest fall in average target price (-26%) and the second largest fall in average earnings forecast by brokers last week.

The company's first quarter trading update included a decline in sales revenue of -2.7%, with management pointing to a first-half net profit of between $14-16m, well below analysts' estimates.

FY26 underlying profit is now guided to $51-61m, some -35% lower than Ord Minnett's prior forecast.

Bapcor continued to lose market share in Trade, explained the broker, while Networks generated earnings growth and regained lost customers from FY25. In Retail, Ord Minnett observed Autobarn continues to be challenged against a weak macro backdrop of soft discretionary spending and increased competition.

For several reasons, Citi found it difficult to turn more positive on the stock.

Management's plan to retain the Executive Chairman for two to three years, citing execution benefits, continues to raise governance concerns that weigh on investor sentiment, suggested this broker.

Citi also highlighted persistent operational issues from a business review, warning further downgrades cannot be ruled out. Further, it's thought inventory remains elevated in both value and volume.

Worryingly, Morgan Stanley flagged operational risks amid industry feedback (unverified) suggesting staff turnover has been so severe that some stores have occasionally been unable to open due to staffing shortages.

While management noted the balance sheet remains sound with $332m in undrawn facilities, and net profit and cash flow expected to remain within covenants, UBS flagged risks from legacy issues and balance sheet pressure given gearing of 2.1x and uncertain working capital trends.

Turning to average earnings forecasts, here Telix Pharmaceuticals and Zip Co appear second and third on the table below with rises of 40% and 24%, respectively.

While the Telix improvement was exaggerated by the small forecast numbers involved, both Bell Potter and Citi issued positive updates during the week.

Bell Potter pointed to another demonstration of Telix's continued innovation in prostate cancer management and its capacity to drive meaningful shareholder value.

The company has commenced BiPASS (NCT07052214), a registration-enabling Phase 3 trial aimed at expanding the label of its Prostate-Specific Membrane Antigen Positron Emission Tomography (PSMA-PET) imaging agent to include initial diagnosis of prostate cancer.

The study will assess the performance of PSMA-PET as an adjunct to MRI for detecting and staging clinically significant prostate cancer.

BiPASS represents a significant label expansion opportunity that may add around 750-800k PSMA scans to the addressable market, noted Bell Potter.

Citi highlighted two key catalysts for Telix in the final quarter of 2025.

Safety run-in data from 30 patients in the Phase 3 ProstACT Global trial of TLX591 for metastatic castrate-resistant prostate cancer (mCRPC) are expected.

The FDA resubmission of Pixclara, the company's brain imaging agent, is also anticipated.

Ord Minnett viewed Zip Co's September quarter update positively, noting US transaction volume rose 47% in constant currency, prompting management to lift FY26 US total transaction value (TTV) growth guidance to above 40% from over 35%.

Cash earnings of $62.6m exceeded the broker's expectations, supported by stronger margins and revenue growth, while US customer numbers grew 12%, with increased usage driving TTV expansion.

Zip's on-market buyback doubled to $100m, reflecting a strong $452m cash balance, suggested analysts at UBS.

While Citi noted higher US bad debts and slower A&NZ growth, this broker forecast FY26 cash earnings will exceed $260m, around 10% ahead of the prior consensus estimate.

Earnings season for banks starts with Westpac on November 3, with UBS suggesting key themes will relate to cost and efficiency gains, as well as net interest margins.

Macquarie Group could surprise on the downside, according to the broker, while Westpac could surprise on the upside. The latter received ratings downgrades to Sell last week from both Morgans and Ord Minnett on valuation.

While also receiving two ratings downgrades on valuation, copper and gold exposure Aeris Resources was the 'primus inter pares' among resources, heading up the tables for positive change to target and earnings.

Morgans described a steady first quarter operating result, with Tritton performing in line with expectations, partly offset by softer outcomes at the Cracow operation.

Growth at Tritton through the Murrawombie pit remains on schedule, noted the broker, and ongoing exploration continues to demonstrate potential for further reserve and resource expansion at both Tritton and Cracow.

Rising commodity price forecasts by Morgans and Macquarie had the greater impact on Aeris and the wider sector, with eight of 10 top positions for positive change to target and earnings tables filled by resource stocks.

A notable exception was metallurgical coal exposure Stanmore Resources following its September quarter update.

Mine operations were heavily impacted by excessive rainfall in the first half with total precipitation between January and April nearly twice the historical average for Moranbah.

Morgans explained this disruption left management with considerable ground to make up in the second half, to meet full-year production targets. Although the third quarter performance improved, management slightly reduced its 2025 guidance for saleable production.

The average target price for Vault Minerals rose by 10% last week. Ord Minnett noted the company's September quarter update was strong, with costs coming in - 4% below consensus, following pre-released sales and cash figures.

Cost outperformance was driven by Mount Monger, reflecting inventory movements, and the King of the Hills mine, where lower mining costs and reduced sustaining capex supported margins.

FY26 guidance was maintained at 332-360koz production and costs (AISC) of between -$2,652-2,850/oz.

UBS highlighted several upcoming catalysts, including hedge book roll-off by early FY27, mine life extensions and exploration upside at Leonora, and the transition to owner-mining at Deflector.

A sharp uplift in cash generation is expected once the hedge book expires, with the analysts forecasting free cash flow yields to rise to 13% in FY27 and 15% in FY28, considxered a key inflection point for the business.

Total Buy ratings in the database comprises 60.00% of the total, versus 31.42% on Neutral/Hold, while Sell ratings account for the remaining 8.58%.

Upgrade

29METALS LIMITED ((29M)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 1/1/1

Macquarie notes copper and aluminium prices have risen strongly, up 13% and 14% over the past six months, respectively.

Following this rally, the broker upgraded price forecasts for both metals for the next two years. Copper is now forecast at US$4.71/lb and US$4.65/lb in 2026 and 2027, respectively, both up 9%.

Aluminium price forecast is lifted to US$1.16/lb for 2026, up 7%, and to US$1.22/lb for 2027, up 3%. The new forecasts are consistent with the consensus.

EPS forecast for 29Metals lifted by 13% for FY25 and by 46% for FY26.

Target rises to 55c from 48c. Rating upgraded to Outperform from Neutral.

AERIS RESOURCES LIMITED ((AIS)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 3/1/0

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Aluminium price forecast is lifted to US$1.16/lb for 2026, up 7%, and to US$1.22/lb for 2027, up 3%. The new forecasts are consistent with the consensus.

EPS forecast for Aeris Resources lifted by 37% for FY26 and by 38% for FY27.

Target rises to 70c from 60c. Rating upgraded to Outperform from Neutral.

See also AIS downgrade.

AUTOSPORTS GROUP LIMITED ((ASG)) Upgrade to Buy from Neutral by UBS .B/H/S: 2/0/0

UBS upgrades Autosports Group to Buy from Neutral on the back of an improving new vehicle sales outlook, a trend higher in profit margins, and earnings accretive M&A optionality.

The broker believes the stock is an attractive way to play an improving domestic consumer outlook with OEM mix skewed to the luxury market. Autosports looks relatively cheap compared to the multiples of ASX consumer names and the Small Ords.

UBS upgrades its revenue forecasts, given the stronger implied new vehicle start to 1H26, and also lowers interest expense given the continued reduction in BBSW. The broker does not include M&A in forecasts. Target rises to $4.20 from $3.15.

AURIZON HOLDINGS LIMITED ((AZJ)) Upgrade to Outperform from Neutral by Macquarie .B/H/S: 1/3/1

Macquarie has upgraded Aurizon Holdings to Outperform from Neutral, highlighting value in the stock despite a two-month delay in appointing a new Chair. The broker also notes the signalling of a second decision on the partial sale of the network business.

Aurizon’s operational performance remains neutral. Below rail continues to underperform the regulated benchmark as expected, while above rail volumes are yet to recover. Consequently, Macquarie leaves the EBITDA outlook unchanged at $1.68-1.75bn.

The company introduced its first dividend guidance at $0.19-0.20 per share. Long-term network assumptions have been extended to 2050, pushing out the demand slowdown to 2040.

Macquarie has made small adjustments to its EPS forecasts, lifting FY26 by 0.1% and FY27 by 1.8%. The target price rises to $3.70 from $3.34, driven by a higher network valuation.

BEACH ENERGY LIMITED ((BPT)) Upgrade to Hold from Trim by Morgans and Upgrade to Neutral from Sell by Citi .B/H/S: 0/5/2

Morgans raises its target for Beach Energy to $1.25 from $1.16 and upgrades to Hold from Trim following a "solid" 1Q FY26 operational result. Production, sales volumes and revenue each posted single-digit beats versus consensus and the broker's forecasts.

The analyst highlights imminent first gas from Waitsia Stage 2 as a key catalyst, alongside ongoing flood recovery progress in the Cooper Basin, which is tracking ahead of expectations.

Management's FY26 guidance for production and capital expenditure remains unchanged.

Beach’s reserves remain undersized, suggests the broker, keeping attention on potential mergers and acquisitions to support long-term production.

Citi maintains its $1.05 target for Beach Energy and upgrades to Neutral from Sell after September quarter results exceeded the broker's cautious expectations for both production and sales.

Waitsia first gas is due within the week, which the analyst believes may represent a positive inflection for a stock down around -20% year-to-date. It's thought the project’s start-up should act as a positive sentiment catalyst.

The broker adds execution risk remains for the Otway program, with higher-risk plug and abandonment work in the second half of FY26 potentially lifting costs.

Citi flags abandonment and sustaining capital expenditure near -$750m through FY26-30, around 30% of market capitalisation, as an ongoing overhang.

Positively, mergers and acquisitions are considered likely to sustain production beyond the current seven-year reserve life.

KAROON ENERGY LIMITED ((KAR)) Upgrade to Buy from Hold by Morgans .B/H/S: 3/2/0

Karoon Energy's September quarter (3Q25) production of 2.59mmboe was down -12% q/q, missing the consensus by -1% and Morgans' estimate by -3%. Outages at Bauna weighed, though overall the broker reckons it has been performing well, considering all issues.

Pricing and cashflow were strong, with net debt declining -US$89m q/q to US$149m.

The company narrowed FY25 production guidance to 9.8-10.4mmboe from 9.7-10.5mmbo, and trimmed capex estimate to US$95-111m from US$120-140m, reflecting improved operational and capital discipline.

The broker notes the near-term focus is on Bauna well recovery and progressing Who Dat East final investment decision.

The broker believes the company's fundamentals are intact, and the recent share price weakness is overdone. This prompted an upgrade to Buy from Hold. Target trimmed to $1.80 from $1.90.

NORTHERN STAR RESOURCES LIMITED ((NST)) Upgrade to Accumulate from Hold by Ord Minnett .B/H/S: 6/1/0

Ord Minnett notes Northern Star Resources' September quarter (1Q26) update was mixed, with lower production offset by better cost control.

The KCGM expansion remains on track for early FY27 commissioning, supporting 20% group production growth. Net cash of $363m exceeded expectations due to cost discipline and lower capex.

The company maintained FY26 production and cost guidance, though output is expected at the low end after temporary issues at South Kalgoorlie operations and Jundee.

Target rises 5% to $27 from $25.80 on higher near-term cash flows. Rating upgraded to Accumulate from Hold.

See also NST downgrade.

NORTHERN MINERALS LIMITED ((NTU)) Upgrade to Speculative Buy from Hold by Ord Minnett .B/H/S: 1/0/0

The US Export-Import Bank is interested in providing $350m in debt funding to Northern Minerals following the Trump-Albanese meeting. This could assist Wolverine enter production with less equity dilution than Ord Minnett expected.

Moreover, prices of scarce heavy rare earth elements that are rich in Wolverine are soaring. Consequently, Ord Minnett upgrades its target price to 7.5c from 3.6c and its recommendation to Speculative Buy from Hold.

ORA BANDA MINING LIMITED ((OBM)) Upgrade to Neutral from Underperform by Macquarie .B/H/S: 1/1/0

Macquarie highlights the strength of the gold price, which is up 58% year-to-date, and has prompted the broker to lift its gold price forecasts for the next three years.

The analyst is now using the gold forward curve, an upgrade, for two years before a reversion to the previous outlook. Long term, the real price forecast remains unchanged at US$2500/oz.

The gold price assumption rises 12% to around US$4,207/oz for 4Q2025, the 2026 forecast price lifts by 24% to US$4,314/oz, and 2027 by 56% to US$4,403/oz. Price forecast for 2028 is up 20% to US$3,454/oz.

Macquarie lifts Ora Banda Mining's target to $1.40 from $1.10, with earnings estimates up 31% in FY26 and 137% in FY27. Rating is upgraded to Neutral from Underperform.

REGIS RESOURCES LIMITED ((RRL)) Upgrade to Neutral from Underperform by Macquarie .B/H/S: 2/3/2

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Macquarie upgrades Regis Resources to Neutral from Underperform with a lift in target price to $6.80, up 7%.

TEMPLE & WEBSTER GROUP LIMITED ((TPW)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 4/0/2

Bell Potter upgrades Temple & Webster to Buy from Hold following the sell-off in share price and the sector generally.

The online retailer is due to report a 1H26 trading update in late November, and the analyst believes softer annual comps will support the results from Sept/Oct, bringing it around 1H26 consensus expectations.

No change to earnings forecasts. The broker's revenue forecast is 1-2% above consensus and circa -1% below at the earnings (EBITDA) line for FY26-FY28 due to assumptions around growth investments to gain market share.

Temple & Webster retains cash on the balance sheet of $144m, with potential for growth in share in an expanded total addressable market, boosted by range and pricing/scale benefits, the analyst explains.

Target unchanged at $28.

WOODSIDE ENERGY GROUP LIMITED ((WDS)) Upgrade to Buy from Accumulate by Morgans .B/H/S: 1/5/0

Morgans notes Woodside Energy has had a big week, with a strong 3Q25 update followed by the announcement of a strategic midstream partner into the Louisiana JV.

Williams will take 10% of LALNG (Louisiana LNG) HoldCo and 80% of the Line 200 pipeline for a total of US$378m, reducing Woodside's capex by US$1.9bn.

The deal significantly de-risks infrastructure and feedgas delivery and adds valuable US pipeline expertise, with first LNG targeted for 2029 (16.5–27.6mtpa), the broker highlights.

On the 3Q25 update, the broker notes production was up 1% q/q to 50.8mmboe, beating its forecast by 5%. Revenue rose 3% to US$3.36bn, and 10% ahead of its forecasts.

With improving operations, positive oil price momentum, and a stronger macro backdrop, the broker upgraded the rating to Buy from Accumulate. Target rises to $30.50 from $29.60.

Downgrade

AMAERO LIMITED ((3DA)) Downgrade to Hold from Buy by Shaw and Partners .B/H/S: 0/1/0

Amaero delivered strong y/y revenue growth in 1Q26, but production shortfall caused a miss versus guidance, highlighting ongoing execution risk as production capacity scales, Shaw and Partners highlights.

The company raised $50m in capital recently, and while this strengthens the balance sheet, the broker notes it adds dilution and underscores heavy cash burn.

With breakeven EBITDA now pushed to FY27 amid limited commercial offtake agreements, the broker sees increased operational and demand risk, particularly given reliance on US defence channels.

Sharp downgrades to FY26 revenue and EBITDA forecasts.

Target cut to 25c from 60c on forecast changes and factoring in capital raise. Rating downgraded to Hold, High Risk from Buy, High Risk.

4DMEDICAL LIMITED ((4DX)) Downgrade to Accumulate from Speculative Buy by Ord Minnett .B/H/S: 2/0/0

Ord Minnett downgrades 4DMedical to Accumulate from Speculative Buy, with a new target price of $1.90 from 75c, noting a positive 1Q26 period, including FDA approval of CT:VQ and CMS reimbursement approval at US$650 per scan.

The cash position also improved, up $39m versus the previous quarter, which was down -$7m.

More insights are expected at the upcoming September quarter update, as well as ongoing CT:VQ contract announcements and possible updates from the Radiological Society of North America 2025 event in November.

AERIS RESOURCES LIMITED ((AIS)) Downgrade to Accumulate from Speculative Buy by Morgans and Downgrade to Hold from Buy by Bell Potter .B/H/S: 3/1/0

Morgans describes Aeris Resources' 1Q26 update as steady, with operating performance largely in line. Tritton outperformed but Cracow slightly missed due to outages and lower grades.

Cash balance was up 13% q/q to $32m on stronger cash flow and higher metal prices. Murrawombie pit expansion is progressing well, with a boost in output expected from fresh ore, likely in 2H26.

The broker notes exploration success continues at Tritton (Avoca Tank) and Cracow (Golden Plateau), supporting future resource growth.

Model updated to capture revised gold and copper price forecasts, and lifting forecast for 2H26 production based on Tritton outperformance.

Target rises to 62c from 43c. Rating downgraded to Accumulate from Speculative Buy.

Aeris Resources' Sep quarter (1Q26) production was in line with Bell Potter's expectation of lower first-half production.

Tritton production is expected to ramp up with the commencement of ore mining at the Murrawombie open-pit in the 1Q2026, and higher grades are expected at Cracow in the coming quarter.

Aeris is a copper-dominant producer with its near-term outlook highly leveraged to the copper price and increasing production at Tritton.

It operates the largest processing plant in the region, making it a strategically attractive asset and vulnerable as a corporate target, in Bell Potter's view.

Target rises to 52c from 35c, downgrade to Hold from Buy on recent share price appreciation.

See also AIS upgrade.

AMP LIMITED ((AMP)) Downgrade to Accumulate from Buy by Ord Minnett .B/H/S: 2/3/0

AMP reported net inflows of $311m in the September quarter (3Q25), with $629m platform inflows offset by -$345m outflows from its super & investment (S&I) arm.

Ord Minnett notes this was the sixth consecutive quarter of platform net inflows, and S&I returned to net outflow after just one quarter of net inflow. Total AUM rose 3.6% to $159.5bn.

The broker sees potential for inflow into S&I from rival disruptions (Shield Master Trust, First Guardian).

No changes to FY25-26 EPS forecasts, and a tiny -0.1% reduction to FY27.

Target rises to $2.05 from $1.95 on higher available capital post-class action settlements. Rating downgraded to Accumulate from Buy following 15% gains so far this month.

CODAN LIMITED ((CDA)) Neutral by UBS .B/H/S: 0/3/0

Codan's AGM featured a reiterated expectation for 15-20% FY26 revenue growth in Communications which compares to consensus at 19%, UBS notes.

The Minelab business has had a strong start to FY26, off the back of a very buoyant global gold price environment which supports sales into Africa.

UBS remains attracted to the global growth opportunity for Codan due to its exposure to three key favourable macro themes: gold price strength, global defence investment, and public safety.

Target increases to $34.00 from $29.60 off the back of marginal earnings upgrades to reflect Minelab's strength and the mark-to-market of peer multiples in the Defence and Resources services markets. Neutral retained.

DYNO NOBEL LIMITED ((DNL)) Downgrade to Neutral from Buy by UBS .B/H/S: 1/4/0

UBS resumes coverage of Dyno Nobel with a Neutral rating (previously Buy), following a period of research restriction. The company is now well advanced in its plans to become a pure-play explosives manufacturer and technology/services company.

Dyno posted strong FY25 earnings underpinned by improved DAP fertiliser pricing. The plan is to cease fertiliser manufacturing operations at Phosphate Hill by September 2026, unless a sale can be executed by March 2026.

UBS' earnings and cash flow forecasts assume Phosphate Hill is closed by the end of FY26. Target $3.35 (up from $3.25).

NORTHERN STAR RESOURCES LIMITED ((NST)) Downgrade to Accumulate from Buy by Morgans .B/H/S: 6/1/0

Morgans notes Northern Star Resources' 1Q26 production missed forecasts, but unit cost (AISC) was an upside surprise (lower than consensus and its forecast).

Group production came in at 383koz vs the broker's 396koz estimate and 393koz consensus. AISC of $2,522/oz was lower than the broker's $2,606/oz estimate and consensus of $2,715/oz.

The broker notes KCGM performance is improving, with Golden Pike returning to one mining level and underground output reaching a 2.9mtpa run rate.

The company re-affirmed FY26 guidance, expecting to lift through the year as grades and throughput improve. Balance sheet remains strong with $616m net cash, providing flexibility through peak investment at KCGM.

The broker trimmed FY26 production forecast by -1% but lifted FY27 by 1%. Target cut marginally to $27.41 from $27.44.

Rating downgraded to Accumulate from Buy.

See also NST upgrade.

QORIA LIMITED ((QOR)) Downgrade to Sell from Hold by Shaw and Partners .B/H/S: 2/0/1

Qoria's 1Q26 trading update showed solid group growth but softer K-12 annual recurring revenue (ARR) additions, the weakest in six quarters, Shaw and Partners observes.

Exit ARR rose 24% y/y to $149m, and cash receipts grew 23% to $46.3m, though cash payments increased 19%, pressuring margins. Qustodio (consumer) was the standout, while higher costs and redundancies offset gains.

The company lifted FY26 revenue guidance to over $145m from over $140m before. However, net debt guidance was softened to "in-line" with FY25 from "in-line or lower" flagged at 4Q25 update.

The broker lifted FY26 revenue forecast by 3% and FY27 by 4%, but the net profit forecast was downgraded for FY26 and lifted for FY27.

Target rises to 61c from 52c. Rating downgraded to Sell from Hold, given the 74% year-to-date share rally.

SANTOS LIMITED ((STO)) Downgrade to Accumulate from Buy by Ord Minnett .B/H/S: 5/1/0

Ord Minnett observes Santos posted weaker-than-expected September quarter revenue and output due to the delayed Barossa project start-up.

FY25 production guidance was cut to 89-91 mmboe from 92-93 mmboe amid Cooper Basin flood impacts and slower FPSO ramp-up.

The broker is most disappointed by the cancellation of investor day following the collapsed Abu Dhabi-led takeover. It implies to the broker the company's strategic options now are debt reduction, project deliveries and higher dividends from FY27.

EPS forecast trimmed by -7.9% for FY25 and by -6.8% for FY26, mainly on higher depreciation and amortisation charges.

Target cut to $8.10 from $8.35. Rating downgraded to Accumulate from Buy

WESTPAC BANKING CORPORATION ((WBC)) Downgrade to Sell from Lighten by Ord Minnett and Downgrade to Sell from Trim by Morgans.B/H/S: 0/2/4

Westpac will take a -$273m pre-tax restructuring charge in FY25 to fund its Fit for Growth efficiency program, which is expected to deliver productivity gains of a similar scale, according to Ord Minnett.

The broker expects only modest benefits in FY25, with most savings realised through FY26 and FY27.

Ord Minnett has cut its FY25 earnings forecast by -2% but left outer-year estimates unchanged, noting the September quarter showed steady net interest margin (NIM) and sound credit quality.

While the -$2bn UNITE technology rebuild remains costly and disruptive, the broker views it as essential to Westpac's long-term efficiency.

Ord Minnett retains its $30.00 target price but downgrades the rating to Sell from Lighten, citing limited near-term upside and a stretched valuation.

Morgans makes minor revisions to its Westpac forecasts ahead of the November bank reporting season, which begins with Westpac on November 3.

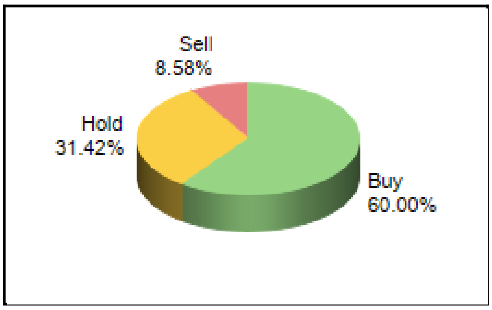
The broker's target for Westpac falls to $30.77 from $30.95 and the rating is downgraded to Sell from Trim.

The analyst notes Westpac's asset base, funding mix and domestic retail focus are similar to those of CommBank ((CBA)), yet growth, profitability and return on equity (ROE) have lagged its larger peer.

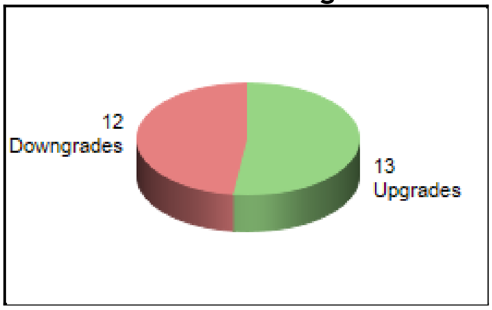
These weaker metrics are reflected in Westpac's lower earnings and asset-based multiples but higher dividend yield, explains the boker.

Morgans suggests improved performance could follow under new management via stronger business banking growth, technology simplification and regulatory capital efficiency, though execution risks remain.

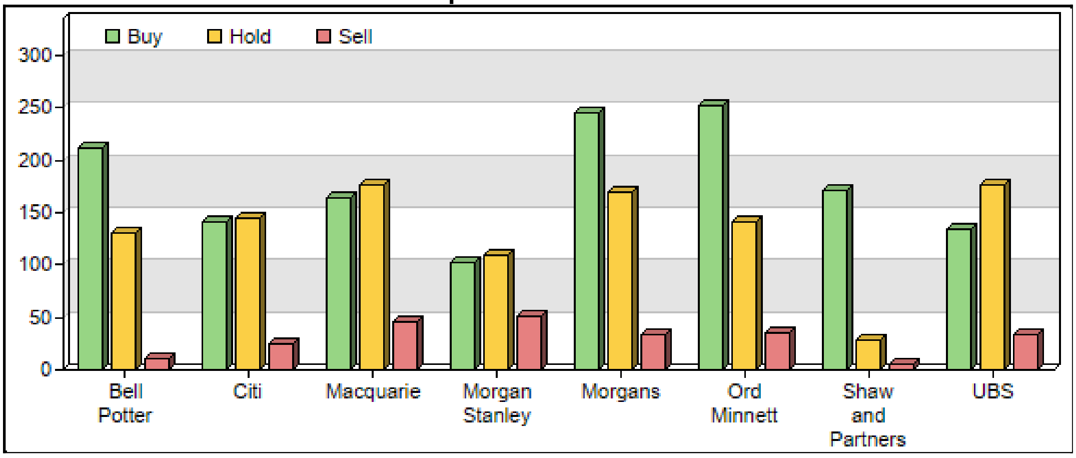
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	29METALS LIMITED	Buy	Neutral	Macquarie
2	AERIS RESOURCES LIMITED	Buy	Neutral	Macquarie
3	AURIZON HOLDINGS LIMITED	Buy	Neutral	Macquarie
4	AUTOSPORTS GROUP LIMITED	Buy	Neutral	UBS
5	BEACH ENERGY LIMITED	Neutral	Sell	Morgans
6	BEACH ENERGY LIMITED	Neutral	Sell	Citi
7	KAROON ENERGY LIMITED	Buy	Neutral	Morgans
8	NORTHERN MINERALS LIMITED	Buy	Neutral	Ord Minnett
9	NORTHERN STAR RESOURCES LIMITED	Buy	Neutral	Ord Minnett
10	ORA BANDA MINING LIMITED	Neutral	Sell	Macquarie
11	REGIS RESOURCES LIMITED	Neutral	Sell	Macquarie
12	TEMPLE & WEBSTER GROUP LIMITED	Buy	Neutral	Bell Potter
13	WOODSIDE ENERGY GROUP LIMITED	Buy	Buy	Morgans
Downgrade				
14	4DMEDICAL LIMITED	Buy	Buy	Ord Minnett
15	AERIS RESOURCES LIMITED	Buy	Buy	Morgans
16	AERIS RESOURCES LIMITED	Neutral	Buy	Bell Potter
17	AMAERO LIMITED	Neutral	Buy	Shaw and Partners
18	AMP LIMITED	Buy	Buy	Ord Minnett
19	CODAN LIMITED	Neutral	Buy	UBS
20	DYNO NOBEL LIMITED	Neutral	Buy	UBS
21	NORTHERN STAR RESOURCES LIMITED	Buy	Buy	Morgans
22	QORIA LIMITED	Sell	Neutral	Shaw and Partners
23	SANTOS LIMITED	Buy	Buy	Ord Minnett
24	WESTPAC BANKING CORPORATION	Sell	Sell	Morgans
25	WESTPAC BANKING CORPORATION	Sell	Sell	Ord Minnett

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	AIS	AERIS RESOURCES LIMITED	0.625	0.485	28.87%	4

2	QOR	QORIA LIMITED	0.857	0.697	22.96%	3
3	VAU	VAULT MINERALS LIMITED	0.917	0.830	10.48%	3
4	29M	29METALS LIMITED	0.298	0.273	9.16%	4
5	BGL	BELLEVUE GOLD LIMITED	1.500	1.375	9.09%	3
6	AMI	AURELIA METALS LIMITED	0.397	0.367	8.17%	3
7	GGP	GREATLAND RESOURCES LIMITED	10.500	9.733	7.88%	3
8	COG	COG FINANCIAL SERVICES LIMITED	2.577	2.413	6.80%	3
9	RRL	REGIS RESOURCES LIMITED	5.839	5.479	6.57%	7
10	S32	SOUTH32 LIMITED	3.450	3.242	6.42%	6

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	BAP	BAPCOR LIMITED	2.943	3.950	-25.49%	4
2	SMR	STANMORE RESOURCES LIMITED	2.767	2.983	-7.24%	3
3	ADH	ADAIRS LIMITED	2.600	2.688	-3.27%	4
4	GQG	GQG PARTNERS INC	2.430	2.498	-2.72%	5
5	AEL	AMPLITUDE ENERGY LIMITED	0.300	0.308	-2.60%	4
6	SUL	SUPER RETAIL GROUP LIMITED	18.133	18.483	-1.89%	6
7	RHC	RAMSAY HEALTH CARE LIMITED	34.220	34.720	-1.44%	6
8	CSL	CSL LIMITED	272.433	275.390	-1.07%	7
9	KAR	KAROON ENERGY LIMITED	2.060	2.080	-0.96%	5
10	MI6	MINERALS 260 LIMITED	0.443	0.447	-0.89%	3

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	AIS	AERIS RESOURCES LIMITED	13.725	9.700	41.49%	4
2	TLX	TELIX PHARMACEUTICALS LIMITED	-1.509	-2.514	39.98%	5
3	ZIP	ZIP CO LIMITED	7.667	6.200	23.66%	3
4	PMT	PMET RESOURCES INC	-13.449	-17.557	23.40%	5
5	29M	29METALS LIMITED	-0.767	-1.000	23.30%	4
6	S32	SOUTH32 LIMITED	23.284	21.005	10.85%	6
7	GGP	GREATLAND RESOURCES LIMITED	86.900	78.800	10.28%	3
8	RRL	REGIS RESOURCES LIMITED	74.183	67.400	10.06%	7
9	VAU	VAULT MINERALS LIMITED	4.867	4.467	8.95%	3
10	PRU	PERSEUS MINING LIMITED	46.578	43.503	7.07%	4

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	SMR	STANMORE RESOURCES LIMITED	-4.981	1.400	-455.79%	3
2	BAP	BAPCOR LIMITED	16.440	24.100	-31.78%	4
3	BGL	BELLEVUE GOLD LIMITED	9.900	12.300	-19.51%	3
4	AEL	AMPLITUDE ENERGY LIMITED	1.633	1.767	-7.58%	4
5	FMG	FORTESCUE LIMITED	148.936	158.262	-5.89%	7
6	ADH	ADAIRS LIMITED	20.525	21.475	-4.42%	4
7	RHC	RAMSAY HEALTH CARE LIMITED	134.620	138.860	-3.05%	6
8	WBC	WESTPAC BANKING CORPORATION	200.000	202.220	-1.10%	6
9	AMI	AURELIA METALS LIMITED	3.433	3.467	-0.98%	3
10	RWC	RELIANCE WORLDWIDE CORP. LIMITED	25.448	25.673	-0.88%	6

Technical limitations

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WEEKLY REPORTS

Uranium Week: Projecting US$150/lb Post 2026

Several brokers have upgraded U308 long-term prices forecasts (again) as supply challenges build into 2026.

-Stifel, Shaw, and Macquarie raise long-term U308 pricing projections amid tightening outlook
-NexGen's Rook 1 gains prominence; Silex milestone reduces technology risk
-TradeTech reports firmer spot prices as sentiment improves late in the week

By Danielle Ecuyer

The bullish U308 forecasts just keep coming

Uranium is never far from making a headline as the AI megatrend powers on, with nuclear energy part of the power mix to feed the voracious appetite from record data centres and hyperscalers investment development spend.

Several brokers have been crunching the numbers and putting out updated U308 price forecasts as well as reviewing their outlook for U308 stocks.

US-based Stifel increased its long-term uranium price forecast to US$120/lb, up 14% from the previous forecast at US$105/lb, from 2029.

The 2026 U308 price forecast is raised to US$90/lb from US$87.50/lb, with 2027 at US$100/lb and 2028 unchanged at US$110/lb.

NexGen Energy ((NXG)) remains Stifel's top stock pick as the Rook 1 uranium project is emerging as one of the most strategically important undeveloped assets in the sector.

Once fully permitted, Rook 1 is expected to stand out as a technically advanced, high-margin operation positioned in a premier mining jurisdiction. It is also likely to attract takeover interest from global uranium producers and companies across the nuclear fuel supply chain.

Canada's nuclear regulator, the CNSC, has set public hearings for the project in two stages, slated for November 2025 and February 2026. NexGen began the environmental review process back in 2019, winning provincial approval in late 2023. The company has also secured formal support from four Indigenous groups in the project area, strengthening its social licence to operate.

After completing a CA$950m global equity raise, NexGen plans to channel funds into advancing engineering, covering pre-production costs, and general corporate purposes.

Over the coming year, priorities include detailed design and procurement, advancing offtake agreements, finalising construction financing, and expanding exploration to define additional high-grade mineralisation at Rook 1.

Shaw and Partners, with tongue in cheek, highlights **Australia produces around one-third of the global supply of nuclear fuel**, and the world is on the cusp of a nuclear energy renaissance, even though most people wouldn't know it in Australia.

Momentum is rising in Western Australia and Queensland to remove the ban on U308 mining in those states.

Shaw outlines the positive macro backdrop for nuclear energy, as has been written about over the past 12 months in FNArena's weekly updates, and points to the questions investors continue to ask:

"If the uranium supply outlook is so tight, why do utility buyers appear so calm?" and *"Why are utilities not panicking about where their uranium supply is going to come from?"*

The broker responds supply concerns won't be triggered until post-2026 when utilities become increasingly uncovered by current term contracts for their U308 fuel needs.

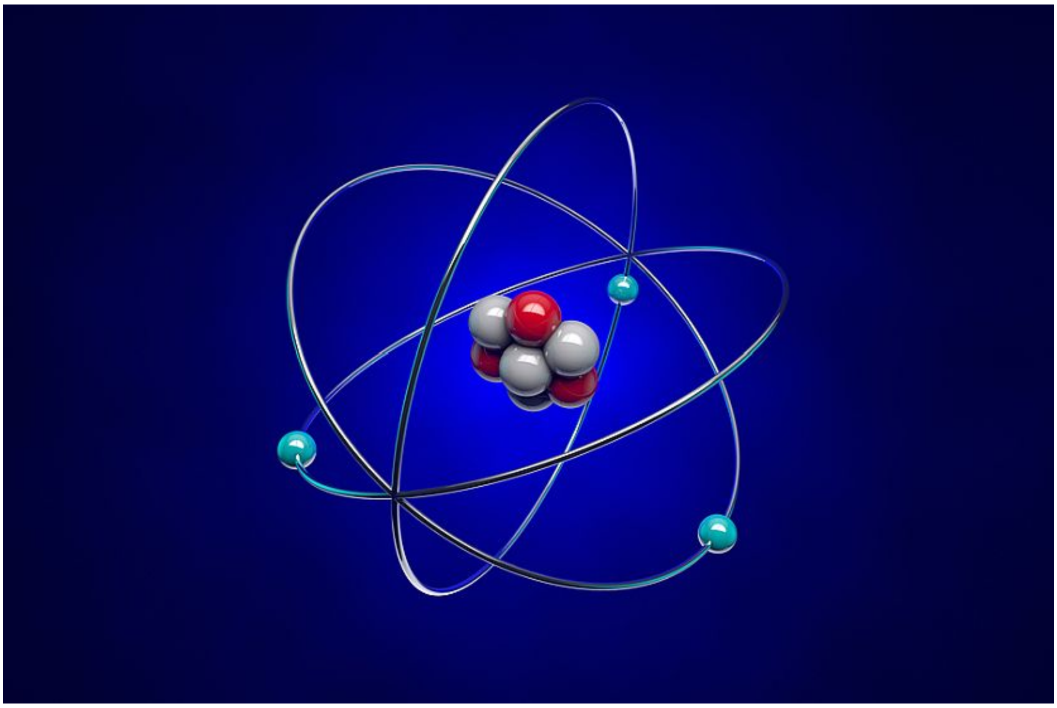
More recently, the focus has been on maintaining sufficient supply of conversion and enrichment services, which is reflected in respective higher pricing.

New supply coming on stream this decade is limited to slight increases from Kazatomprom and Cameco, alongside brownfield restarts from **Paladin Energy** ((PDN)) and **Boss Energy** ((BOE)).

Shaw believes the market could switch to panic buyers over the next 2-3 years from the current orderly buying status, particularly with new supply from Kazatomprom not being made available to Western utilities.

The market is considered **"structurally undersupplied"**, and China is most probably going to try and lock up as much excess supply as possible while geopolitics continues to impact and disrupt trade.

A multi-year peak U308 price is assumed of US$150/lb starting late 2026 before moving back to a sustainable price of US$90/lb by 2032 (2025 real price).



FNArena - Uranium Week

Improving outlook for Silex and Paladin

In company news, Shaw and Partners notes **Silex Systems** ((SLX)) achieved Technology Readiness Level 6 (TRL-6) for its laser uranium enrichment technology, marking a major de-risking milestone.

The technology is licensed to Global Laser Enrichment (GLE), a 51%/49% JV between Silex and Cameco, which can now advance the Paducah Laser Enrichment Facility (PLEF) to detailed design.

TRL-6 triggers Cameco's 30-month option to increase its GLE stake to 75% at a market-based valuation. PLEF's first stage targets re-enriching 150Mlbs of uranium tails at an estimated cost of less than US$30/lb.

Shaw lifts its Silex target price to $11.20 from $6.50 to reflect reduced technology risk and potential upside from up to US$900m in possible US government funding.

Buy, High-Risk rating maintained.

Macquarie is also in the mix this week, highlighting its recent long-term U308 price upgrade to US$95/lb from US$85/lb.

Paladin continues to be rated Outperform alongside a $11.10 target price, due to a stabilisation of management at the top, post-succession, and a successful capital raising.

The miner upsized the retail portion of its share purchase plan to $100m from $20m due to robust retail demand.

Shares priced around $8.40 imply a U308 price of US$65/lb in perpetuity across both Canada and Namibia, and US$70/lb in Australian assets, with Michelin excluded.

For Macquarie, this represents a **"standout"** opportunity post-new management, the equity capital raisings, and the plant stability exhibited at the recent quarterly update for Langer Heinrich. The provincial approval for Patterson Lake South is also deemed to be near term.

Morgan Stanley, with an Overweight rating and $10.40 target on Paladin, flagged an end to production issues for Langer Heinrich in FY26 with good growth potential from Patterson Lake South, including production starting in 2031, which can transform the uranium producer into a sizeable player.

In other company news, Macquarie has an Outperform rating on **Deep Yellow** ((DYL)) with a $1.95 target price and **Lotus Resources** ((LOT)) with a 27c target price, up 3.8%, due to leverage to higher forecast U308 prices, which has lifted the analyst's EPS estimates by 76% for FY26 and 17% in FY27.

Macquarie remains Neutral rated on Boss Energy as considerable uncertainty remains around Honeymoon resource and wellfield strategy outcomes.

Accounting for higher capex and probable dilution from another small equity raising to maintain production of 1.6-1.7mlbs, the analyst lowers EPS forecasts by -10% for FY26 and -9% for FY27.

Target price slips -14% to $1.80.

A lackluster spot market takes a positive shine by week end

In the U308 spot market, trade was mixed according to industry consultants TradeTech, starting out last week with a bearish tilt only to turn more upbeat at the end of the week.

Tuesday had five transactions, with four calling for delivery of 50klbs of U308 and one for 100klbs. The first transaction was at US$77/lb and the second at US$76.50, followed by two transactions at US$76/lb and the last on the day at US$76.25/lb.

On Friday, two announcements improved sentiment in the spot market.

Santee Cooper, the owner of the VC Summer Nuclear Power Plant in South Carolina, entered into a letter of intent with Brookfield Asset Management for a six-week initial project feasibility period for the partially built AP1000 nuclear units. Both parties will select a project manager and consider construction providers to resume construction of the two nuclear units.

President Trump also announced a reduction in power grid connection reviews for AI data centres to 60 days to improve infrastructure development for AI growth in the US.

Overall, the week saw seven transactions, TradeTech reports, with the spot price up US$1.55/lb to US$78.90/lb by Friday.

The TradeTech Mid-Term price indicator finished at US$87/lb, and the Long-Term price indicator at US$84/lb.

The consultants also pointed to new demand in the term market, with several US and non-US utilities starting discussions with suppliers.

One utility completed its evaluation of offers and selected a preferred supplier for delivery of over 2mlbs of U308 over 2030-2040.

Latest updates from short positions

As at October 21, short interests had ratcheted up their position in Boss by 4.77% points to 22.13%, placing it definitively as the most shortest stock on the ASX.

Paladin is in sixth position at 12.04% from 12.10% a week earlier, and Silex in fifteenth position at 8.83% from 8.38%.

For more weekly updates on uranium from FNArena:

https://fnarena.com/index.php/2025/10/21/uranium-week-jpmorgans-us1-5trn-plan/

https://fnarena.com/index.php/2025/10/14/uranium-week-price-frenzy-fades/

https://fnarena.com/index.php/2025/10/07/uranium-week-september-spot-price-rips/

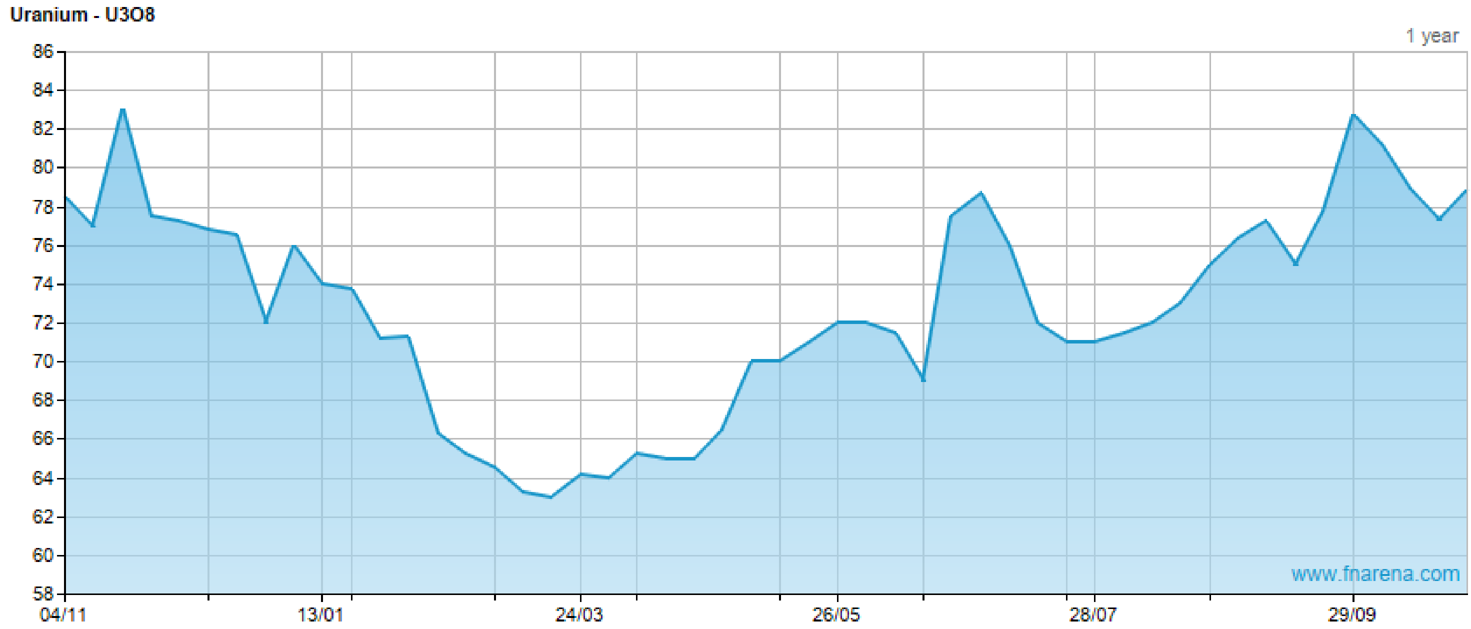
https://fnarena.com/index.php/2025/09/16/uranium-week-buyers-strike-pre-major-deals/

https://fnarena.com/index.php/2025/08/26/uranium-week-kazatomprom-sparks-a-rally/

https://fnarena.com/index.php/2025/08/05/uranium-week-supply-challenges-are-mounting/

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	24/10/2025	0.1000	0.00%	$0.12	$0.03			
AEE	24/10/2025	0.2100	▲ 2.56%	$0.28	$0.10			
AGE	24/10/2025	0.0300	▼- 4.00%	$0.05	$0.02		$0.070	▲133.3%
AKN	24/10/2025	0.0100	0.00%	$0.01	$0.01			
ASN	24/10/2025	0.1000	▼- 4.17%	$0.13	$0.04			
BKY	24/10/2025	0.5400	0.00%	$0.70	$0.31			
BMN	24/10/2025	3.2500	▼- 9.88%	$4.07	$1.76		$4.700	▲44.6%
BOE	24/10/2025	1.6600	▼- 2.63%	$4.75	$1.57	8.9	$2.371	▲42.9%
BSN	24/10/2025	0.0600	▲ 3.45%	$0.08	$0.01			
C29	24/10/2025	0.0240	▼-20.00%	$0.13	$0.01			
CXO	24/10/2025	0.1200	▼- 4.00%	$0.14	$0.06		$0.110	▼- 8.3%
CXU	24/10/2025	0.0200	0.00%	$0.03	$0.01			
DEV	24/10/2025	0.1100	▼- 8.33%	$0.18	$0.07			
DYL	24/10/2025	1.6300	▼-10.88%	$2.49	$0.75	-330.0	$1.930	▲18.4%
EL8	24/10/2025	0.3800	▼- 7.50%	$0.50	$0.19			
ERA	24/10/2025	0.0020	0.00%	$0.00	$0.00			
GLA	24/10/2025	0.0300	0.00%	$0.05	$0.01			
GUE	24/10/2025	0.0600	▼-14.29%	$0.09	$0.05			
HAR	24/10/2025	0.1500	▼-14.29%	$0.25	$0.04			
I88	24/10/2025	0.5100	▼- 8.93%	$0.76	$0.08			
KOB	24/10/2025	0.0700	▼-12.50%	$0.11	$0.03			
LAM	24/10/2025	0.7400	▼- 6.33%	$0.90	$0.55			
LOT	24/10/2025	0.1900	▼- 7.50%	$0.27	$0.13		$0.295	▲55.3%
MEU	24/10/2025	0.0700	▼- 5.71%	$0.09	$0.03			
NXG	24/10/2025	13.3800	▼- 1.75%	$14.63	$6.44		$12.925	▼- 3.4%
ORP	24/10/2025	0.0600	0.00%	$0.06	$0.02			
PDN	24/10/2025	8.4900	▼- 4.00%	$10.53	$3.93	71.5	$9.843	▲15.9%
PEN	24/10/2025	0.5900	▼-10.94%	$1.92	$0.28		$1.330	▲125.4%
SLX	24/10/2025	9.7800	▲20.68%	$9.83	$2.28		$11.200	▲14.5%
TOE	24/10/2025	0.4400	▼-11.00%	$0.52	$0.15			
WCN	24/10/2025	0.0200	▼- 4.76%	$0.04	$0.01			



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WEEKLY REPORTS

The Short Report - 30 Oct 2025

FNArena's weekly update on short positions in the Australian share market.

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

Summary:

Week Ending October 23rd, 2025 (most recent data available through ASIC).

10%+

BOE	23.01%
PLS	16.66%
DMP	14.48%
GYG	12.66%
PDN	12.12%
IEL	11.91%
FLT	10.66%
ILU	10.64%
PWH	10.44%
PNV	10.18%

Out: CUV

9.0-9.9%

CTD	9.80%
TLX	9.66%
MIN	9.22%
CUV	9.04%

In: CUV

8.0-8.9%

SLX	8.84%
NAN	8.50%
VUL	8.48%

7.0-7.9%

DGT	7.97%
IPH	7.95%
LIC	7.57%
TWE	7.18%

In: TWE

6.0-6.9%

MSB 6.85%
KAR 6.84%
RIO 6.77%
IPX 6.57%
DYL 6.47%
BRG 6.22%
LOT 6.20%

In: BRG, LOT
Out: TWE

5.0-5.9%

BRN 5.93%
NXT 5.89%
ELD 5.88%
ARB 5.48%
NEU 5.35%
GMD 5.26%
DRO 5.02%

In: BRN, DRO
Out: BRG, LOT, CIA

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.3	0.3	NAB	0.4	0.4
ANZ	0.9	0.9	QBE	0.2	0.4
BHP	1.0	1.0	RIO	6.8	6.2
BXB	0.5	0.6	STO	0.3	0.2
CBA	0.6	0.7	TCL	0.4	0.3
COL	0.3	0.3	TLS	0.3	0.3
CSL	0.5	0.5	WBC	0.5	0.5
FMG	1.5	1.5	WDS	3.5	3.4
GMG	0.4	0.4	WES	0.4	0.5
MQG	0.5	0.5	WOW	0.8	0.9

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: Coventry Group, Wisr & WiseTech

This week's In Brief shines a light on three companies with turnaround potential or value to be unlocked.

- **Hidden value in Coventry Group's divisional breakup potential**
- **Wisr's transition into its 'scale and profitability' era**
- **WiseTech Global in need to rebuild market trust amid investigations and governance strain**

By Danielle Ecuyer

This week's quote comes from Morgan Stanley's Sanjit Singh, infrastructure software and analytics.

"Contrary to current market concerns that AI will replace human developers, we believe it will enhance productivity and lead to more hiring,"

(…….)

"As enterprises build more complex applications and tackle long-standing technology debt, the demand for skilled developers will grow."

Coventry's break up potential

Taylor Collison initiated coverage of **Coventry Group** ((CYG)), proposing the company could be valued at over 1.7 times the current equity valuation if its two divisions were separated and sold.

The group operates two divisions: Fluid Systems, which is a leader in industrial products and services across the hydraulic, pneumatic, and refueling markets.

The second is Trade, which concentrates on the distribution of fasteners in Australia and New Zealand.

The two businesses have minimal strategic overlap and based on the last financial year results, the analyst assesses the potential value pre any financial impacts from the introduction of an ERP software system.

Coventry's financial reporting ends on June 30, but the report zooms in on FY24, as that was the last financial year unaffected by ERP implementation issues.

In FY24, corporate overheads were -$14.8m, which is significantly above peers at a similar scale, with management pointing to cost savings of $10m. The analyst believes up to $5m of these savings are in head office and has divided the remaining $10m across the two divisions.

Based on a comparable group, Questas, which was recently acquired by private equity at 9.4 times earnings (EBITDA), if a valuation multiple of 8 times was applied to Coventry's Fluid Systems FY24 earnings (EBITDA) of $19m, and allowing for -$5m in head office costs and -$1.3m for an onerous contract, this gives an implied valuation of around $102m.

Applying a 7 times valuation to Trade Distribution's FY24 earnings (EBITDA) of $16.7m and taking off head office costs of -$5m, that enterprise valuation is estimated at around $82m.

While the business has performed poorly following the introduction of an ERP system and challenging conditions across A&NZ, the implementation has generated around -$15m in costs over the last two and a half years. The installation and rollout should be completed in the next six months.

Management has guided to $20m in group earnings (EBITDA) in FY26, which represents a return to FY24 profits, and the 1Q26 update reinforces the analyst's view this can be achieved.

The company also announced a non-renounceable entitlement offer to raise $20m in September, with some

$11.5m in applications received.

The stock is rated Outperform with a valuation of $1.02. Coventry's current market cap is around $80m.

Wisr is growing older and wiser

Wisr's ((WSR)) first-quarter update for FY26 showed loan originations up 90% to $146.8m on the previous year and up 5% on the June quarter, which are slightly above what MST Financial had anticipated.

Management indicated FY26 and beyond as Wisr's period of 'scale and profitability', with the first-quarter results indicative of the transition underway from the 'return to growth era'.

Positively, the loan credit quality is improving, and compression on net interest margins has risen, resulting in a decline of -38 points to 5.26% on the previous year but is flagged to be temporary. Management has indicated 2Q and 3Q margins will start to normalise.

The MST analyst views the improving technical capabilities and expanding product offering, including the new secured lending product, will assist in the development of a platform that can enter the 'scale and profitability era'.

AI has also been applied, and 82% of loans are approved using AI functionality for the automated loan verification steps.

The analyst views the investment in automation and its new arrears management platform as underwriting better credit outcomes. Net losses fell by -42bps on the prior year to 1.63%, and 90-plus arrears declined by -26bps to 1.14% on the previous year and quarter.

Management has reiterated FY26 loan origination guidance of 40%-plus growth, revenue growth of 15%-plus, and a cost-to-income ratio improvement to under 29%.

Wisr should experience structural tailwinds from growth in personal and vehicle lending, with greater depth in the asset-backed security market. MST also notes possible rate relief would provide further support.

The stock's valuation is unchanged at 13c.

WiseTech's problems for shareholders just keep coming

Post the ASIC and Federal Police raid of WiseTech Global's ((WTC)) head office, Jarden posits there are significant "risks to the upside and downside".

The analyst nevertheless sees the business as offering robust growth, with high return on invested capital.

Downside risks point to the current ASIC and AFP investigation, which has the potential to distract management from general business operations, which could result in pressure on FY26 earnings guidance.

Not unlike November 2024, when management downgraded earnings due to media attention and operational changes, there is a similar risk this year.

From a consensus viewpoint, Jarden highlights the estimates for FY26 look conservative, with CargoWise revenues estimated at 16%-plus, which sits below the company's guidance range, with a consensus Buy rating attached and much of the forecasts anchored against historical revenue growth.

The ASIC and Federal Police investigation could distract from what is currently factored in as the growth in CargoWise revenue to 2H26.

With much of the consensus revenue estimates derived from historical precedent and going out to FY32, a downgrade could have a material knock-on impact on the stock's growth outlook and valuation.

The latest news has adversely impacted WiseTech's share price and heightened Jarden's position that the company needs to take "meaningful steps" to rebuild trust following the plethora of downgrades, governance issues, and controversies.

Such a framework might include meaningful operating targets and indicators to bridge between the results and performance in FY25 through to FY26 guidance expectations.

Offering meaningful key performance indicators, isolating revenue drivers which can be established independently rather than offering an outlook against historical revenue growth; communicating concisely and directly with the market in a timely fashion, and outlining a clear succession plan for Founder Richard White.

Jarden has upgraded the stock to Neutral from Underweight with a lower target price of $73 from $82, having previously downgraded the stock in September to Underweight from Neutral due to the company reporting softer than expected earnings momentum in FY25.

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WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 31-10-25

A summary of the highlights from Broker Call Extra updates throughout the week past.

Broker Rating Changes (Post Thursday Last Week)

Upgrade

QANTAS AIRWAYS LIMITED ((QAN)) Upgrade to Buy from Overweight by Jarden.B/H/S: 0/0/0

Jarden believes conditions in the Australian aviation market are the most favourable in two decades, citing stable market share, high load factors, and yield growth.

Ongoing cost benefits from fleet renewal and transformation programs are also noted as sector tailwinds.

Reflecting these factors, Jarden upgrades its rating for Qantas Airways to Buy from Overweight, maintaining its $12.90 target price.

The broker sees both Qantas Airways and Virgin Australia as attractive investments amid strong competitive and demand settings.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	QANTAS AIRWAYS LIMITED	Buy	Buy	Jarden

Price Target Changes (Post Thursday Last Week)

Company	Last Price	Broker	New Target	Old Target	Change
ADH Adairs	$2.07	Canaccord Genuity	2.80	3.00	-6.67%
		Jarden	2.68	2.96	-9.46%
AMI Aurelia Metals	$0.24	Moelis	0.37	0.35	5.71%
ATG Articore Group	$0.30	Canaccord Genuity	0.75	1.00	-25.00%
BKW Brickworks		Jarden	N/A	34.40	-100.00%
BMN Bannerman Energy	$3.62	Canaccord Genuity	4.27	3.86	10.62%
CDA Codan	$36.53	Petra Capital	32.70	25.44	28.54%
CSL CSL	$179.56	Canaccord Genuity	230.00	227.50	1.10%
CY5 Cygnus Metals	$0.14	Canaccord Genuity	0.35	0.30	16.67%
FFM FireFly Metals	$1.76	Canaccord Genuity	2.15	1.95	10.26%
GDG Generation Development	$7.25	Moelis	8.44	8.12	3.94%
GGP Greatland Resources	$6.98	Canaccord Genuity	14.00	13.20	6.06%
		Moelis	8.10	7.90	2.53%
HUB Hub24	$116.77	Canaccord Genuity	114.95	104.30	10.21%
		Moelis	126.12	117.02	7.78%

IMD	Imdex	$3.43	Canaccord Genuity	3.98	3.18	25.16%
MEK	Meeka Metals	$0.20	Petra Capital	0.33	0.34	-2.94%
MGH	Maas Group	$4.70	Canaccord Genuity	5.36	4.74	13.08%
NSR	National Storage REIT	$2.31	Jarden	2.90	2.80	3.57%
NWS	News Corp	$45.65	Jarden	53.00	54.70	-3.11%
OBM	Ora Banda Mining	$1.17	Canaccord Genuity	1.55	1.30	19.23%
			Moelis	1.22	1.02	19.61%
ORE	Orezone Gold	$1.47	Canaccord Genuity	3.00	2.50	20.00%
PLS	Pilbara Minerals	$3.30	Canaccord Genuity	3.30	3.00	10.00%
PLT	Plenti Group	$1.45	Canaccord Genuity	1.64	1.44	13.89%
			Moelis	1.85	1.53	20.92%
PLY	Playside Studios	$0.25	Canaccord Genuity	0.60	0.50	20.00%
PNI	Pinnacle Investment Management	$20.10	Canaccord Genuity	29.00	26.12	11.03%
PNR	Pantoro Gold	$4.97	Moelis	5.85	5.25	11.43%
PPS	Praemium	$0.90	Canaccord Genuity	1.30	0.99	31.31%
			Moelis	1.07	1.03	3.88%
REA	REA Group	$213.79	Jarden	212.00	219.00	-3.20%
SIG	Sigma Healthcare	$3.10	Jarden	3.60	3.40	5.88%
TOR	Torque Metals	$0.25	Petra Capital	0.53	0.57	-7.02%
VAU	Vault Minerals	$0.69	Canaccord Genuity	0.96	0.83	15.66%
			Moelis	0.93	0.85	9.41%
WDS	Woodside Energy	$24.50	Jarden	24.20	26.10	-7.28%
XRF	XRF Scientific	$2.16	Canaccord Genuity	2.35	2.26	3.98%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

BMN BANNERMAN ENERGY LIMITED

Uranium - Overnight Price: $3.22

Canaccord Genuity rates ((BMN)) as Speculative Buy (1) -

In the wake of Bannerman Energy's 1Q operational report, Canaccord Genuity feels advanced early construction works at the Etango operations are progressing in line with plan.

The broker explains -$15.2m in net spending was incurred during the September quarter, with -$6.9m on plant and equipment and -$6.4m on exploration. Cash rose to $111.8m plus $13.1m in liquid assets following an $85m equity raise.

All key workstreams remain on time and on budget, with bulk earthworks 42% complete and detailed engineering for the dry and wet plants at 86% and 22%, respectively, observe the analysts.

Canaccord raises its target price to $4.27 from $3.86 and retains a Speculative Buy rating.

Initial offtake agreements with two of North America's largest energy providers are seen as supportive of ongoing financing discussions and the company's progression towards a final investment decision (FID).

This report was published on October 17, 2025.

Target price is **$4.27** Current Price is **$3.22** Difference: **$1.05**
If **BMN** meets the Canaccord Genuity target it will return approximately **33%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Canaccord Genuity forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 4.67** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 68.95**.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **minus 9.34** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 34.48**.

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

IMR IMRICOR MEDICAL SYSTEMS INC

Medical Equipment & Devices - Overnight Price: $1.41

Taylor Collison rates ((IMR)) as Outperform (2) -

Taylor Collison's industry checks at the Atrial Fibrillation Symposium in Adelaide reaffirmed strong clinical and commercial validation for Imricor Medical Systems' real-time MRI-guided (iCMR) ablation platform.

Key opinion leaders highlighted the technology's potential to expand from redo and VT ablations into first-line AF procedures, potentially doubling the addressable market to US$2bn.

The integration of Pulse Field Ablation (PFA) capabilities, supported by successful preclinical trials, underscores platform flexibility and positions Imricor Medical Systems ahead of the next ablation technology wave.

Clinician feedback continues to emphasise improved soft-tissue visualisation, lesion durability, and procedural safety as key differentiators driving adoption.

Outperform rating maintained with a $2.26 target price, rising to $3.76 under a higher AF market penetration scenario.

This report was published on October 21, 2025.

Target price is **$2.26** Current Price is **$1.41** Difference: **$0.85**
If **IMR** meets the Taylor Collison target it will return approximately **60%** (excluding dividends, fees and charges).
The company's fiscal year ends in December.

Forecast for FY26:

Taylor Collison forecasts a full year **FY26** dividend of **0.00** cents and EPS of **16.35** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.63**.

Forecast for FY27:

Taylor Collison forecasts a full year **FY27** dividend of **0.00** cents and EPS of **12.77** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.05**.

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

MGH MAAS GROUP HOLDINGS LIMITED

Building Products & Services - Overnight Price: $4.71

Canaccord Genuity rates ((MGH)) as Buy (1) -

Maas Group reaffirmed FY26 EBITDA guidance of $240-270m, supported by strength in Construction Materials and improving Civil and Hire activity.

Canaccord Genuity notes modest margin pressure in Civil and higher corporate costs offset by continued pricing stability and integration benefits in Construction Materials.

Residential demand is improving with stronger settlements, while asset sales of around $200m are expected to enhance balance sheet flexibility.

The analyst lowers its EPS estimates by -6% to -8% post update. Target lifted to $5.36 from $4.74. No change to Buy rating.

This report was published on October 22, 2025.

Target price is **$5.36** Current Price is **$4.71** Difference: **$0.65**
If **MGH** meets the Canaccord Genuity target it will return approximately **14%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** dividend of **8.00** cents and EPS of **26.00** cents.
> At the last closing share price the estimated dividend yield is **1.70%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **18.12**.

Forecast for FY27:

> Canaccord Genuity forecasts a full year **FY27** dividend of **10.00** cents and EPS of **33.00** cents.
> At the last closing share price the estimated dividend yield is **2.12%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **14.27**.

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

MYR MYER HOLDINGS LIMITED

Household & Personal Products - Overnight Price: $0.40

Canaccord Genuity rates ((MYR)) as Buy (1) -

Canaccord Genuity highlights Myer unveiled a major refresh of its loyalty program, the most significant since launch two decades ago, featuring faster rewards, expanded earn opportunities, and exclusive member benefits.

Canaccord Genuity observes membership continues to grow, now at 4.7m, with around 80% of department store sales tagged to loyalty members.

New initiatives include lower tier thresholds, faster reward redemption, expanded beauty offerings, personalised reward days, and point earning on fashion and everyday spend through partners such as Dan Murphy's and DoorDash.

The broker views the update as a well-timed enhancement to strengthen brand engagement, following improving like-for-like sales and active member growth.

Buy rating retained with a $0.79 target price.

This report was published on October 20, 2025.

Target price is **$0.79** Current Price is **$0.40** Difference: **$0.39**
If **MYR** meets the Canaccord Genuity target it will return approximately **98%** (excluding dividends, fees and charges).
The company's fiscal year ends in July.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** dividend of **3.00** cents and EPS of **3.80** cents.
> At the last closing share price the estimated dividend yield is **7.50%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **10.53**.

Forecast for FY27:

Canaccord Genuity forecasts a full year **FY27** dividend of **3.00** cents and EPS of **4.90** cents.
At the last closing share price the estimated dividend yield is **7.50%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **8.16**.

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

PLT PLENTI GROUP LIMITED

Business & Consumer Credit - Overnight Price: $1.45

Canaccord Genuity rates ((PLT)) as Buy (1) -

Plenti Group announced a strong result with Cash PBT of $14.1m for 1H26 versus $13.8m for all of FY25, highlighting significant operating leverage as the business scales.

Revenue of $76.3m rose 20% y/y, and originations grew 47% to $475m, driven by strong Auto and Personal lending growth.

Loan losses remained stable at 0.94% of the book, while arrears improved by 15bps q/q to 35bps, outperforming expectations.

The Federal Government's $2.3bn Cheaper Home Batteries Program is expected to materially support Renewable segment growth, with potential to add around $4m in peak annual Cash NPAT.

Hold rating retained with the target price raised to $1.64 from $1.44

This report was published on October 22, 2025.

Target price is **$1.64** Current Price is **$1.45** Difference: **$0.19**
If **PLT** meets the Canaccord Genuity target it will return approximately **13%** (excluding dividends, fees and charges).
The company's fiscal year ends in March.

Forecast for FY26:

Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents.

Forecast for FY27:

Canaccord Genuity forecasts a full year **FY27** dividend of **0.00** cents.

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

PLY PLAYSIDE STUDIOS LIMITED

Gaming - Overnight Price: $0.23

Canaccord Genuity rates ((PLY)) as Buy (1) -

Playside Studios announced a qualitative AGM update with the key announcement that Mouse P.I. for Hire will now launch in early 2026, delayed from prior 2025 expectations, Canaccord Genuity observes.

Revenue contribution from the title will shift into 2H26 and 1H27, but FY26 revenue guidance of more than $49m is reiterated with lower opex of -$48m, down -19% y/y.

The broker highlights a stronger balance sheet with pro-forma net cash of $21m supported by recent equity raises and upcoming tax rebates of more than $6m under the Digital Games Tax Offset.

External Projects are showing signs of recovery, with new AAA scoping work underway and the Meta Horizon Worlds contract extension expected to underpin FY26 revenue.

Buy rating retained with the target price raised to $0.60 from $0.50.

This report was published on October 22, 2025.

Target price is **$0.60** Current Price is **$0.23** Difference: **$0.37**
If **PLY** meets the Canaccord Genuity target it will return approximately **161%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** dividend of **0.00** cents and EPS of **minus 0.43** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 53.49**.

Forecast for FY27:

> Canaccord Genuity forecasts a full year **FY27** dividend of **0.00** cents and EPS of **1.30** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **17.69**.

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

PNI PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED

Wealth Management & Investments – Overnight Price: $20.13

Canaccord Genuity rates ((PNI)) as Buy (1) –

Pinnacle Investment Management reported strong 1Q26 update with FUM of $197.4bn, ahead of Canaccord Genuity's forecasts, driven by exceptional net inflows of $13.3bn versus expectations of $7.1bn.

Institutional inflows of $6.4bn were led by Life Cycle, while Retail inflows of $4bn were supported by Plato, Coolabah, and Metrics, with International also contributing $2.9bn.

The addition of Advantage Partners as Affiliate number 19 for $92m adds around $10bn of FUM and expands Pinnacle's exposure to Japan and Asia, with EPS accretion expected from FY27.

The broker expects mid-single digit EPS upgrades to consensus, supported by operating leverage and strong affiliate momentum.

Buy rating maintained. Target lifts to $29 from $28.

This report was published on October 22, 2025.

Target price is **$29.00** Current Price is **$20.13** Difference: **$8.87**
If **PNI** meets the Canaccord Genuity target it will return approximately **44%** (excluding dividends, fees and charges).
Current consensus price target is **$24.94**, suggesting upside of **23.9%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** dividend of **72.00** cents and EPS of **69.60** cents.
> At the last closing share price the estimated dividend yield is **3.58%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **28.92**.
>
> How do these forecasts compare to market consensus projections?
>
> Current consensus EPS estimate is **68.7**, implying annual growth of **8.7%**.
> Current consensus DPS estimate is **61.9**, implying a prospective dividend yield of **3.1%**.
> Current consensus EPS estimate suggests the PER is **29.3**.

Forecast for FY27:

> Canaccord Genuity forecasts a full year **FY27** dividend of **85.00** cents and EPS of **87.20** cents.
> At the last closing share price the estimated dividend yield is **4.22%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **23.08**.
>
> How do these forecasts compare to market consensus projections?
>
> Current consensus EPS estimate is **82.0**, implying annual growth of **19.4%**.
> Current consensus DPS estimate is **72.6**, implying a prospective dividend yield of **3.6%**.
> Current consensus EPS estimate suggests the PER is **24.5**.

Market Sentiment: **0.6**
All consensus data are updated until yesterday. FNArena's consensus calculations require a minimum of three sources

PPS PRAEMIUM LIMITED

Wealth Management & Investments - Overnight Price: $0.92

Canaccord Genuity rates ((PPS)) as Buy (1) -

Canaccord Genuity describes Praemium's positive September quarter update as positive, with platform net inflows of $550m ($667m excluding OneVue) and market movement of $0.8bn lifting platform FUA to $32bn.

Spectrum delivered net inflows of $299m with FUA rising to $3.3bn, while Powerwrap posted a $131m inflow as transitional outflows continued to ease.

SMA inflows rebounded strongly to $237m, supported by new partnerships including Morgans, and OneVue FUA declined to $1.1bn as assets transition to preferred platforms.

The company reported total First Guardian exposure of -$286m, though the broker notes ongoing cooperation with regulators and expects limited financial impact.

Buy rating retained with the target price raised to $1.30 from $1.21.

This report was published on October 22, 2025.

Target price is **$1.30** Current Price is **$0.92** Difference: **$0.385**
If **PPS** meets the Canaccord Genuity target it will return approximately **42%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY26:

> Canaccord Genuity forecasts a full year **FY26** dividend of **2.25** cents and EPS of **5.00** cents.
> At the last closing share price the estimated dividend yield is **2.46%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **18.30**.

Forecast for FY27:

> Canaccord Genuity forecasts a full year **FY27** dividend of **2.50** cents and EPS of **6.00** cents.
> At the last closing share price the estimated dividend yield is **2.73%**.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **15.25**.

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

VGN VIRGIN AUSTRALIA HOLDINGS LIMITED

Overnight Price: $3.42

Jarden rates ((VGN)) as Initiation of coverage with Overweight (2) -

Jarden believes conditions in the Australian aviation market are the most favourable in two decades, citing stable market share, high load factors, and yield growth.

Ongoing cost benefits from fleet renewal and transformation programs are also noted as sector tailwinds.

The broker sees both Qantas Airways and Virgin Australia as attractive investments amid strong competitive and demand settings.

Jarden initiates research coverage on Virgin Australia with an Overweight rating and $3.90 target price.

This report was published on October 20, 2025.

Target price is **$3.90** Current Price is **$3.42** Difference: **$0.48**
If **VGN** meets the Jarden target it will return approximately **14%** (excluding dividends, fees and charges).
Current consensus price target is **$4.00**, suggesting upside of **17.0%**(ex-dividends)

Forecast for FY26:

Current consensus EPS estimate is **48.5**, implying annual growth of **-25.8%**.
Current consensus DPS estimate is **6.0**, implying a prospective dividend yield of **1.8%**.
Current consensus EPS estimate suggests the PER is **7.1**.

Forecast for FY27:

Current consensus EPS estimate is **52.0**, implying annual growth of **7.2%**.
Current consensus DPS estimate is **8.0**, implying a prospective dividend yield of **2.3%**.
Current consensus EPS estimate suggests the PER is **6.6**.

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

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