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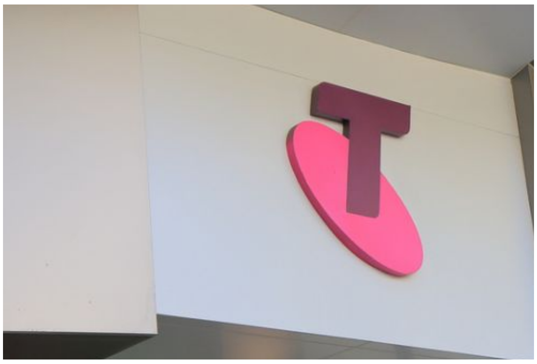
Friday, 30 May 2025

WiseTech's Big Bold Bet On E2open



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AUSTRALIA

The Market In Numbers - 24 May 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	24 May 2025	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
NZ50	12596.500	-1.49%	5.82%	2.66%	-3.92%	7.50%
All Ordinaries	8586.70	0.08%	2.95%	6.62%	1.97%	7.15%
S&P ASX 200	8360.90	0.21%	2.89%	6.60%	2.47%	7.64%
S&P ASX 300	8294.00	0.20%	2.89%	6.58%	2.41%	7.60%
Communication Services	1824.70	2.96%	5.53%	12.35%	12.12%	21.55%
Consumer Discretionary	4045.60	-0.91%	1.21%	7.35%	3.44%	15.21%
Consumer Staples	12422.50	-0.10%	1.34%	6.54%	5.55%	0.36%
Energy	7755.60	-1.33%	5.85%	-2.32%	-10.06%	-22.69%
Financials	9007.90	0.86%	2.48%	8.22%	4.57%	17.64%
Health Care	41779.80	0.73%	0.91%	3.09%	-6.92%	-5.60%
Industrials	8217.20	-0.78%	3.52%	5.89%	7.46%	20.64%
Info Technology	2773.20	1.99%	15.36%	22.71%	1.18%	18.44%
Materials	16402.10	-1.17%	1.96%	2.67%	1.72%	-2.82%
Real Estate	3855.80	1.08%	4.50%	10.63%	2.51%	8.21%
Utilities	9326.00	-0.41%	1.00%	2.95%	3.25%	0.44%
A-REITs	1768.70	1.02%	4.40%	11.04%	2.93%	8.89%
All Technology Index	3913.10	1.00%	10.56%	17.90%	2.83%	24.70%
Banks	3817.80	1.44%	1.58%	8.80%	5.86%	19.49%
Gold Index	12428.20	9.37%	7.61%	13.17%	47.54%	68.92%
Metals & Mining	5454.10	-0.64%	2.10%	3.33%	3.78%	-1.74%

The World

Index	24 May 2025	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
FTSE100	8717.97	0.38%	2.63%	1.57%	6.67%	6.78%
DAX30	23629.58	-0.58%	5.03%	6.61%	18.69%	29.58%
Hang Seng	23601.26	1.10%	6.70%	2.08%	17.65%	33.20%
Nikkei 225	37160.47	-1.57%	3.09%	4.33%	-6.85%	-6.12%
DJIA	41603.07	-2.47%	2.30%	-0.95%	-2.21%	6.35%
S&P500	5802.82	-2.61%	4.20%	3.40%	-1.34%	6.27%
Nasdaq Comp	18737.21	-2.47%	7.40%	8.31%	-2.97%	5.67%

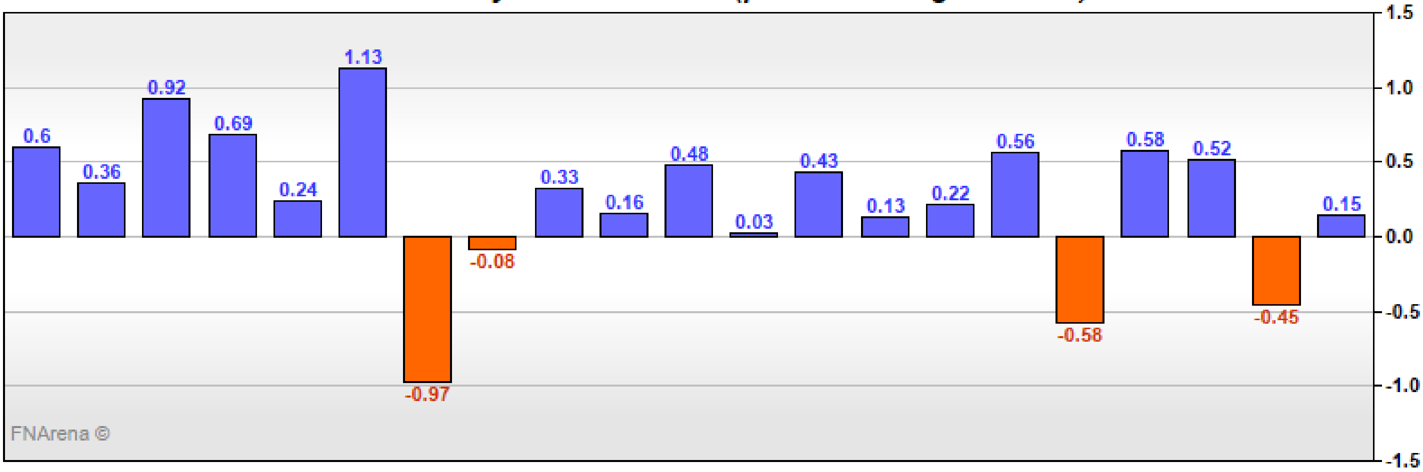
Metals & Minerals

Index	24 May 2025	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
Gold (oz)	3295.00	1.58%	-0.98%	5.38%	25.44%	40.94%
Silver (oz)	33.18	1.19%	0.89%	-5.15%	9.79%	13.45%
Copper (lb)	4.6775	-0.07%	-3.74%	-9.22%	14.18%	7.94%
Aluminium (lb)	1.1162	-1.62%	-0.31%	-2.77%	-2.35%	-0.74%
Nickel (lb)	6.9192	-1.45%	-0.85%	-4.86%	-3.16%	-11.04%
Zinc (lb)	1.2275	-0.85%	2.12%	-4.48%	-9.16%	-7.44%
Uranium (lb) weekly	71.00	1.43%	6.77%	10.94%	-1.39%	-14.71%
Iron Ore (t)	99.89	-0.53%	0.03%	-3.74%	-3.80%	-6.22%

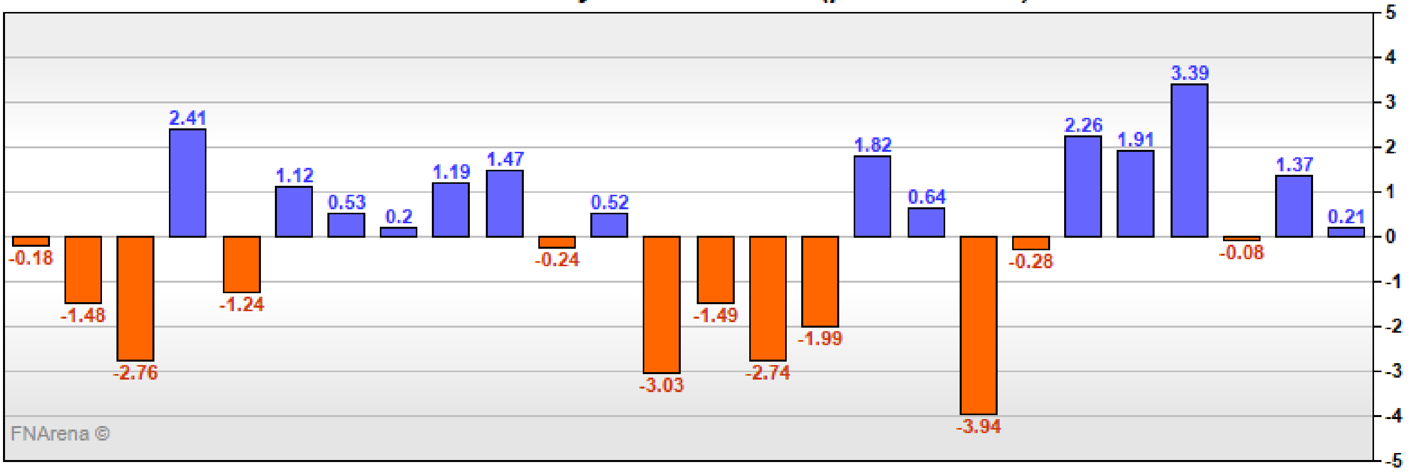
Energy

Index	24 May 2025	Week To Date	Month To Date (May)	Quarter To Date (Apr-Jun)	Year To Date (2025)	Financial Year To Date (FY25)
West Texas Crude	60.80	-1.46%	0.86%	-12.34%	-12.49%	-25.73%
Brent Crude	64.01	-0.93%	1.68%	-12.03%	-11.78%	-25.08%

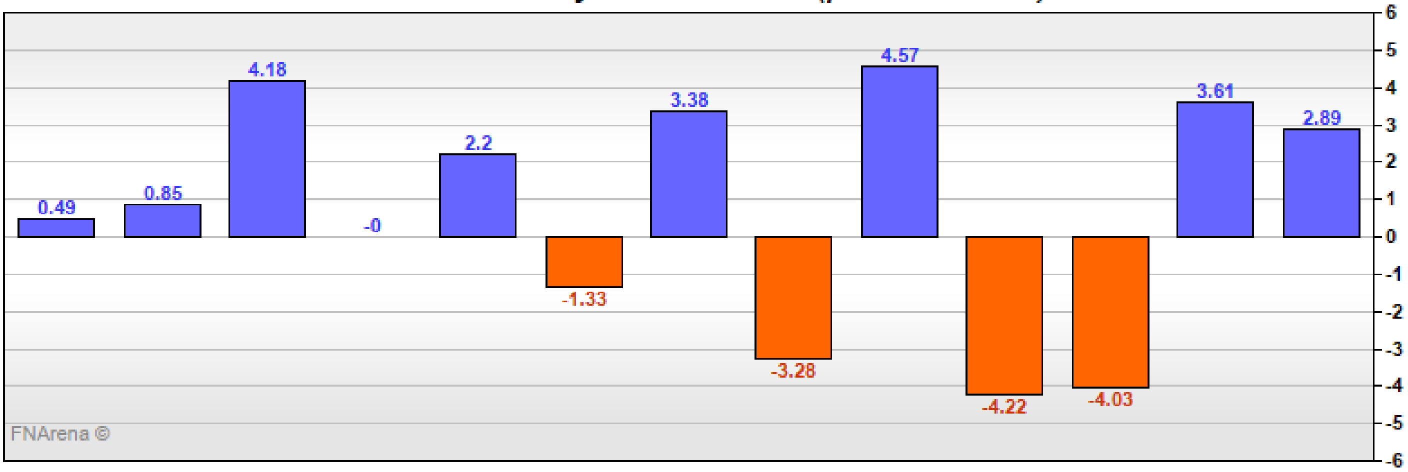
ASX200 Daily Movement in % (past 21 trading sessions)



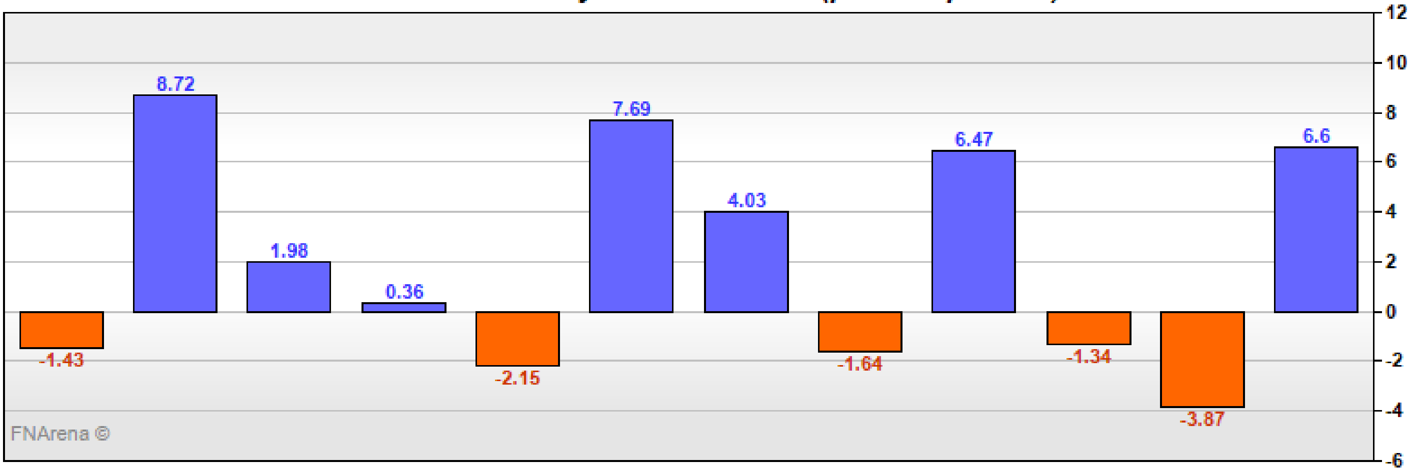
ASX200 Weekly Movement in % (past 26 weeks)



ASX200 Monthly Movement in % (past 13 months)



ASX200 Quarterly Movement in % (past 12 quarters)



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

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FNArena welcomes comments and suggestions at info@fnarena.com

AUSTRALIA

Sky Is The Limit For Light & Wonder

Light & Wonder paints a picture for investors by setting aggressive targets out to FY28, to the general approval of analysts.

-Light & Wonder used investor briefings to set ambitious growth targets
-Company is on track to achieve FY25 guidance
-Shares seen trading at a valuation discount
-Primary ASX listing still in process

By Mark Woodruff

The growth strategy presented at last week's investor day in New York reinforces Light & Wonder's ((LNW)) profile as a multi-year compounding business, comments broker Morgans, although execution risks and broader macroeconomic factors will need to be closely monitored.

New FY28 targets are aggressive, yet analysis by Jarden concludes they are achievable based on management's recent track record, increased business scale, and fresh opportunities.

Certainly, Goldman Sachs believes content-led investment will drive market share gains across Light & Wonder's core business segments, while UBS highlights significant potential upside for the company's valuation multiple.

The latter suggests last week's investor day should reinforce market confidence in Light & Wonder's growing market share and sustained profitability beyond 2025.

The share price is trading at a valuation discount, suggests Morgans, reflecting ongoing litigation, tariff, and listing uncertainty. This broker has increased its medium-term growth assumptions across all reporting segments.

Currently, Light & Wonder has a primary listing on the Nasdaq, as well as a secondary listing on the ASX, but management is looking at a primary ASX listing, targeting future ASX50 inclusion.

Jarden anticipates such a move will provide a further boost to the share price.

<u>What does Light & Wonder do?</u>

Light & Wonder is a rapidly growing supplier of land-based slot content, delivering across its integrated verticals: Gaming (land-based), SciPlay (social), and iGaming (online gaming).

The company has also established a new Charitable Gaming division following the completion of its acquisition of Grover Gaming's charitable gaming assets on May 19.

It is Jarden's assessment the company's R&D function remains the core engine powering growth across all four channels.

This broker describes a flywheel effect in play, with momentum in market share and earnings over the past three years reinforcing itself through scalable R&D investment, an expanding content library, and the company's reinvestment capability to drive sustained growth.

The company designs, develops, manufactures, and distributes gaming machines and video gaming terminals in markets across the Americas, the Middle East, Africa, Europe, and Asia-Pacific.

In a market dominated by a few key players, Light & Wonder and Aristocrat Leisure ((ALL)) operate as duopoly suppliers.

Light & Wonder is the only peer to offer long-term financial guidance, reinforcing its status as Morgans' preferred exposure in the sector.

Since completing its restructuring and rebranding in April 2022, the broker observes the business has demonstrated strong cash conversion and returns on capital. It's felt ongoing balance sheet deleveraging provides potential for inorganic growth opportunities and flexibility for capital returns to shareholders.

Canaccord Genuity assumes the company will continue its $300m annual share buyback program through to FY28.

In summary, management's FY28 targets are supported by anticipated share gains across all verticals, underlying market growth, and improved yield metrics.

Investor day targets

For FY25, management stated it is 'on track' to deliver its US$1.4bn adjusted earnings target, which compares to the US$1.36bn forecast by UBS pre the Grover acquisition.

Further out, Light & Wonder's new FY28 financial targets include adjusted earnings (EBITDA) of US$2bn, incorporating Grover, exceeding forecasts by UBS and consensus for US$1.77bn and US$1.80bn, respectively.

While no numerical targets for Grover were provided, it is clear to the analysts at Citi expansion into new states presents potential upside to management's forecasts.

The additional FY28 target for adjusted earnings per share (EPSA) to exceed US$10.55 was broadly in line with market expectations, though it was positioned as a minimum and may be further supported by future buybacks.

Jarden considers this target conservative in light of the adjusted EBITDA goal and anticipated growth in free cash flows.

Notably, the analysts emphasise these FY28 targets do not factor in any contributions from new iGaming launches or other potential market expansions.

Canaccord Genuity sees scope for management to reach its FY28 targets, noting Gaming must continue to do the heavy lifting with Grover likely to be the next strongest contributor.

Risks include tougher macro conditions and/or a slower assumed share take in Gaming; increased competitive intensity in Charitable; and daily active user (DAU) pressure and/or slower growth average revenue per DAU in SciPlay, cautions Canaccord.

Goldman Sachs notes the adjusted EBITDA target implies a compound annual growth rate of 13% from FY25 and compares to the broker's US$1.4bn forecast.

Digital assets are expected to scale and increase profitability. Also, Gaming market share is forecast to grow by 4% in FY28 across both North America premium installs and global game sales.

UBS forecasts share gains of 2-3 percentage points in Gaming supported by continued R&D investment and new game performance as a lead indicator, but also with an expectation Aristocrat's business remains strong too.

Also, after the acquisition and merger of competitors Everi Holdings and International Game Technology's Gaming & Digital business by Apollo Funds, UBS expects this combination will resurge under new ownership, making incremental market share gains more difficult.

Targets by division

Within the **Gaming** division, Light & Wonder designs and manufactures slot machines, table games, shuffling machines, and casino management systems for casinos worldwide.

Between 2024 and 2028, the company is targeting a 400-basis-point market gain for its North American premium install base, aiming to exceed 25%, while global ship share in game sales is expected to reach approximately 30%, also reflecting a 400-basis-point increase.

No specific targets were disclosed for Grover.

Citi describes the premium install base goal as "ambitious", noting management has added only around 100 basis points over the past three years through the first quarter of 2025. Current market share is 17% in 2024, compared to Aristocrat's 37% and IGT's 16%.

Ongoing expansion is also expected into adjacent segments such as regulated skill-based gaming in Nebraska, multi-game in the EU, Canada's video lottery terminal (VLT) market, and charitable gaming via Grover.

Through its **SciPlay** division, Light & Wonder develops and operates social casino and casual games across mobile and web platforms, offering players a casino-style experience outside of traditional venues.

Over the same period (2024-2028), management anticipates average revenue per daily active user (ARPDAU) for this division will increase by approximately 30%, broadly in line with Morgans' expectation, while direct-to-consumer (DTC) revenue is projected to surpass 30% of the segment's total.

Morgans identifies new market entry and greater user acquisition efficiency as key growth drivers, while Citi notes the DTC revenue target appears attainable, especially following a recent US court ruling requiring Apple to cease charging its 27% commission on third-party payment platforms.

Light & Wonder also supplies digital gaming content and technology to licensed operators through its **iGaming & Online Platforms** division, serving both online casinos and sports betting platforms.

Management aims to increase its first-party content share by 300 basis points, targeting a global market share of over 10% by 2028, driven by expansion into emerging markets and a broader content portfolio.

Citi points out management's 2028 targets do not rely on additional US states legalising iGaming.

A driver for growth in **Charitable Gaming** is expanding market share in the company's existing five markets, notes Canaccord, along with entry into additional legalised states, enhancing operating leverage, and future state legalisation such as for Indiana.

Outlook

Five of the brokers monitored daily by FNArena conduct research on Light & Wonder. Since the investor day, Morgans (target increased to $200 from $193), UBS ($195 from $192), and Citi have refreshed analysis, while reports for Macquarie and Bell Potter remain outstanding.

All are Buy-rated with an average target of $193.80, suggesting just over 42% upside to the $136.27 share price at the close of trading on May 26.

Outside of daily coverage, Buy ratings are also unanimous across brokers Canaccord Genuity, Goldman Sachs and Jarden. These three left their respective targets unchanged, keeping their average at $183.

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

AUSTRALIA

Wesfarmers Sees Plenty Of Opportunities

Wesfarmers' strategy day highlighted further growth opportunities including a doubling in size of Kmart and Anko going international.

-Wesfarmers' strategy briefings outline growth opportunities
-Management aims to double the size of Kmart
-Marketplace and retail media to lift margins
-International growth for Anko could be sizeable

By Mark Woodruff

Last week's 2025 Strategy Briefing hosted by Wesfarmers ((WES)) provided updated insights into the growth opportunities available for each business division and group strategy going forward.

Primarily focusing on market share growth opportunities, particularly in Bunnings and Kmart, management also detailed retail media opportunities across Bunnings, Kmart, Officeworks, and Priceline.

No trading update was provided for retail-related activity, but lower guidance was issued for the Lithium business, indicating to analyst at Morgans management is comfortable with consensus forecasts for the remaining divisions.

Impressively, management outlined **an aspirational goal to double the size of Kmart**, referencing earlier ambitions of reaching $10bn in sales and $1bn in earnings before tax (EBT).

This goal implies to Macquarie a potential future sales target of more than $20bn for Kmart. While management emphasised its intention to grow earnings faster than sales, it did not provide a specific timeline for achieving this objective.

Wesfarmers operates across home & office supplies (Bunnings & Officeworks), discount department stores (Kmart and Target), pharmacies (Priceline), engineering/industrial consumables & safety products (Hard Yakka, KingGee, others), chemicals/fertilisers, and energy interests.

Positively, management believes the core business offers more growth opportunities today than it did five years ago, with incremental investments in these areas delivering the most compelling returns.

Citi's key takeaways from the investor day were, firstly, the earnings outlook for Lithium remains significantly challenged due to prevailing market conditions, but also that Kmart is well positioned to benefit from a recovery in consumer spending.

For Jarden, the highlight was management's confidence that expanding marketplace opportunities can be achieved without a material increase in capital expenditure.

Jarden analysts believe Bunnings, Kmart, and to a lesser extent Officeworks, are entering a strategic sweet spot where recent investments are poised to deliver strong returns.

Given lower incremental capital expenditure (excluding supply chain), these businesses seen as are well positioned to benefit from high-margin opportunities in retail media, loyalty programs, and category expansion.

<u>The marketplace and retail media</u>

Margin accretion is being sought via further scaling of marketplace and retail media, explain analysts at Goldman Sachs.

The marketplace refers to the company's digital commerce platform which aggregates and sells products from both its own retail brands and third-party sellers, allowing customers to shop a broader range of goods online.

Retail media refers to the monetisation of physical and digital retail environments by offering advertising opportunities to suppliers and brands, leveraging the company's proprietary customer data and in-store assets.

Retail Media is now consolidated under the "OneReach" banner. Morgan Stanley highlights the most significant opportunities here lay within Bunnings, Officeworks, Health, and eventually Kmart as its marketplace scales.

As a rapidly expanding market segment, driven by the shift in advertising spend from traditional channels to retail media, this broker considers Wesfarmers as uniquely positioned to benefit, through leveraging its extensive access to first-party data.

The Anko opportunity

Many readers will have noticed the ubiquitous presence of flagship owned brand Anko in Kmart and Target stores.

In contrast to traditional private labels, Anko is built on Kmart's end-to-end sourcing, product design, and supply chain capabilities. The brand focuses on simplicity, running one brand across most categories, which delivers economies of scale.

Now, management reveals Anko products are gaining strong traction with customers globally, following the successful launch of furniture and homewares in Canada, wooden toys in the US, and general merchandise in the Philippines.

Should execution remain strong, Morgans believes **the international growth potential for Anko could be substantial.**

Positively, Citi left the investor day less concerned about the risk of consumers trading up to branded products and away from Kmart as discretionary spending improves.

Kmart positions Anko as a credible brand in its own right, suggest the analysts, supported by strong engagement from social media influencers.

Company-wide, FY26 capital expenditure is guided to land at the lower end of the $1.1bn-1.3bn range, while options for capital management will be assessed following the anticipated $770m in proceeds from the sale of Coregas in December last year.

Divisional roundup

In the **Health** division, Morgan Stanley notes the strategy centres on scaling the retail footprint, increasing market share, and expanding private and exclusive brand offerings.

The recent launch of Atomica, the physical beauty and wellness store, aims to broaden the division's addressable market and enhance its overall service proposition.

While management is ~12-18mths behind on wholesale productivity improvements in the Health division, Goldman Sachs reports new facilities are delivering to plan and management is positive on Priceline.

Morgan Stanley highlights **Officeworks**' strategic expansion into technology categories (including laptops, phones, and TVs) supported by investments in upgraded store formats, staff capability, and a stronger emphasis on delivering personalised service.

The around $110bn total addressable market (TAM) was reiterated for **Bunnings.** When Macquarie compares this number to FY24 sales, around 17% market share is implied, suggesting to the broker a significant growth opportunity remains.

As flagged at the Bunnings investor day in March, management sees a significant runway ahead for growth, further detailed at https://fnarena.com/index.php/2025/03/31/bunnings-seeks-to-expand-its-dominance/

The company aims to expand its offering in adjacent categories such as kitchen appliances, as it sees opportunity to sell these alongside sales of kitchen cabinetry.

Key categories have recently been rolled out (or enhanced) including Automotive, EV charging, Renewable Energy, and Assisted Living following the group's successful entry into Pets and Cleaning.

Regarding **Kmart**, Gen Z and Gen Alpha are the fastest-growing customer segments, and Kmart is investing in relevant categories and in its digital capabilities to cater to this growing cohort.

Management at Kmart is also investing in its supply chain and omnichannel capability, including the transition of customer fulfilment centres from the (failed) Catch business and a new fulfilment centre in NSW, explains Macquarie.

Lithium is expected to remain a near-term drag on performance, with management now forecasting a FY25 loss of approximately -$60m, down from -$48m previously, reflecting softer market pricing and reduced spodumene concentrate production.

Losses in FY26 are projected to exceed those in FY25 (contrary to earlier expectations of an improvement) due to ongoing price weakness, elevated unit costs during refinery ramp-up, and delays in securing offtake agreements.

<u>Outlook</u>

Potential catalysts are FY25 results in August, the timing of cash rate cuts, and any updates on adjacent opportunities in retail media and Anko Global, suggests Macquarie.

Given the softer economic environment, Morgans believes the retail businesses are well-placed to benefit due to their scale advantage and strong value proposition.

Following the strategy briefing, the average target of six daily monitored brokers in the FNArena database rose to $72.75 from $70.29, suggesting -12.8% downside to the $82.90 share price at the close of trade on May 27.

Shares in Wesfarmers have been trading at a premium for over a year now, also reflected in the share price trading well above average price targets set over that period. This enduring valuation premium is also reflected in broker ratings.

Of the six brokers monitored daily, three are on Hold or equivalent, Ord Minnett has a Lighten rating (one level above Sell) while the two remaining are Sell ratings. Both Ord Minnett and Morgan Stanley are yet to update their research.

Outside of daily coverage, Buy-rated Goldman Sachs and Jarden (Underweight, also one notch above Sell) have respective targets of $87.30 and $73.10.

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

AUSTRALIA

WiseTech's Big Bold Bet On E2open

Its largest acquisition ever should transform WiseTech Global into the global trade powerhouse its founder wants it to be.

-Past three years landed acquisition target E2open in struggle street
-E2open's demise has become WiseTech Global's opportunity
-Strategically and financially positive, the acquisition could be transformative
-WiseTech's 55 acquisitions to date provide management with great track record

By Danielle Ecuyer

Light at the end of the tunnel

The past twelve months have been quite the roller coaster ride for WiseTech Global ((WTC)) shareholders.

The smorgasbord of negative impacts includes media and corporate governance scrutiny of the Founder, Executive Chair, and Chief Innovation Officer's personal life, as well as potential crossovers and conflicts of interest with the company he founded.

The stream of newspaper headlines has seen the share price fall from what were probably overbought levels around $140 in November last year to a sub-$80 low at the height of US tariff concerns in April.

Over the interim, Richard White's position was transitioned to consultant and then reinstated to a more substantive position following several high-profile resignations.

The company is still wanting of a succession plan, but hey, who needs one of those given WiseTech has just announced the biggest and most ambitious acquisition in its history under the stewardship of White: the US$2.1bn takeover of Texas-based E2open.

WiseTech's history a good starting point

By way of context, WiseTech has a history of bolt-on acquisitions, 55 over the past decade. Over that time frame, the company has achieved a market capitalisation of circa $35bn against an IPO valuation of $974m in April 2016. For those on board around the IPO and still holding on today, that trajectory translates into a return of 3,577.62%.

Over the years, many questions have been raised whether the acquisition strategy would succeed. Another stumble block stems from the higher valuation multiples ascribed to the stock, tripping up many a value investor.

The company's flagship product is CargoWise, an end-to-end logistics execution software platform used by freight forwarders, customs brokers, third-party logistics providers (3PLs), and multinational shippers. It is designed to manage and automate complex logistics operations across international supply chains.

Looking under the hood, Morningstar believes the switching costs for customers of WiseTech's main offering, CargoWise, are one of the most important factors for the company's competitive advantage, with annual retention rates over 99% since 2013.

Through this period, the company has pushed through steep price rises.

Morningstar believes CargoWise assists customers in outperforming competitors, which in turn lowers the risk of business failure.

Prior to the takeover, Morningstar noted half of the world's top 25 freight forwarders and a quarter of the largest 200 freight forwarders have signed up to use the software. Still, less than 10% of international freight forwarding volumes is estimated to go through the CargoWise platform.

Why E2Open?

According to Morningstar, CargoWise's main competitor in international freight forwarding is not Canadian company Descartes or US Flexport, but rather E2open's Blujay which has, the analyst's words, "fallen apart".

WiseTech has jumped on the opportunity of a decline in E2open's share price of -70% over the last three years.

The bid at US$3.30 per share represents a 29% premium to the May 23 closing price, but is still -56.8% below the price a year ago.

According to WiseTech founder White: **"Acquiring E2open is a strategically significant step in achieving our expanded vision to be the operating system for global trade and logistics".**

Expanding the market base

E2open is a supply chain SaaS (Software-as-a-Service) provider, founded in 2000, with operations across 20 countries and a cloud-based platform that connects over 500,000 partners including manufacturers, logistics providers, and distributors with 18 million transactions annually.

WiseTech's ambition is to become an end-to-end supply chain solutions services provider beyond CargoWise's logistics execution software.

E2open brings along a substantial uplift in the direct customer base and industry exposure to upstream shippers and manufacturers, referred to as *beneficial cargo owners,* 'those companies which produce and sell goods, including 5,600 customers and over 250 top-rated companies across autos, retail, pharmaceuticals, consumer goods, aerospace, and more".

It opens greater exposure to US and European markets, as well as bringing in relationships with major shipping lines and carriers.

Importantly, E2open moves WiseTech from serving the logistics industry to serving the entire supply chain, shifting from freight forwarding and warehousing to an end-to-end global trade platform.

Seems too good to be true?

Too good to be true? Certainly, that is what some analysts are thinking.

Jarden is notably circumspect while acknowledging the strategic fit and potential benefits of the takeover, including management's expectations that global supply chain/logistics software spend will rise at a compound average growth rate of 16% from US$28bn in 2024 to US$57bn in 2029.

The analysts' concerns centre on E2open's flagging financial performance over the last couple of years, which resulted in the share price fall that became the precursor to the WiseTech bid.

UBS highlights E2open delivered a string of below-expectation earnings results, with management changes and a strategic review that contributed to the acquisition multiple at circa 3.5 times Enterprise Value to Sales against WiseTech's historical takeover multiple of around 6.1 times.

Jarden queries the churn rate for E2open and the operating loss in 2024 of around -US$24m, which was caused by sizeable goodwill write-downs on acquisitions.

Morningstar points to integration problems with the many acquisitions, "especially between its products for freight forwarders, such as BluJay and the beneficial cargo owners. High debt created further pressure".

At an enterprise value of US$2.1bn, the takeover does lift net gearing for WiseTech to 3.5 times.

On the flipside, if the integration, cost-stripping, and synergistic benefits are realised, E2open will be EPS-accretive in the first year of consolidation, and cash flows will allow WiseTech to deleverage to under 2 times within three years, with all of E2open's debt facilities to be repaid upon completion of the acquisition, Morgans notes.

E2open is financially larger than all previous acquisitions over the last decade, with FY25 revenue of US$608m against Jarden's revenue estimate for WiseTech of US$797m for FY25.

Bell Potter also highlights a level of risk to the integration of such a sizeable company but views the track record of success as going some way to ameliorating the risks.

<u>What E2Open is flagged as contributing</u>

WiseTech has been upfront about expectations that E2open will be EPS-accretive in year one, pre-synergies of -US$50m targeted to be achieved over two years.

UBS notes management has ambitions to reach an earnings (EBITDA) margin of 50%, although E2open's FY25 EBITDA margin of around 35% could be slightly dilutive, initially.

The -US$50m in synergies represents around 11% of E2open's operating expenses in FY25 and can be achieved via the elimination of US listing fees and other efficiencies, the broker explains.

Goldman Sachs forecasts the transaction to be EPS-accretive by 8% to 10% for FY27, assuming no revenue synergies and -US$60m in cost-outs against -US$50m guided, as well as WiseTech achieving a margin of over 50%. This analyst is positive the company can achieve its financial goals.

While investors were disappointed by the delay in the rollout of WiseTech's Container Transport Optimisation (CTO) in the US last year, UBS points to E2open's circa 18.5% market share of ocean booking management, which offers CTO broad container volume data to help customers make better decisions.

The analyst notes industry feedback via channel checks that combining CTO and E2open's INTTRA product could result in a much-improved service offering for search/booking procedures for landside logistics.

CTO is part of CargoWise and aims to improve the efficiency of landside container logistics.

Bell Potter sees the launch of CTO in FY26 as another positive for the company, with management confirming the proposed takeover will not alter the timeline of CTO's rollout in FY26.

<u>Brokers are essentially upbeat</u>

Morgan Stanley is very positive on the intended acquisition and thinks it makes both strategic and financial sense for WiseTech. Conviction in the company achieving medium to longer term growth prospects is increased. Morgan Stanley has a Buy-Equivalent rating with a $140 target price.

UBS is also very upbeat and remains confident in WiseTech's ability to achieve the forecast compound average growth rate of 28% for core CargoWise revenue over a five-year period.

This analyst points to upside risks if management can increase product capability offerings from the acquisition. UBS is awaiting more details on E2Open before adjusting earnings forecasts. Buy rating and $145 target remain.

Other FNArena daily monitored brokers Morgans and Bell Potter are also positive with Buy-equivalent ratings and respective target prices of $132.40, upgraded from $124.10, and $122.50, lifted from $112.50.

The current consensus target price sits at $136.10.

Outside of daily monitoring, Goldman Sachs is equally buy rated with a $126 target, noting management re-iterated FY25 guidance.

E&P (the old Evans & Partners) rates the stock as Positive with a $139m target, highlighting the market has been given time to consider the strategic reason for the acquisition as well as the pricing. This analyst cautions as a rule of thumb the leverage at 3.5 times is high for a software company.

Jarden is Neutral rated with a $100 target and RBC Capital Buy-Equivalent rated with a $110 target.

Do as they may with forecasts, like the many acquisitions over the past decade, it will be incumbent on WiseTech management to prove it can assimilate, digest and improve profitability for E2open on what sounds at the very least like a potential game-changing development.

Research house Morningstar is also positive on WiseTech with a $130 per share valuation. This analyst is upbeat on the acquisition price and the strategic opportunity, as well as blocking competitors like Descartes from acquiring the company.

The author owns WiseTech Global shares in an SMSF.

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

AUSTRALIA

Telstra Targets Sustainable, Growing Dividends

Management outlined a vision for FY30 and beyond at Telstra's investor Day, including a target of sustainable, growing dividends over the coming five years.

-Telstra Group outlines strategic vision for FY30 and beyond
-Opportunities in enhancing network monetisation
-Leveraging AI to drive efficiency, other cost-outs
-Management is considering partially-franked payouts (and buy-backs)

By Mark Woodruff

One long-standing criticism of telecommunications companies is their limited success in monetising rapid data growth, despite serving as critical providers of digital infrastructure and handling rapidly growing data volumes. In contrast, over-the-top players have captured much of the associated value.

Against this backdrop, broker Morgans found it encouraging to learn at Telstra Group's ((TLS)) investor day management at Australia's largest telco is actively exploring strategies to better prioritise and monetise the value created by the company's vast network.

Network virtualisation and automation offer potential for premium pricing, notes the broker, through capabilities such as lower latency, guaranteed bandwidth, and other forms of traffic prioritisation.

As detailed in Tuesday's launch of the **Connected Future 30 strategy**, Telstra intends to double down on connectivity and pursue bold innovation at the core of its operations, with a goal to rank among the top 25% of global enterprises in artificial intelligence (AI) maturity by FY30.

Regardless of AI's immediate success, multiple areas of cost-out were identified by management.

As technology and connectivity transform once again, Telstra sees both an inflexion point and a "massive opportunity".

New devices, use cases, and greater digital activity will drive demand, explained management, and the connectivity provided to customers requires greater sophistication and flexibility.

In good news for shareholders, CFO Michael Ackland stated the group is targeting an improvement in underlying return on invested capital (ROIC) to 10% by FY30 from around 8% currently, as well as a sustainable and growing dividend.

With over $20bn in financial capacity through to FY30, Goldman Sachs estimates management could support annual dividend growth of 1c per share and fund $7-8bn in buybacks or special dividends, potentially further bolstered by additional asset sales.

Telstra expects a mid-single-digit cash EPS compound annual growth rate (CAGR) to FY30, including multiple cost-out options. Certainly, such an improving EPS profile and strong cash generation drives scope for growing dividends and/or share buybacks, notes Macquarie.

In Ord Minnett's view, the mobile and InfraCo businesses, aided by cost savings and AI integration, will provide the impetus for an 8% EPS CAGR.

The analysts at Bell Potter had been forecasting a CAGR of 2.9% to FY30 but now raise this to 4.4% largely due to increases in Mobile revenue and margin forecasts.

Macquarie has raised its dividend forecasts for FY25-28 by 5%, 16%, 21%, and 29%, respectively, to 19.95cps, 22.04cps, 23.06cps, and 24.6cps.

Raising the potential for partially franked payouts, Ord Minnett cautions franking credits may become constrained later in the 2025-30 period. More positively, Jarden suggests by enabling partially franked dividends, management has removed key near-term dividend limitations.

Management commented the telco may "consider partially franked dividends if growing fully-franked dividends is not possible".

Network as a Product

By FY30, Telstra aims to transform its connectivity platform, targeting a future where the majority of its connectivity revenue is driven by its Network as a Product (NaaP) strategy. This approach involves disaggregating the core functions of the network and delivering them as differentiated, productised offerings tailored to customer needs.

If successfully executed, Jarden believes the NaaP model could significantly accelerate earnings growth by unlocking new revenue streams across key market segments.

Macquarie agrees investment in digital infrastructure and enhanced network differentiation should support higher average revenue per user (ARPU), driven by a favourable shift in product mix and the introduction of value-based pricing.

Overall, the investor day supported Morgan Stanley's positive view, confirming strong organic growth in Mobiles and InfraCo and an ongoing focus on returning capital to investors.

Targets and guidance

For the Digital Infrastructure segment, Telstra is aiming to grow sustained cash earnings (EBIT) out to FY30, alongside a mid-teen internal rate of return (IRR) on strategic investments and partnerships.

Positive operating leverage is targeted, with underlying income growing faster than costs and business-as-usual (BAU) capex each year to FY30.

Management reaffirmed FY25 guidance and expects to be at the top end of both free cashflow and BAU capex guidance.

Share price outperformance

Adding to share price momentum, Telstra recently announced a pay monthly price rise of $3-5/month from July 2025 (the highest price rise since 2022), suggesting to UBS a $2 per month increase for average revenue per user (ARPU) in FY26.

This broker also factors into forecasts an additional $200m of InfraCo earnings by FY30, following management's announcement regarding Intercity Fibre. The first of its fibre routes will open next month in June, followed by a second route which is expected to be ready in the first quarter of FY26.

Given no change in FY25 guidance, UBS cautions the Telstra share price has outperformed the ASX200 by 15% over last six months driven by a solid interim result and, more recently, by macroeconomic factors.

By contrast, Jarden feels the investor day provided validation for the recent share price rally.

An upbeat valuation scenario

Morgan Stanley has revisited its earlier analysis of the potential monetisation of Telstra's 22-year CPI-linked contract with the NBN, which currently delivers around $1bn in annual cash flows.

Based on a discounted cash flow valuation with a 6.5% weighted average cost of capital (WACC), the analysts estimate the NBN contract alone to be worth $18-19.5bn.

If this asset were fully monetised, the broker explains the remaining Telstra business, including its market-leading Mobiles segment, would be trading at just circa 5x FY26 earnings (EBITDA), significantly below peers.

Additionally, if Australia sees multiple interest rate cuts over the next 12 months, Morgan Stanley expects Telstra to benefit through a more attractive dividend yield and a potential re-rating of InfraCo's value.

Outlook

Macquarie's updated forecasts also reflect upcoming postpaid mobile price increases and associated increases to sales, assuming some loss from higher prices and associated churn.

This broker raised its target price to $5.28 from $3.93 and upgraded to Outperform from Neutral.

While UBS and Ord Minnett raised their targets to $4.60 and $5.00, respectively, the former downgrades to Neutral from Buy and the latter to Accumulate (between Buy and Hold in the broker's ranking) from Buy.

All up there are six brokers covered daily in the FNArena database which conduct research on Telstra. Two are Buy (or equivalent) rated, Ord Minnett is on Accumulate (in between Buy and Hold), a further two are on Hold, while Morgans has a Reduce rating.

The average target price rose to $4.76 (from $4.24 prior to the investor day) which broadly aligns with the $4.74 closing share price on May 28.

Outside of daily coverage, Jarden and Goldman Sachs are Buy or equivalent rated with an average target of $4.80.

Current consensus forecasts suggest shareholders will receive dividends of 19.3c and 21.6c in FY25 and FY26, respectively representing yields ex-franking of 4% and 4.3%.

ESG FOCUS

Australia’s Energy Bets In ASEAN’s Energy Transition Efforts

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:
https://fnarena.com/index.php/financial-news/daily-financial-news/category/esg-focus/

Southeast Asian countries are investing in net-zero emissions and carbon neutrality targets and Australia wants a seat around the table.

By Reya Ramdev

Most governments across Southeast Asia (SEA) have set long-term net-zero emissions and carbon neutrality targets.

Recent fluctuations in fossil fuel prices have underscored the urgency for SEA countries to transition towards more stable and sustainable energy sources.

Despite the urgent need, clean energy investment in Southeast Asia remains strikingly low, accounting for just 2% of global clean energy spending in 2023.

Regardless, those SEA region's energy transition initiatives are opening up opportunities for Australia's businesses.

Key industries such as renewable energy technologies and sustainability are seeing keen interest from Australia's well-capitalised businesses, and sophisticated and deep capital markets.

FNArena looks at some projects and partnership deals signed recently between Australia and the SEA region.

Australia-Singapore power deal

Cross-border electricity trade is a key area of opportunity as the SEA region seeks to increase its share of renewables in its grid. The mismatch between SEA's resource gap and demand centres makes a strong case for Australia's export of renewables, along with its clean energy expertise and technology.

The reportedly US$22bn (over $30bn) **Australia-Australia Power Link** (AAPowerLink) interconnector project based in the Northern Territory being developed by Sun Cable is one of the most ambitious projects underway.

The project will deploy between 17 gigawatts (GW) and 20GW of solar capacity and between 36.42 gigawatt hours (GWh) and 42 GWh of energy storage in Darwin. In October 2024 the project got a conditional approval from the energy regulatory authority in Singapore, giving the project the go-ahead to move to the development phase.

Sun Cable's proposed project will roll out in three stages: a solar farm with battery storage south of Darwin, transmission lines to Darwin, and subsea HVDC cables to Singapore.

The project will **supply 24/7 renewable energy to Darwin and Singapore**, with 4 GW powering green industries in Darwin and 1.75 GW delivered to Singapore via a 4,300 km subsea cable via Indonesian waters.

In July 2024, the project obtained its principal environmental approval from the Northern Territory government and the NT Environment Protection Authority.

From Singapore's perspective, this project fits well. It supports Singapore's goal to decarbonise its power sector, which contributes 40% of national emissions.

The city-state's target is to import around 6 gigawatts (GW) of low-carbon electricity by 2035, which is around one-third of Singapore's energy supply then.

Singapore has already started importing 100 MW of clean power through another key multi-country project, the **Lao PDR-Thailand-Malaysia-Singapore Power Integration Project** (LTMS-PIP) launched in 2022, marking the first multilateral cross-border electricity trade agreement involving four SEA countries.

<u>Extended Blended finance</u>

As per the "Southeast Asia's Green Economy 2025 Report" by Bain & Company and Temasek, the SEA region managed to attract US$8bn in private sector investments in 2024, 43% higher than the previous year.

Of this, nearly two-thirds went into clean power projects. While investments have been growing, the region requires US$50bn by 2030 to stay aligned with the Paris Agreement.

Australia is playing a growing role in helping bridge this gap. In December, it pledged $75m of investments in **Singapore's Financing Asia's Transition Partnership** (FAST-P) initiative to support sustainable infrastructure development and clean energy transition in Southeast Asia.

FAST-P is a blended finance initiative launched by the Monetary Authority of Singapore at COP28 in 2023 to mobilise up to US$5bn to de-risk and finance green and transition projects in Asia. Australia's investment will be managed by Export Finance Australia (EFA) and deployed through the Green Investments Partnership (GIP).

Meanwhile, in Indonesia, the Australian Development Investments (ADI) committed US$8m as an anchor commitment to venture capital firm AC Ventures' Climate and Sustainability Fund.

ADI provides early-stage and concessional investment to impact investment funds. The investment targets key areas including renewable energy, electric mobility, energy efficiency, waste management, the circular economy, and climate-smart agriculture.

<u>Betting on emerging tech</u>

SEA countries are also witnessing a wave of strategic partnerships in emerging green technologies like green hydrogen and utility-scale battery storage projects.

In Thailand, Export Finance Australia (EFA) extended a US$79m loan to support a major renewable energy initiative, part of a US$820m construction facility arranged by the Asian Development Bank (ADB).

The funding will enable Gulf Energy Development Public Company Limited (Gulf Energy) to develop 12 renewable energy projects with a total capacity of 649 MW, including eight solar projects and four integrating solar with battery energy storage systems (BESS).

Listed on the Stock Exchange of Thailand, Gulf Energy is a leading energy producer with investments spanning renewables, natural gas, infrastructure, and digital services.

The initiative is a key component of Thailand's utility-scale renewable energy program and is expected to help double the nation's wind and solar capacity.

It also represents one of Southeast Asia's first large-scale applications of BESS technology. Currently, 60% of Thailand's power generation comes from gas, 20% from coal, and 20% from renewables. Under its **Power Development Plan 2024**, the country aims to push renewable energy to over 50% of the national energy mix.

In Malaysia's Sarawak region, ASX-listed Fortescue ((FMG)) is reportedly backing a green hydrogen project aimed at positioning Sarawak as a global hub for green hydrogen production and export.

Additionally, an Australian trade delegation from New South Wales has signed an agreement with Sarawak to advance large-scale renewable energy initiatives, share expertise in energy storage, and drive green technology innovation.

Recognising the risk in new and emerging technologies, Australia is also keen to conduct small-scale pilot programs to assess operational feasibility before scaling.

Recently, Australia and Singapore selected eight projects for funding as part of a $20m initiative to help reduce emissions in the maritime sector.

Projects are set for completion within two years and will focus on deploying low or zero-emission technologies for maritime and port operations, covering fuel supply chains for hydrogen, ammonia, and methanol, as well as vessel electrification and safety monitoring.

Net net, energy-hungry Southeast Asia presents a lucrative opportunity for Australian investors.

Favourable demographics, industrialisation, urbanisation and technological advances are driving growth in these economies.

As the region transitions towards a clean energy future and expands its cross-border electricity trade, partnerships with Australia's investors and its businesses have much to offer.

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

RUDI'S VIEWS

Rudi's View: How Do We Value The Future?

By Rudi Filapek-Vandyck, Editor

Invest in the future is an oft provided free piece of advice to investors, including by yours truly.

After all, when major technological changes descend upon society, it's better to own the manufacturer of the revolutionary automobile instead of having to witness your hard earned withering away in a cheaply priced company that sells carriages for live horse power.

In practice, however, this is far easier said than done.

The decade past has shown plenty of emerging, disruptive challengers that came unstuck eventually and never genuinely recovered. One look at the share price trajectory of 3P Learning ((3PL)) is all one needs to comfortably conclude there have been more disappointed shareholders than otherwise post 2015 ASX-listing.

Experiences from the likes of OFX Group ((OFX)), Appen ((APX)) or Tyro Payments ((TYR)) have not been dissimilar.

Then we have highly promising, though not yet profitable contenders such as Megaport ((MP1)) where share price volatility might be a major source for whiplash sufferings among investors across Australia.

Of course, there is also a small selection of high quality, strong growth achievers just about everyone admires where management at the helm seems to be doing all the right things, and has been for many years on end.

But then you look at the numbers underlying today's share price and your inner voice exclaims OMG!

92 times this year's forecast EPS! A dividend of zero point something percent!

Life aint smooth or easy for investors looking to partake in today's future-building megatrends and as far as the more successful, sustainable success stories on the ASX are concerned; valuation constantly shapes up as a serious barrier to get on board, at least for most investors.

But look what happened --yet again-- last week when an already expensive-looking share price for TechnologyOne ((TNE)) simply moved into an even higher gear to rally 17%-plus following another positive market update.

And it's not as if that rally is only based on market sentiment either, with every analyst covering this company lifting forecasts, valuations and price targets since.

Let's have a look at some of the changes in price targets post interim financials:

-UBS' target lifted to $42 from $33.30 (up by 25%)
-Shaw and Partners' target lifted to $36.60 from $29.50 (up by 24%)
-Morgans' target lifted to $36.85 from $29.90 (up by 23%)

What makes these double-digit jumps in price target even more remarkable is that management's guidance for the full year was only lifted by 1%, to profit growth between 13% and 17% as opposed to 12%-16%.

In comparison: Orica's ((ORI)) interim result earlier in the month arguably represented a much bigger outperformance vis-a-vis market forecasts.

Although its shares have rallied strongly too, FNArena's consensus target only shifted to $21.80 from $21 prior with the forward PE multiple after the rally still below the market average.

Surely, what investors are experiencing is a once-in-a-generation speculative bubble, right?

Example No 1: TechnologyOne

Successful investing in companies such as TechOne starts with the realisation, and acceptance, that good old fashioned Price-Earnings (PE) ratios might not be the best methodology when it comes to valuing high quality, high growth achievers that have all kinds of extra high quality features including stable or growing margins, a loyal customer base, real pricing power, an exciting new product line, excess cash, no asset requirements, low operating costs, and little to no debt.

After all, business models have changed dramatically over the past 2-3 decades and why should a cyclical price-taker with plenty of unpredictable risks and uncertainties be valued in the same manner as companies that almost literally churn out copious amounts of free cash flow, while generating positive growth year-in, year-out?

One methodology in particular that has gained popularity when it comes to valuing companies such as TechOne is the **Rule of 40** which either combines the annual growth rate in sales/revenues with the profit margin or with the percentage of free cash flow generated (multiple variations are being used).

The idea behind this methodology is to find a balance between growth and profitability. 20% growth combined with a 20% profit margin (or free cash flow, to avoid accountancy noise) then becomes the golden benchmark.

TechOne's sum amounts to 49 and is thus better than ideally balanced.

The Rule of 40 is widely used for SaaS companies (Software-as-a-Service) that deliver their products and servicing through the cloud.

TechOne, with a market cap now in excess of $12.5bn, is the largest SaaS company on the ASX. Last week's interim report showcased all kinds of fresh new records for the company, but we might as well stick with this measure.

Given 40 is the benchmark and not many companies are able to operate on a number above 40 over long periods of time, not even TechOne it has to be noted, last week's reading of 49 puts TechOne among a small selection of over-achievers internationally.

It means this company is currently on a roll, which is also the impression analysts took home after participating in a conference call with management afterwards.

As companies like TechOne are consistently operating on high profit margins, relatively small changes projected years into the future have an outsized impact on valuation models and price targets set by analysts.

Hence the question why is UBS's price target so much higher than, say, Morgans' comes down to UBS analysts being more confident in putting a higher number through their forward projections.

These differences don't have to be large, as also illustrated by the impact of management lifting its FY25 guidance by 1%.

One added factor is that TechOne has built up an incredible track record since 2004 and, assisted by a successful expansion into the UK market, the company's pace of growth has been accelerating, with lots of indications pointing towards higher growth for the years ahead.

Analysts at Goldman Sachs, for example, are convinced the new range for the years ahead is between 15% and 20% per annum.

Let's pause for a moment and compare with Orica's track record in recent years: its EPS fell from 64.5c in FY19 to 42.5c in FY20 to a loss of -42.5c in FY21.

Admittedly, there has been steady improvement in each of the following three years since, but this year is not expected to match last year's 110.7c. Plus we'll have to wait and see whether the FY26 forecast of 118.8c is something that can and will be achieved.

One additional factor to consider is that TechOne, with mission-critical services for core markets in Australia and the UK, comes with almost zero risk of unpleasant, unexpected impact from US import tariffs shenanigans, even at secondary level. Not something we can say about Orica and many others.

It goes without saying, investing in companies like TechOne is not by definition a guaranteed recipe for long-term success. There will be the occasional stumble and/or interruption, even if we assume management will achieve or exceed its target of $1bn in annually recurring revenues by FY30 at a higher margin.

Most analysts are by now convinced the company will beat its own ambition.

For your typical dyed-in-the-wool value investor all of the above smacks of over-confidence and future disaster. When the positive momentum stops, so the standard warning goes, you better not be on the register as regularly shown by companies such as [fill in names here] whose share price crashed on too much exuberance and underwhelming delivery.

Indeed, the more prominent the (out)performance of the shares, the higher the chance volatility will kick in, and it can be quite violent under the 'right' circumstances (or should that be the 'wrong' circumstances?).

Witness, for example, the trajectory in share prices of WiseTech Global ((WTC)), Xero ((XRO)) and Pro Medicus ((PME)) over the past three years. But volatility (short term) does not by definition equal 'risk' (longer term).

There's but a valid argument to be made that each correction or pull back has presented a great step-in opportunity for patient investors who are willing to believe in the ongoing strong growth trajectories, and in the embedded business qualities overall.

For those already on the register, which includes myself, we have to find and develop ways to deal with the fact there are always plenty of doubters and naysayers on the sideline, but a bout of extreme volatility in the share price does not prove their opinions or reluctance carry any validity.

Personally, I prefer to own the automobile manufacturer rather than get frustrated being locked in by a cheaply valued horse wagon company, even if it pays me an oversized dividend. But I happily admit, it's a personal choice.

My research into local **All-Weather Performers** has guided me towards a select group of above-average, quality performers that, in my view, deserve to be included in your standard long-term investment portfolio.

The experience from the past decade-plus shows such companies generally generate returns well above the market average, over time.

But getting on this journey, if ever, starts by accepting that measuring such companies by a simple PE multiple simply doesn't cut the mustard, and never will.

Example No 2: NextDC

Another company whose 'value' cannot be simply measured via the same methodology as investors tend to apply for the banks or for the Oricas listed on the ASX is data centres operator NextDC ((NXT)).

For starters; NextDC doesn't pay anything to its shareholders and instead at times comes cap in hand asking for more capital, plus there are no profits, which makes it difficult to calculate a multiple.

In my humble view, the ASX didn't do the company, or Australian investors for that matter, any favour by including this company in the local All-Technology sector, suggesting this is a technology-hopeful wishing to become profitable one day.

NextDC most definitely is not that.

Probably the best comparison is with toll roads operator Transurban ((TCL)). First you build the road, which costs a lot of money and takes time and carries risks, but once it's all in place the focus shifts to collecting cash (fees) and redistributing some of it to loyal shareholders.

It most definitely has worked for Transurban and its shareholders with those shares in 2025 not far off from their all-time record high. Transurban listed in the late 1990s.

It's a rough comparison only. Data centres most certainly do not enjoy the same exclusivity as most toll roads do, but the world is generating ever more data and more demand for data storage and inter-connectivity, and this means demand for services is explosive and data centres can hardly keep up.

In more recent times, data centre operators such as NextDC have been linked to the GenAI megatrend, but of course, global demand is much larger and more diverse than that. And we are from the finish line just yet.

Irrespective, if anything were to happen to the buoyant outlook for AI and the infrastructure build-out that supports it, this could --potentially-- have significant ramifications for an asset-heavy and capital-hungry participant that is NextDC.

If all fossil-fuel driven cars will be replaced with electric vehicles, this does not make Transurban's toll roads obsolete. If, however, we all start using AI tools on local hardware in our homes and offices, there will be a lot less demand for data centres, creating a risk of over-supply, if only temporary.

That risk seems to have become more tangible and concrete with DeepSeek's R1 competitor to ChatGPT and Microsoft's Co-Pilot and similar applications. In essence, China has pierced the narrative that AI will become the exclusive property of a few megacap American corporate giants who alone have the capability to spend giga-resources on developing the next generation of AI tools and applications.

The tech war between China and the USA is real, and it looks like Zuckerberg's Meta is willing to join DeepSeek as an open source developer, but will it derail the ongoing strong demand for data centres and for more capacity?

Of course, everything is possible, but the recent results season in the US showed hyperscalers such as Microsoft and Amazon remain steadfast in their conviction, and in their spending plans. Meta is itself investing heavily in future infrastructure and so is Blackstone, equally a major investor in data centres capacity.

History suggests there will be multiple bends and splits on the road to full capacity deployment of AI, and many alternative scenarios and variations will join the fray. Recent prognostications have nominated Australia as one of the strongest growing regions for data centre capacity demand worldwide between now and 2030.

To put an accurate valuation on a company such as NextDC, any modeling needs to take into account what the price will be for its services in the future, as well as the costs of running those centres, and all variations in between.

Good luck with that.

The key underlying thesis does not change: assuming ongoing strong demand and great execution by management, building more capacity and signing more contracts create more value for the company and its loyal shareholders.

As to how much the shares are worth in the here and now, I happily refer to Stock Analysis on the FNArena website where price targets are shown set by analysts whose daily job it is to make such assessments and calculations.

Same for TechOne, by the way.

Both NextDC and TechOne have been included in the **FNArena-Vested Equities All-Weather Model Portfolio** throughout most of the decade past, generating (well) above average rewards over that period.

Both stocks are included in my curated lists available 24/7 to paying subscribers: https://fnarena.com/index.php/analysis-data/all-weather-stocks/

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).

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

(This story was written on Monday, 26th May 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: The Contrarians' View

By Rudi Filapek-Vandyck, Editor

"We are not value investors, we are contrarians".

Funds managers **Allan Gray** and **Orbis** reeled out Chief Investment Officer **Simon Mawhinney** and Head of Global Investment Team **Simon Skinner** respectively of both related managers (the original Allan Gray started both in respectively 1973 and 1989) for a presentation to financial planners and media in Sydney earlier today (Thursday).

The opening quote perfectly summarises the investment style behind both strategies (local and international) as well as why both presentations contained plenty of warnings about investors blindly following market momentum and the crowd.

Taking a contrarian approach has a lot to do with going against the dominant market trend which, as history shows time and again, might eventually end with asset prices too far ahead of intrinsic value, and thus biding time for the next disaster to happen.

No surprise, anno 2025 the prime example of a share price that seems too far remote from reality is that of **CommBank** ((CBA)) locally. Both Allan Gray and Orbis are long-only investors, meaning they only take positions in shares with the aim of enjoying capital appreciation and income over time.

Short positions to gain from a lower share price further out are not part of the strategy, but Mawhinney, in a brief one-on-one conversation afterwards, did declare that if Allan Gray would be in a position to go short on one stock today, he would nominate CommBank.

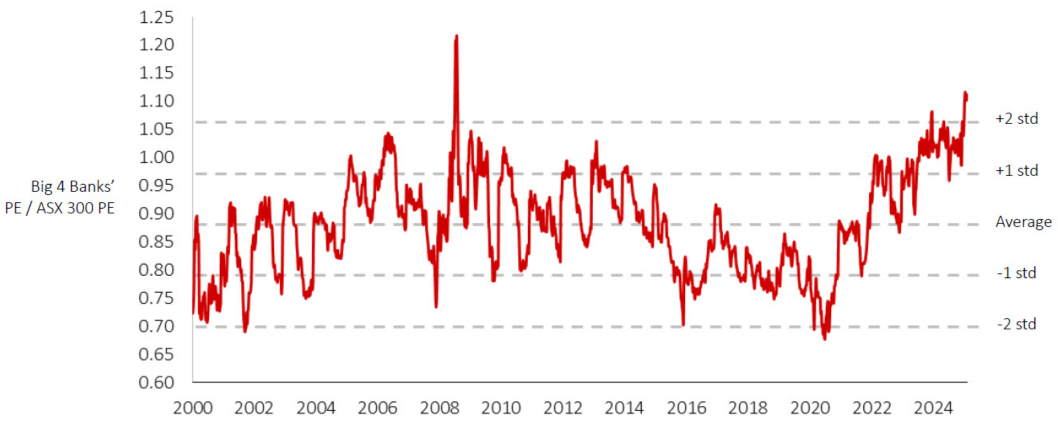
No other ASX-listed stock embodies the pushback to a contrarian view as much as Australia's most popular, largest, highest valued, and best performing bank.

Conversations with local advisors tend to mostly range from staunch resistance to flatout disbelief when Mawhinney suggests that share price is fundamentally worth less than $100.

Responses vary from "it's the largest holding in portfolios" to "we just own it and it keeps on going up". To Simon and Simon these conversations have red flags all over them, but try to get that message across when share market momentum has been so strong, and so lopsided as it has been over the past three years.

Significant valuation risk from the Big 4 Banks in the ASX 300

Big 4 Banks' P/E vs. Market P/E



Source: Factset. Data from 5 April 2000 to 30 April 2025 and is calculated using weighted average.

85% of investment returns in Australia, as measured through the ASX200, has come from eight stocks only; the big four banks, with CommBank in the lead, plus Wesfarmers ((WES)), Goodman Group ((GMG)), Aristocrat Leisure ((ALL)), and Macquarie Group ((MQG)).

Not necessarily denying the quality and growth that has driven those gains, but this also means the index weight of those eight is rising too, as does the concentration of many an investment portfolio.

Similar observations can be made about US indices, as well as about US markets versus the rest of the world, about developed markets versus emerging markets, and about large cap companies versus their smaller cap peers.

For your typical contrarian investor, all those trends from the past years --some have been in place for a decade or longer-- smack of too much momentum-following and position crowding, the common belief that trends keep on going on forever, and that fundamental valuations can be ignored indefinitely.

2024 was the year of momentum trades and by year-end valuations looked pretty spicy, to put it mildly. Portfolios managed by Allan Gray and Orbis had been underperforming, but it seems the tide has turned in 2025.

Both Simons are hopeful the gap between yesteryear's winners and losers might narrow further, allowing their contrarian, more value-based positions to continue outperforming.

Allan Gray's hot tip for the year(s) ahead is **Ramsay Health Care** ((RHC)) where the share price is now at levels last seen in 2012 (!), and just about everyone outside of a few die hards and your dyed-in-the-wool value investors, has by now given up on this share price ever trending back upwards again.

Time to take a contrarian view. When asked about risk assessment in our conversation afterwards, Mawhinney explained the strategy is not simply about picking up assets trading below fundamental value. A healthy dose of risk assessment is equally part of the decision-making process.

In simple terms: if 10% more downside risk is outweighed by 90% upside potential, it is worth jumping on the contrarian opportunity. Even then, a long-term horizon remains necessary.

Ramsay Health Care already looked a great opportunity at a higher price and Allan Gray started accumulating while the share price wouldn't stop falling. Today that position remains under water.

This does not deter from the conviction that margins for the private hospital operator are at or near rock bottom and only have one way to go from here, albeit with the understanding that more patience might be required.

The portfolio also owns Nufarm ((NUF)) in what can probably best seen as cheaply priced companies can still surprise to the downside, irrespective of market sentiment and investor positioning.

Other holdings that to date haven't exactly shot the lights out include Amcor ((AMC)), Dexus ((DXS)), Lendlease

Group ((LLC)), and Dyno Nobel ((DNL)).

Looking at the **top ten holdings for the Allan Gray Australia Equity Fund**, it is not difficult to decipher the contrarian, value-oriented approach (in order, largest holding first):

-Woodside Energy ((WDS))
-Ansell ((ANN))
-Newmont Corp ((NEM))
-ANZ Bank ((ANZ))
-Alcoa ((AAI))
-QBE Insurance ((QBE))
-Woolworths Group ((WOW))
-Fletcher Building ((FBU))
-Orora ((ORA))
-Telstra ((TLS))

One holding does stand out: ANZ Bank? Yep, it's the cheapest in an overvalued sector, acknowledges Mawhinney. The fund owned Bank of Queensland ((BOQ)) shares earlier, but has swapped those for ANZ.

Another discrepancy is Mawhinney's fondness for having **exposure to gold**, an affinity not shared by Skinner it has to be said, as the price of gold hasn't exactly been a laggard in recent years.

The fund has started to gradually reduce exposure to the metal in exchange for shares in the likes of Newmont with both Newmont and Barrick Gold seen as undervalued, in particular against much smaller operators on the ASX with much shorter asset lives left.

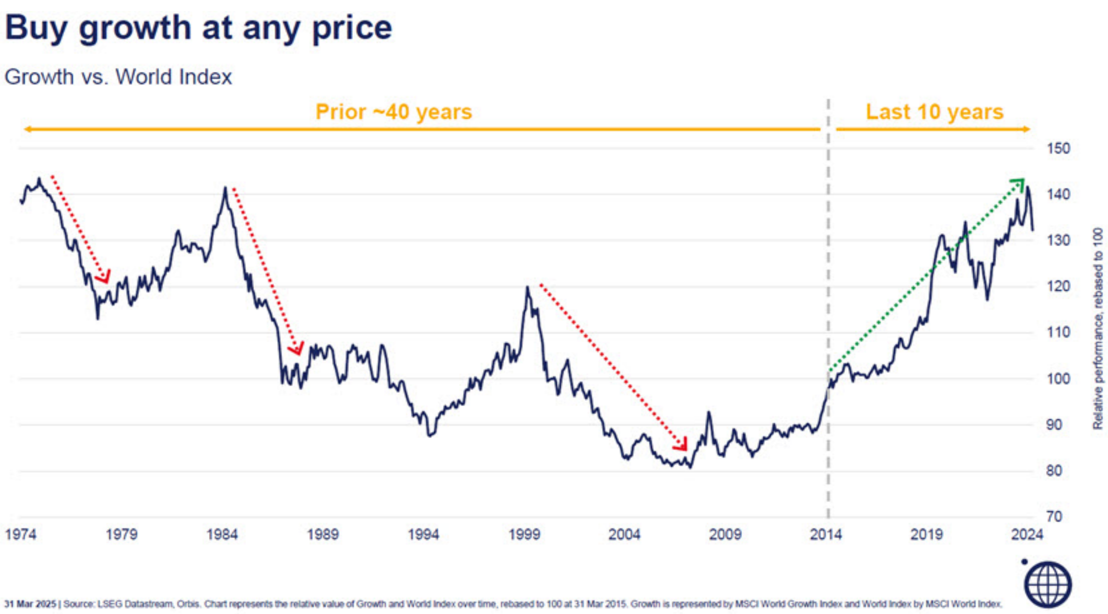
While some individual commodity stocks might appear in portfolios, both Simons explained there's no general appetite to move ears pinned back into commodities, regardless of their relative underperformance, and this includes uranium and lithium.

It's better to wait until capex programs are being wound back and supply curtailed, is the suggestion, after which, regardless of demand growth, a gap will open up between supply and demand.

This is not the situation today. And neither is China looking to announce the next big bang stimulus program.

Skinner's advice to investors is to be aware of how much market concentration has taken place under today's highly-priced major indices. Simply assuming that what has worked out well thus far is going to continue might not be the right approach. He looks very favourably towards undervalued Emerging Markets.

Orbis' hot stock tips are **Smurfit Westrock**, a global leader in sustainable paper-based packaging, and diversified Asian conglomerate **Jardine Matheson**. Both are seen as trading well below intrinsic valuation.



Both charts shown are from today's presentation and have been included with permission. The first is from Allan Grey (Australian banks) the second (above) is from Orbis.

Best Buys & Conviction Calls

Crestone's Best Sector Ideas:

-Ampol ((ALD))
-APA Group ((APA))
-Aristocrat Leisure ((ALL))
-Beach Energy ((BPT))
-Brambles ((BXB))
-Cochlear ((COH))
-CSL ((CSL))
-Goodman Group ((GMG))
-IGO Ltd ((IGO))
-James Hardie Industries ((JHX))
-Lottery Corp ((TLC))
-Macquarie Group ((MQG))
-Metcash ((MTS))
-Monadelphous Group ((MND))
-REA Group ((REA))
-ResMed ((RMD))
-Suncorp Group ((SUN))
-Xero ((XRO))

Crestone's selection for **sustainable income**:

-Amcor ((AMC))
-Ampol ((ALD))
-ANZ Bank ((ANZ))
-APA Group ((APA))
-Atlas Arteria ((ALX))
-Beach Energy ((BPT))
-BHP Group ((BHP))
-Car Group ((CAR))
-Coles Group ((COL))
-Dalrymple Bay Infrastructure ((DBI))
-Iress ((IRE))
-Lottery Corp ((TLC))
-Macquarie Group ((MQG))
-Metcash ((MTS))
-Mirvac Group ((MGR))
-Pro Medicus ((PME))
-QBE Insurance ((QBE))
-RAM Essential Services ((REP))
-ResMed ((RMD))
-Suncorp Group ((SUN))
-Tabcorp Holdings ((TAH))
-Telstra Group ((TLS))

****

Four ASX-listed companies feature on **Goldman Sachs' Conviction Buy** list for the APAC region:

-Iluka Resources ((ILU))
-NextDC ((NXT))
-ResMed ((RMD))
-Worley ((WOR))

****

Jarden's monthly update on **Emerging Companies** (i.e. smaller caps) showcases 16 stock picks in Australia; one less than in the month prior. The following seven have been highlighted as representing the potential highest return, ranked in order of total shareholder return:

-GQG Partners ((GQG))
-Qualitas ((QAL))
-Universal Store Holdings ((UNI))
-Dicker Data ((DDR))
-SiteMinder ((SDR))
-EVT Ltd ((EVT))
-Temple & Webster ((TPW))

Apart from their order of appearance, nothing has changed to that selection. The other ten:

-Arena REIT ((ARF))
-Genesis Energy ((GNE))
-Harvey Norman ((HVN))
-Integral Diagnostics ((IDX))
-Jumbo Interactive ((JIN))
-Karoon Energy ((KAR))
-Michael Hill ((MHJ))
-Pepper Money ((PPM))
-Vault Minerals ((VAU))

****

Morgan Stanley's Macro+ Focus List in Australia is currently made up of:

-Aristocrat Leisure ((ALL))
-ANZ Bank ((ANZ))
-Car Group ((CAR))
-Goodman Group ((GMG))
-GPT Group ((GPT))
-James Hardie Industries ((JHX))
-Orica ((ORI))
-Santos ((STO))
-Suncorp Group ((SUN))
-Xero ((XRO))

****

Morgan Stanley's **Australia Macro+ Model Portfolio** is currently made up of the following:

-ANZ Bank ((ANZ))
-CommBank ((CBA))
-National Australia Bank ((NAB))
-Westpac ((WBC))

-Macquarie Group ((MQG))

-Suncorp Group ((SUN))

-Goodman Group ((GMG))
-GPT Group ((GPT))
-Scentre Group ((SCG))
-Stockland ((STG))

-Aristocrat Leisure ((ALL))
-Eagers Automotive ((APE))
-CAR Group ((CAR))
-Domino's Pizza ((DMP))
-The Lottery Corp ((TLC))
-Wesfarmers ((WES))
-WiseTech Global ((WTC))
-Xero ((XRO))

-James Hardie ((JHX))

-Amcor ((AMC))
-Cleanaway Waste Management ((CWY))
-Orica ((ORI))

-Coles Group ((COL))

-CSL ((CSL))
-ResMed ((RMD))

-AGL Energy ((AGL))
-Telstra ((TLS))
-Transurban ((TCL))

-BHP Group ((BHP))
-Newmont Corp ((NEM))
-Rio Tinto ((RIO))
-South32 ((S32))

-Santos ((STO))
-Woodside Energy ((WDS))

****

Morningstar's list of **Best Buy Ideas** regarding companies listed on the ASX can at times remain unchanged for a prolonged period of time.The current selection has been in place for quite a while now. Value investing has its challenges too.

-APA Group ((APA))
-ASX Ltd ((ASX))
-Aurizon Holdings ((AZJ))
-Bapcor ((BAP))
-Brambles ((BXB))
-Dexus ((DXS))
-Domino's Pizza Enterprises ((DMP))
-Endeavour Group ((EDV))
-Fineos Corp ((FCL))
-IDP Education ((IEL))
-IGO Ltd ((IGO))
-Ramsay Health Care ((RHC))
-SiteMinder ((SDR))
-TPG Telecom ((TPG))
-Woodside Energy ((WDS))

****

Shaw and Partners' Large Caps Model Portfolio:

-ANZ Bank ((ANZ))
-Aristocrat Leisure ((ALL))
-BlueScope Steel ((BSL))
-Brambles ((BXB))
-Dexus ((DXS))
-Macquarie Group ((MQG))
-Newmont Corp ((NEM))
-South32 ((S32))

Shaw and Partners' **emerging companies Top Picks:**

-AML3D ((AL3))

-Australian Vanadium ((AVL))
-Bannerman Energy ((BMN))
-Chrysos ((C79))
-Humm Group ((HUM))
-Metro Mining ((MMI))
-Santana Minerals ((SMI))
-Southern Cross Electrical ((SXE))

****

UBS's portfolio sector recommendations currently have only two segments on Overweight'; Insurance and TMT (Technology, Media & Telecommunication).

All of Banks, Energy and Small Caps are Underweight'. Everything else sits on Neutral' (i.e. their weighting is recommended to mirror the local index) with Healthcare being upgraded in April and Industrials downgraded.

UBS's lists of Most Preferred and Least Preferred ASX-listed exposures currently consist of the following:

Most Preferred

<u>Resources</u>
-BHP Group ((BHP))
-BlueScope Steel ((BSL))
-Northern Star ((NST))
-Orica ((ORI))
-Origin Energy ((ORG))

<u>Financials & REITs</u>
-Dexus ((DXS))
-Lifestyle Communities ((LIC))
-Medibank Private ((MPL))
-QBE Insurance Group ((QBE))
-Steadfast Group ((SDF))

<u>Industrials</u>
-Brambles ((BXB))
-Coles Group ((COL))
-Collins Foods ((CKF))
-Light & Wonder ((LNW))
-REA Group ((REA))
-SGH Ltd ((SGH))
-TechnologyOne ((TNE))
-Telstra ((TLS))
-Telix Pharmaceuticals ((TLX))
-Xero ((XRO))
-Life360 ((360))

Least Preferred

-Aurizon Holdings ((AZJ))
-ASX Ltd ((ASX))
-Bank of Queensland ((BOQ))
-CommBank ((CBA))
-IDP Education ((IEL))
-Lovisa Holdings ((LOV))
-Reece ((REH))

****

Wilsons' Focus Portfolio currently contains the following:

-ANZ Bank ((ANZ))

-Aristocrat Leisure ((ALL))
-BHP Group ((BHP))
-Brambles ((BXB))
-Car Group ((CAR))
-Collins Foods ((CKF))
-CSL ((CSL))
-Evolution Mining ((EVN))
-Goodman Group ((GMG))
-HealthCo Healthcare & Wellness REIT ((HCW))
-Hub24 ((HUB))
-James Hardie ((JHX))
-Mac Copper ((MAC))
-Macquarie Group ((MQG))
-ResMed ((RMD))
-Sandfire Resources ((SFR))
-Santos ((STO))
-South32 ((S32))
-TechnologyOne ((TNE))
-Telix Pharmaceuticals ((TLX))
-The Lottery Corp ((TLC))
-Westpac Bank ((WBC))
-WiseTech Global ((WTC))
-Woolworths Group ((WOW))
-Worley ((WOR))
-Xero ((XRO))

****

Wilsons' analysts selected the following five as **Key Investment Opportunities**:

-ResMed ((RMD))
-Goodman Group ((GMG))
-Xero ((XRO))
-Brambles ((BXB))
-WiseTech Global ((WTC))

Wilsons' **High conviction investment ideas** across the industrials (ex resources) part of the market; typically businesses with attractive structural growth prospects:

-Pinnacle Investment Management ((PNI))
-Nanosonics ((NAN))
-Ridley Corp ((RIC))
-ARB Corp ((ARB))
-SiteMinder ((SDR))

Wilsons' number one **speculative idea**:

-Clarity Pharmaceuticals ((CU6))

****

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(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.)

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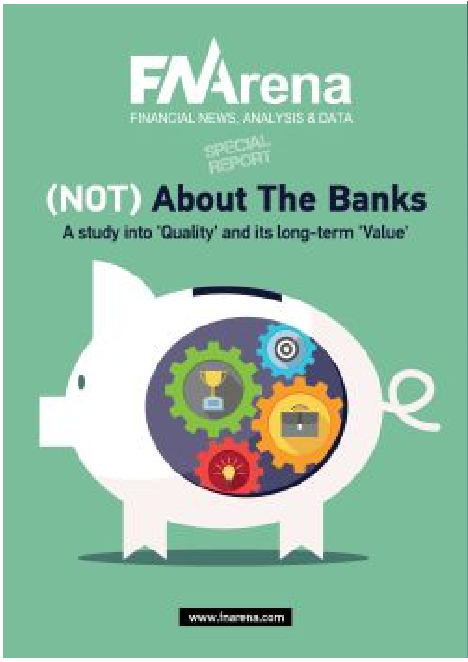

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SMALL CAPS

Seeds Of Doubt For Nufarm

Nufarm's much-lauded omega-3 seeds business posted a shockingly weak first half result. Under balance sheet pressure, the company has placed the business under review.

-Nufarm posted a big first half miss, all to do with omega-3
-Weaker than average fish oil prices to blame
-The Seeds business is now up for sale (maybe)

By Greg Peel

Agricultural company Nufarm's ((NUF)) base business has long been that of Crop Protection herbicides, insecticides and efficient application technology but in more recent years the company's jewel in the crown, and expected source of strong growth potential, has been its Seeds Technologies business.

Within that business Nufarm's carinata (a non-food oilseed feedstock) and "energy cane" are supplying sustainable biomass feed stocks for the rapidly growing biofuels industry, but the jewel in the crown of the jewel in the crown Seeds business, as Morgan Stanley puts it, and no-one disagrees, is Nufarm's Hybrid Seeds business.

Morgan Stanley is specifically referring to omega-3 canola; the world's first plant-based source of omega-3 for human nutrition and animal feed, which "takes the pressure off the world's wild fish stocks and oceans and can double the world's supply of omega-3, essential for good health," as the company's website explains.

For a long time now, analysts have been prepared to look past the inevitable weather cycles impacting crops across the globe and thus impacting the Crop Protection business to the sheer growth and margin potential of omega-3 canola when assessing Nufarm.

Damn Those Fish

Last week Nufarm reported first half (end-March) underlying profit well below consensus forecasts due to a "shockingly weak" performance in Seed Technologies, as Bell Potter puts it, and no-one disagrees. Investors were clearly shocked, knocking -30% off Nufarm's share price on the day (and more since).

The company's revenues were up 3% year on year, but earnings fell by -5%. An operating profit of $38.5m compares to $50.9m in the first half FY24 and analysts' forecasts in the $60-70m range. The shortfall is entirely linked to the Seed Technologies platform, for which sales fell -3% year on year and earnings -46%. The result included a -$28m impairment of omega-3 inventories.

The weak result and write-down were driven by competing fish oil prices falling to -15% below average due to excess global supply.

Outside of Seeds, Nufarm's result was weak on all levels, Morgans notes, except for the Asia-Pacific operations (earnings up 29% year on year) and Europe (26%).

Ongoing Uncertainty

While a portion of the hit to Seeds is cyclical and temporary, Morgan Stanley suggests, this result did challenge the attractiveness of this supposedly higher quality business. Nufarm has "finally shown", says Morgans, that this business can also be severely impacted by unfavourable seasonal conditions and volatile pricing, and it is highly capital intensive.

As expected, no formal FY25 earnings guidance was provided. However, outlook comments were cautious and management highlighted several uncertainties which could impact the second half given weak fish oil prices, tariff uncertainty and dry weather in (southern) Australia affecting canola planting.

Previous omega-3 guidance for revenue to more than double in FY25 has been removed. Nufarm stated if the current weakness in fish oil pricing continues to hold, earnings from Seed Technologies for the second half could be -$20m below a year ago. This would imply a second half loss of -$13m.

Nufarm continues to target $50m of annualised savings in overhead costs by the end of FY25, with the full benefits to be seen in FY26. However, the company is facing a more pressing and immediate need.

Under Review

Nufarm's leverage (net debt to earnings) ratio has risen to 4.5x, compared to a target range of 1.5-2x, and management does not expect leverage to be back in the target range until the end of FY26.

Given subdued fish oil prices in FY25, Nufarm has walked away from its prior $100m revenue expectation from omega-3. There is potentially more pain to come, Citi notes, with more canola seeds being planted and Nufarm having to sell these at losses. The company has opted to review Seed Technologies to assess various options.

Citi believes Nufarm is likely to face pushbacks when it comes to recouping Seed Technologies' book value (circa $900m according to the first half accounts) given current underperformance in omega-3, as well as a ramp-up of risks associated with biofuels.

Given Seed Technologies had been considered a growth engine for Nufarm, an appropriate multiple for this business is likely to be revised down by the market given its challenges and Nufarm's decision to review, Citi warns.

While nothing is committed, the company said it would "explore ownership structures to support and accelerate the next stage of commercialisation". Morgan Stanley thinks questions will be inevitably asked about whether this action has been prompted by either the deterioration in the balance sheet or a reduced attractiveness of this business going forward.

Morgans highlights the state of the balance sheet and the fact the Seed Technologies portfolio requires additional investment to reach its full potential. Management said it has received some inbound interest in recent times, and Nufarm's jewel in the crown is now up for sale, in part or in full.

Investors may be left with an equity stake in this business or a lower quality and lower multiple Crop Protection business. Trying to sell this business when earnings are so depressed may result in a disappointing outcome, Morgans warns, despite its book value and other recent seed transactions being conducted on large multiples of more than 20x earnings.

Proceeds will likely be required to restore Nufarm's balance sheet. If the company can't sell Seed Technologies, a large and highly dilutive capital raising can't be dismissed, analysts agree, especially if operating conditions continue to deteriorate.

There are various parts of Seeds business, Macquarie notes (eg, hybrid seeds, biofuels & oils), which may have appeal to different potential acquirers across trade and private equity. The $900m book value is a marker.

With exception of the Hybrid Seeds business, Citi suggests Nufarm is likely to find it challenging to offload other parts of Seed Technologies.

Meanwhile, while volumes are progressively recovering with channel restocking, Crop Protection is not out of the woods yet. Citi notes, alongside tariffs, this division faces persistence of just-in-time purchasing patterns and delays in North America, unfavourable weather conditions in Australia, and continued oversupply of active ingredients from China limiting potential for a price uplift.

Citi is encouraged by Nufarm's cost control as well as stabilisation of pricing in general, but any incremental uplift in the near term is likely to be limited to volume growth.

Too Hard Basket?

Leverage remains elevated, and the fact no guidance was handed down signals persevering uncertainty. Thus Citi retains its Sell rating and cuts its target to $2.60 from $3.75 on forecast changes.

On the -30% share price reaction, Macquarie sticks with Neutral, cutting its target to $3.20 from $4.11. However, balance sheet risks have increased and the earnings outlook is opaque regarding fish oil prices, dry Australian weather and tariffs. A potential Seeds sale may provide value discovery and balance sheet relief, Macquarie suggests, but it would be a six-month-plus process.

Morgan Stanley has cut its target to $2.80 from $3.90. The soft first half result and elevated gearing challenge this broker's confidence in the business, particularly in the face of increased global uncertainty. Morgan Stanley would like to see an improved leverage position and demonstration that pricing, revenues and earnings are rebounding before considering adopting a more positive stance than Equal-weight.

Just when the Crop Protection industry appears to be recovering from its recent downturn, Seed Technologies is now in a downgrade cycle, Morgans laments, when in recent years, investors have been excited by the growth profile and margins of the Seed Technologies business.

The current situation reminds Morgans of 2019 when Nufarm was also in a downgrade cycle, its balance sheet leverage became too high, and this ultimately resulted in the company selling its South American operations. Post forecast changes, Morgans' target has fallen to $2.78 from $4.53.

"In our view, Nufarm is in the too hard basket until we know what this company consists of moving forward and it gets its leverage ratios down to more acceptable levels."

Morgans has downgraded to Hold from Add.

One broker nonetheless retains some faith.

Understandably, says Bell Potter, the stock has reacted to the disappointing result in omega-3. However, the commencement of a process that could unlock value in the $900m asset, when similar businesses have divested minority portions at a PE of around 20x, would imply a potentially compelling break-up scenario that is not reflected in the current share price.

Bell Potter has cut its target to $3.45 from $4.35 but retains Buy.

UBS (Neutral) was as shocked as the aforementioned peers and to date has only released a preliminary, initial response, which makes its $4.50 price target look out of whack.

That leaves one Buy or equivalent, four Holds and one Sell rating for Nufarm among brokers monitored daily by FNArena covering the stock. The consensus target has fallen to $3.22 from a prior $4.32.

That would have been $2.97 without UBS.

RBC Capital has cut its price target to $3.50 from 5.00. Rating is Sector Perform, Speculative Risk.

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SMALL CAPS

Elders Building Through-The-Cycle Resilience

Progress was made since management re-aligned Elders in 2016, but work continues to smooth earnings through the cycle while operating in a highly cyclical and weather dependent industry

-Elders' businesses continue to battle droughts and flooding rains
-Interim result much improved, but below expectations
-Agency business continues to shine
-ACCC decision on Delta purchase imminent

By Danielle Ecuyer

Keeping up with market expectations

Even though Elders ((ELD)) is one of Australia's leading agribusinesses and is sometimes referred to as the "Bunnings of the bush", the risk-adjusted benefits of diversification across asset classes and business divisions couldn't offer the company enough in terms of variable earnings growth in the latest half-year earnings report.

While analysts' responses to the first-half results were mixed, the market was adamant around disappointment with a thumbs down, pushing the share price lower on the day.

Elders took the title of the top 20 biggest percentage loser in the ASX300, down -6.67% on the day of its results announcement, May 26, 2025.

Were the results that bad?

At first glance, the first-half earnings before interest and tax advanced 67% and net profit after tax rose 167%, with earnings margin up to 4.5% against 2.9% in the previous year.

Underlying net profit after tax rose 165% on 1H24, boosted by a lower-than-expected tax rate and lower net interest costs.

Citi notes costs came in above forecasts due to additional bolt-on acquisitions in 1H25.

Return on capital moved higher compared to a year earlier, to 12.7% from 11.4%.

The raw numbers seem impressive but were below expectations, except for Bell Potter.

For example, Macquarie noted, while earnings before tax and interest were up strongly, the result still came in below the analyst's previous forecast by -18%.

In terms of the cashflow, lease-adjusted it came in at $2.9m compared to net cash inflow of $26.2m a year earlier due to the timing on livestock receivables, resulting in a net negative impact on cashflow of -$34.9m.

A $239m capital raising for the proposed acquisition of Delta Agribusiness has supported the balance sheet. Net debt (excluding leases) came in at $279.8m against $356.3m in 1H24, thereby lowering net interest costs.

Adverse weather conditions impact 2Q25

Morgans described the first-half period along the lines of a tale of two quarters, with the first quarter benefiting from normal weather conditions and the second impacted by drought conditions in Victoria (notably the western region) and South Australia, with cyclones in the north of eastern Australia.

The dry conditions in the south resulted in an earnings before interest and tax impact of between -$10m-$15m, a decline of some -11% on a year earlier.

The impact of drought conditions in Vic and SA was double on Crop Protection compared to other regions; SA earnings declined -16%.

The AgChem business, including Crop Protection, as it is referred to, includes herbicides, insecticides, fungicides and pesticides etc., which are applied for improved crop management, horticulture and pasture farming.

The division is part of Elders' Retail Products, which is the largest revenue and earnings contributor, generating in the order of circa 30%-35% of earnings before interest and tax.

Citi believes the upside potential for Crop Protection could exceed the Western Australian experience in FY24, where more positive weather conditions (i.e., rain) can result in a robust pick-up in demand for post-emergent Crop Protection products (those used after crops have germinated), and which are also typically higher margin due to the specific chemistry.

Morgans points to a favourable Bureau of Meteorology rainfall outlook as a potential positive for the upcoming months in the drought-affected regions.

Management suggests the sales foregone in the first half are not canceled but potentially deferred to 2H25, bearing in mind the fiscal year end is September 30, as winter plantings are delayed.

In terms of Crop Protection costs and input pricing from China FOB export values into Australia were higher and fertiliser prices in FY25 are looking at being up 15%-20% on a year earlier, Bell Potter points out.

Real Estate, Agency and Wholesale offer offsets

Offsetting the weakness in AgChem, Elders experienced a higher-than-expected contribution from Real Estate, Agency (livestock, wool brokerage and auctions) and Wholesale.

Macquarie highlights Agency as the "standout", while acquisitions boosted earnings growth in Real Estate and Financial Services. Agency is the largest contributor to earnings before interest and tax at 40%-45%.

The company anticipates ongoing momentum from Agency Services, including an automated wool handling facility, to generate around $4m-$5m in earnings before interest and tax for FY25.

Citi points to an "upswing" in livestock with relatively robust demand, although Macquarie counters there may be some impacts on volumes from South Australian de-stocking.

Bell Potter's estimate for the growth value for cattle turned off --a euphemism for sale of cattle off-farm-- was a rise of 39% on the previous year, and a 44% increase for ovine.

Recent indications in the third quarter suggest ongoing advances of a 9% annual rise for cattle and 20% for ovine.

Aligning Elders' Business for Growth

Strategically, management is continuing to focus on its Eight-Point Plan to achieve earnings/EPS growth of

5%-10% through the cycle by growing margins as it integrates backwards and makes bolt-on acquisitions, including Delta Agribusiness, which is awaiting ACCC approval.

Delta is aimed at increasing Elders' product offering across crop protection, seeds, animal health products, fertiliser and fuels.

"Delta provides us with greater exposure to key local retail markets as well as a market-leading agronomy and farm advisory team to complement and extend our products and services range for rural and regional customers, particularly in New South Wales, North West Victoria, South Australia and Western Australia," CEO Mark Allison stated in December last year.

Morgans believes $12m in synergies will prove to be conservative, and the expected announcement from the ACCC is soon --either a statement of issues or final decision-- which would bring forth Elders' network by 68 locations and 40 wholesale customers.

Wilsons expects the addition of Delta will boost analysts' earnings estimates substantially in FY25-FY26. Macquarie incorporates 9% EPS accretion by FY26, starting with factoring in a contribution in 1H26.

Elders is lifting its profitability over the long term by reducing reliance on external suppliers, selling more of its own higher-margin products, and becoming more vertically integrated, as evidenced by the 2023 Titan acquisition (a supplier of crop protection and animal health chemicals).

This strengthens both margins and resilience across agricultural cycles.

Notably, Elders paid out an 18c dividend per share, which caught the attention of analysts as it brought the payout ratio to 84% against the FY26 target of 40%-60% net profit after tax payout ratio.

Morgans commented the dividend was "materially" above expectations and emphasised Elders' capital management has resulted in too-high dividend payouts.

The criticism comes as management has successfully turned the company around since FY16, including deleveraging the balance sheet.

<u>What the brokers think</u>

Non-daily monitored broker, Wilsons is un-apologetically sympathetic to the earnings variability of an agribusiness like Elders, pointing out the seasonality cuts both ways --positive and negative-- and should be considered a core part of the investment case.

Wilsons believes management has proven earnings resilience and growth through the cycle, with the earnings profile more than discounted in the share price.

The company is expected to deleverage the balance sheet in 2H25, with net debt to earnings (EBITDA) currently at 2.7x at the end of 1H25 against the target range of 1.5x-2.0x aimed for the end of 2025, as the rate of acquisitions slows, and no corporate tax payment is due until FY26.

Daily monitored brokers at FNArena are equally positive, with three Buy-equivalent ratings, and Macquarie on research restriction.

Earnings forecasts have been tweaked. Macquarie estimates earnings before interest and tax (EBIT) at $94m in 2H25 compared to the average of the last four years at $92m, plus a boost from acquisitions, and Delta pushing the FY25 EBIT estimate to $158.6m.

This compares with Citi at $171m, which includes an improved cost profile resulting in higher margins and risks as seen to the upside for earnings.

Morgans' EBIT estimate sits at $165m compared to $175m previously, with a lowered $5m contribution from Delta in FY25 from $12.5m due to the ACCC delay.

Wilsons highlights management offered no guidance with AgChem rural products doing better in 2H and fundamentals for livestock remaining solid, particularly for upside to prices if supply tightens after de-stocking.

Lower interest rates may boost the Real Estate business which has a positive outlook and Financial Services is transitioning to the broker model with an expanding product uptake, the analyst explains.

Bell Potter is the most upbeat in terms of target prices at $9.10, with the consensus target price set at $8.813.

Wilsons has a Buy-equivalent rating and $8.22 target price.

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 - 23-05-25

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 May 19 to Friday May 23, 2025
Total Upgrades: 6
Total Downgrades: 6
Net Ratings Breakdown: Buy 61.69%; Hold 32.11%; Sell 6.20%

For the week ending Friday, May 23, 2025, FNArena tracked six upgrades and six downgrades for ASX-listed companies from brokers monitored daily.

Although less pronounced than in previous weeks, this marks the fourth consecutive week in which the top ten percentage declines in average target prices and in forecasts have outweighed any gains across the board in the tables below.

In no surprise to long-term shareholders, TechnologyOne revealed record-beating first-half metrics and management raised FY25 profit guidance, noting SaaS-Plus is accelerating in the UK.

According to management, the company possesses a "game changing" SaaS-Plus offering, which is being deployed in the UK to significant effect. This business now represents around 8% of group annual recurring revenue (ARR).

As further explained at https://fnarena.com/index.php/2025/05/23/technologyone-the-beat-goes-on/, management has achieved a 49.4% Rule of 40 metric which fits in between the levels achieved by fellow ASX-listed heavyweights Xero and Pro Medicus.

Used to assess the balance between growth and profitability, the rule is calculated as the sum of TechOne's free cash flow margin (22%) plus the revenue growth rate of 27.4%.

Following TechOne on the positive change to average target price are Syrah Resources and Lynas Rare Earths with FY25 increases of around 13% and 6%, respectively.

Syrah Resources, which specialises in the supply of natural graphite and battery anode materials, operates the Balama mine in Mozambique, one of the world's largest and lowest-cost sources of natural flake graphite.

In Vidalia, Louisiana, Syrah also operates a downstream facility which processes natural graphite from Balama into active anode material, which is a key component in lithium-ion batteries used for electric vehicles and energy storage systems.

Last week, Macquarie raised its target for Syrah by 11% to 30c after changes in production restart, price realisation, and funding assumptions, and also downgraded to Neutral from Outperform following recent share price strength.

Synthetic graphite remains in oversupply, cautioned the analyst, with China maintaining dominance in the battery-grade market, a dynamic that is likely to cap graphite price upside.

Positively, Morgan Stanley (Equal-weight) upgraded its rare earth price forecasts and raised its target for Syrah to 40c from 22c.

This broker felt critical minerals will need a significant increase in supply to meet the fast-growing demand from robotics. One of the challenges in meeting this demand is the rising average lead times for mines, the analysts noted.

Morgan Stanley's higher rare earths price forecasts resulted in an upgrade to Overweight from Underweight for Lynas Rare Earths after a target price increase to $10 from $7.10.

Lynas specialises in the production and processing of rare earth elements, critical minerals used in high-tech, green energy, and defence applications. The company is the only significant producer of separated rare earths outside China.

On the flipside, average targets for global crop protection and seed technologies company Nufarm and Monash IVF fell by -26% and -13%, respectively.

Morgans lowered its target for Nufarm to $2.78 from $4.53 and downgraded to Hold from Add after interim results missed consensus forecasts, with a full-year loss now looking likely. The main disappointment, according to the broker, was the underperformance of the Seed Technologies business.

Morgan Stanley is no longer confident about Nufarm's business prospects, noting elevated gearing in an uncertain global environment.

A review into the Seeds business has begun, with all options on the table. A partial or full sale could unlock value and reduce balance sheet risk, highlighted Macquarie. The review is expected to take at least six months.

Provider of fertility and reproductive health services Monash IVF downgraded its FY25 underlying net profit guidance to $27.5m from $30-31m, citing soft trading conditions in March and April; improvement in May is not expected to offset that weakness.

Morgans decided to upgrade its rating for the company to Speculative Buy from Hold given a rebased earnings guidance for FY25 and in the belief the current valuation is too low.

Analysts at Macquarie felt operating costs will rise as the company increases marketing costs following the recent scandal following an embryo transfer error and higher salaries to retain staff.

New Zealand-based technology company, Serko, provider of corporate travel and expense management solutions, appears next on the ranking for negative change to target prices but also heads up the table for positive change to earnings estimates.

This anomaly is due to higher FY26 forecasts replacing FY25 numbers, after the company reported weaker-than-expected FY25 results.

FY25 revenue, excluding contribution from GetThere, came in at $85.7m, at the lower end of the $85-92m guidance. For FY26, management guided to revenue of $115-123m. Managed revenues in Australasia and North America were lower-than-expected.

Macquarie lowered its target to NZ$3.17 from NZ$4.38 and downgraded to Neutral from Underperform.

While the acquisition of GetThere has altered the risk profile, Citi maintains confidence in the long-term opportunity, supported by ongoing strong momentum in Booking.com for Business (B4B). The analysts see upside should new B4B features improve conversion and with US growth anticipated to resume post the platform rollout.

UBS re-iterated its Buy rating for Serko with the company's share price having declined by around -25% since March.

Turning to falls in average earnings forecasts by brokers, here Gentrack Group is placed on the table between Nufarm and Monash IVF. This company provides software solutions for energy and water utilities, as well as airports.

While Gentrack's interim result missed expectations and first-time FY25 guidance was lower-than-expected, analysts' reviews conclude revenue quality is on the improve with rising annual recurring revenues.

Positively, the group is relatively immune to tariffs/lower IT spend and analysts remain upbeat on the outlook as detailed in https://fnarena.com/index.php/2025/05/21/gentrack-stumbles-but-confidence-remains-high/

Total Buy ratings in the database comprise 61.69% of the total, versus 32.11% on Neutral/Hold, while Sell ratings account for the remaining 6.20%.

Upgrade

CHARTER HALL LONG WALE REIT ((CLW)) Upgrade to Buy from Neutral by Citi .B/H/S: 1/4/0

Citi anticipates upside for shares of Charter Hall Long WALE REIT as falling rates drive earnings (EPS) forecast upgrades of 4% in 2026 and 9% in 2027.

The broker notes the REIT trades at a -14% discount to net tangible assets (NTA) of $4.62, while also offering an attractive forward dividend yield. It's felt asset values could rise, compressing the current implied cap rate of 5.7%.

Management's defensive tenant base and long lease expiries support income resilience, though Citi flags higher gearing and interest expense as key risks to earnings momentum.

The broker raises its target to $4.40 from $4.00 and upgrades to Buy from Neutral.

GENTRACK GROUP LIMITED ((GTK)) Upgrade to Neutral from Sell by UBS .B/H/S: 3/1/0

UBS raises its target price for Gentrack Group to NZ$12.00 from NZ$11.75 and upgrades to Neutral from Sell.

The broker acknowledges 1H earnings were softer than expected, due to project revenue lumpiness and increased investment in utilities R&D and sales, but highlights an "impressive" pipeline.

The company reported revenue of NZ$112m and earnings (EBITDA) of NZ$13m, which was -15% below UBS and consensus. Airport earnings exceeded expectations, and a stronger New Zealand dollar added a 7% earnings tailwind, explains the broker.

The broker expects FY25 to be a transitional year as management expands into Asia, the Middle East and Europe.

Management is guiding to revenue of greater than or equal to NZ$230m and earnings margins above 12%, implying to UBS earnings of at least NZ$29m, -15% below consensus.

UBS believes growth will resume in FY26 as international scoping studies convert to longer-term contracts.

ILUKA RESOURCES LIMITED ((ILU)) Upgrade to Overweight from Equal-weight by Morgan Stanley .B/H/S: 4/1/0

Morgan Stanley believes critical minerals will need a significant increase in supply to meet the fast-growing demand from robotics. One of the challenges in meeting this demand is the rising average lead times for mines.

The broker estimates supply deficits by 2040/2050 of -13%/24% of the market for NdPr, -75%/78% for lithium, -16%/34% for cobalt, -17%/25% for nickel and -0.6%/1.5% for copper, respectively. Rare earth price forecasts have been upgraded

The broker updated its forecasts for Iluka Resources to include financing for the Eneabba refinery, which led to sharp cuts in FY26 and FY27 EPS forecasts. Valuation, however, rose on the upgraded price forecasts.

Target price rises to $4.65 from $3.50. Rating upgraded to Overweight from Equal-weight.

LYNAS RARE EARTHS LIMITED ((LYC)) Upgrade to Overweight from Underweight by Morgan Stanley .B/H/S: 2/2/2

Morgan Stanley believes critical minerals will need a significant increase in supply to meet the fast-growing demand from robotics. One of the challenges in meeting this demand is the rising average lead times for mines.

The broker estimates supply deficits by 2040/2050 of -13%/24% of the market for NdPr, -75%/78% for lithium, -16%/34% for cobalt, -17%/25% for nickel and -0.6%/1.5% for copper, respectively. Rare earth price forecasts have been upgraded

The broker fine-tuned near-term production forecasts for Lynas Rare Earths, and updated its model to reflect the upgraded price forecasts.

Target price rises to $10.00 from $7.10. Rating upgraded to Overweight from Underweight.

MONASH IVF GROUP LIMITED ((MVF)) Upgrade to Speculative Buy from Hold by Morgans .B/H/S: 4/0/0

Morgans upgrades Monash IVF to Speculative Buy from Hold as the company has rebased earnings guidance for FY25 and the current valuation is viewed as too low.

Management downgraded net profit after tax guidance by -10% to $27.5m from $30$31m due to weaker market conditions in March and ongoing deterioration in April.

Interestingly, Monash has not experienced any "material" changes in new patient registrations post the incorrect embryo transfer at a Brisbane clinic.

The broker lowers net profit after tax forecasts by -11% for FY25, which meets the guidance downgrade. Target price is lowered to $1 from $1.09.

PARAGON CARE LIMITED ((PGC)) Upgrade to Buy from Hold by Bell Potter .B/H/S: 2/0/0

Bell Potter expects Paragon Care to achieve a stronger 2H25 result, including positive advances on site rationalisation/amalgamations and integration of systems, the broker explains.

This could result in notable costs being incurred again in the period, albeit the cost imposts are expected to recede into FY26.

The analyst expects synergies of $12m in savings realised for FY25, which represents around 150 full-time employees post-merger or circa 12% of the workforce.

Bell Potter believes earnings growth expectations for FY26 justify the upgrade in the rating to Buy from Hold. Unchanged target of 52c.

Downgrade

DEXUS ((DXS)) Downgrade to Hold from Buy by Ord Minnett .B/H/S: 2/2/1

Ord Minnett undertook a deeper analysis of Dexus' model following allegations by the board of Australia Pacific Airports Corp (APAC) that sale of its shares owned by investors representing the company was mishandled.

The company will defend the allegations, but the broker has downgraded forecasts for external funds under management to $34.3bn in FY26 and $35.7bn in FY27 vs $38.9bn as of December 2024.

The downgrade reflects the risk of the company losing the APAC mandate and other risks, including asset sell-downs to manage redemptions related to its infrastructure funds.

Target price cut to $7.40 from $7.70. Rating cut to Hold from Buy, as the broker notes APAC shares accounted for one-third of its external FUM.

INSURANCE AUSTRALIA GROUP LIMITED ((IAG)) Downgrade to Neutral from Buy by UBS .B/H/S: 2/3/0

UBS notes Insurance Australia Group's strategic alliance with Royal Automobile Club of WA, including the purchase of RAC Insurance and a 20-year distribution agreement for RAC Home & Motor Products.

The deal is subject to ACCC approval and will increase the group's market share in WA for Home & Motor to around 55% from 8%, with total consideration of $1.35bn to be funded internally.

UBS expects the transaction to be EPS positive and meet management's insurance margin target of 15%.

UBS lifts EPS estimates by 1.6% and 0.1% for FY25/FY26. Target price rises to $9.30 from $8.30 due to higher market valuation ascribed to the stock.

The broker downgrades the stock to Neutral from Buy as there is believed to be "modest" upside from here.

NUFARM LIMITED ((NUF)) Downgrade to Hold from Add by Morgans .B/H/S: 1/4/1

Morgans notes Nufarm's 1H25 results were below consensus, with a full-year loss now looking likely.

The main disappointment was the underperformance of the Seed Technologies business, and with the company putting it under review, the broker is thinking of various options.

Selling Seed Tech in full or in part may not lead to a good outcome, the broker reckons, as investors will be left with a stake in the lower quality remaining part of the business.

If it doesn't sell, a large and highly dilutive capital raising could become necessary, especially if operating conditions do not improve. The broker lowered FY25-27 EBITDA forecasts by -20%, -19% and -17%, respectively.

Rating downgraded to Hold from Add. Target price cut to $2.78 from $4.53.

SERKO LIMITED ((SKO)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 3/1/0

Serko's FY25 revenue, excluding contribution from GetThere, came in at $85.7m, at the lower end of the $85-92m guidance.

For FY26, the company guided to revenue of $115-123m, citing lower-than-expected Australasia and North America managed revenues.

This was lower than market forecasts, and Macquarie highlights the company does not expect GetThere's 4Q25 revenue to annualise in FY26 due to soft US trading conditions.

Commentary highlights the forecast of $14m is below the company's base case of $18m at the time of acquisition. The longer-term FY30 outlook was re-iterated. The broker cut EPS forecasts (losses) for FY26-28.

Rating downgraded to Neutral from Outperform. Target price lowered to NZ$3.17 from NZ$4.38.

SYRAH RESOURCES LIMITED ((SYR)) Downgrade to Neutral from Outperform by Macquarie .B/H/S: 1/3/0

A truce on tariffs has eased tensions around critical mineral supply security, while synthetic graphite remains the dominant material in the battery market, highlights Macquarie.

The broker raises its target for Syrah Resources by 11% to 30c after changes in production restart, price realisation, and funding assumptions. Macquarie downgrades to Neutral from Outperform following recent share price strength.

Synthetic graphite remains in oversupply, cautions the analyst, with China maintaining dominance in the battery-grade market, a dynamic that is likely to cap graphite price upside.

TREASURY WINE ESTATES LIMITED ((TWE)) Downgrade to Hold from Buy by Ord Minnett .B/H/S: 3/3/0

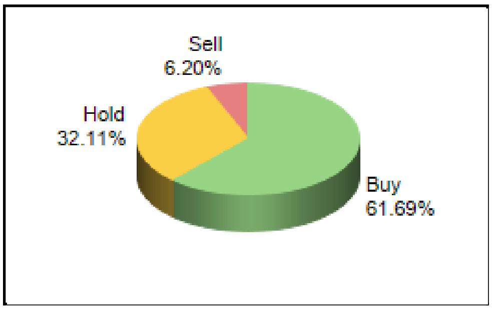
Ord Minnett lowers its target price for Treasury Wine Estates to $9.50 from $12.00 and downgrades to Hold from Buy, citing mounting earnings headwinds.

The broker is sceptical new CEO Sam Fischer can achieve mid-teen earnings growth in the Penfolds division, particularly with persistent weakness in the US wine market.

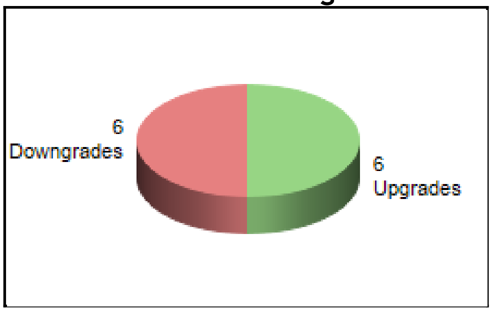
Restocking momentum in China is expected to taper off, while soft consumer demand and unresolved US tariffs add further pressure to margins, according to the analyst.

Ord Minnett's EPS forecasts have been cut by -4.8% for FY25, -13.0% for FY26 and -15.5% for FY27, reflecting a weaker sales outlook and pricing constraints into FY26.

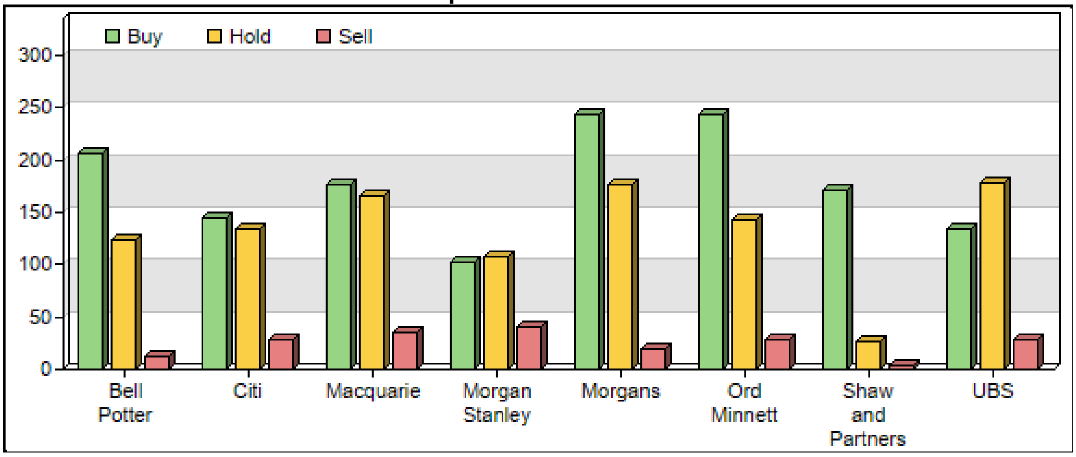
Total Recommendations



Recommendation Changes



Broker Recommendation Breakup



Broker Rating

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	CHARTER HALL LONG WALE REIT	Buy	Neutral	Citi
2	GENTRACK GROUP LIMITED	Neutral	Sell	UBS
3	ILUKA RESOURCES LIMITED	Buy	Neutral	Morgan Stanley
4	LYNAS RARE EARTHS LIMITED	Buy	Sell	Morgan Stanley
5	MONASH IVF GROUP LIMITED	Buy	Neutral	Morgans
6	PARAGON CARE LIMITED	Buy	Neutral	Bell Potter
Downgrade				
7	DEXUS	Neutral	Buy	Ord Minnett
8	INSURANCE AUSTRALIA GROUP LIMITED	Neutral	Buy	UBS
9	NUFARM LIMITED	Neutral	Buy	Morgans
10	SERKO LIMITED	Neutral	Buy	Macquarie
11	SYRAH RESOURCES LIMITED	Neutral	Buy	Macquarie
12	TREASURY WINE ESTATES LIMITED	Neutral	Buy	Ord Minnett

Target Price

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	TNE	TECHNOLOGY ONE LIMITED	36.432	29.849	22.05%	6
2	SYR	SYRAH RESOURCES LIMITED	0.450	0.398	13.07%	4
3	LYC	LYNAS RARE EARTHS LIMITED	8.142	7.658	6.32%	6
4	TPW	TEMPLE & WEBSTER GROUP LIMITED	17.808	16.908	5.32%	6
5	ILU	ILUKA RESOURCES LIMITED	5.510	5.280	4.36%	5
6	WEB	WEB TRAVEL GROUP LIMITED	5.611	5.396	3.98%	7
7	VNT	VENTIA SERVICES GROUP LIMITED	4.500	4.333	3.85%	3
8	CGF	CHALLENGER LIMITED	7.637	7.423	2.88%	7
9	MND	MONADELPHOUS GROUP LIMITED	17.234	16.834	2.38%	5
10	IAG	INSURANCE AUSTRALIA GROUP LIMITED	8.754	8.554	2.34%	5

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New Target	Previous Target	Change	Recs
1	NUF	NUFARM LIMITED	3.222	4.328	-25.55%	6
2	MVF	MONASH IVF GROUP LIMITED	1.125	1.298	-13.33%	4
3	SKO	SERKO LIMITED	4.660	5.080	-8.27%	4
4	ORA	ORORA LIMITED	2.237	2.363	-5.33%	6
5	ARB	ARB CORPORATION LIMITED	39.117	40.950	-4.48%	6
6	JHX	JAMES HARDIE INDUSTRIES PLC	48.757	50.914	-4.24%	7
7	KGN	KOGAN.COM LIMITED	4.700	4.900	-4.08%	4
8	CTD	CORPORATE TRAVEL MANAGEMENT LIMITED	14.029	14.607	-3.96%	7

9	NHC	NEW HOPE CORPORATION LIMITED	4.150	4.313	-3.78%	4
10	TWE	TREASURY WINE ESTATES LIMITED	11.538	11.955	-3.49%	6

Earnings Forecast

Positive Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	SKO	SERKO LIMITED	-6.037	-11.367	46.89%	4
2	SYR	SYRAH RESOURCES LIMITED	-8.584	-10.360	17.14%	4
3	FMG	FORTESCUE LIMITED	180.344	167.411	7.73%	7
4	LNW	LIGHT & WONDER INC	872.376	810.296	7.66%	5
5	JHX	JAMES HARDIE INDUSTRIES PLC	263.741	248.782	6.01%	7
6	WOR	WORLEY LIMITED	87.300	83.225	4.90%	5
7	XRO	XERO LIMITED	195.204	190.572	2.43%	6
8	TPW	TEMPLE & WEBSTER GROUP LIMITED	9.400	9.283	1.26%	6
9	WEB	WEB TRAVEL GROUP LIMITED	20.471	20.229	1.20%	7
10	LLC	LENDLEASE GROUP	59.400	58.750	1.11%	5

Negative Change Covered by at least 3 Brokers

Order	Symbol	Company	New EF	Previous EF	Change	Recs
1	NUF	NUFARM LIMITED	7.683	18.060	-57.46%	6
2	GTK	GENTRACK GROUP LIMITED	13.107	16.276	-19.47%	4
3	MVF	MONASH IVF GROUP LIMITED	7.275	8.000	-9.06%	4
4	KGN	KOGAN.COM LIMITED	16.475	17.675	-6.79%	4
5	ORA	ORORA LIMITED	11.160	11.760	-5.10%	6
6	NHF	NIB HOLDINGS LIMITED	40.520	41.840	-3.15%	6
7	S32	SOUTH32 LIMITED	26.913	27.635	-2.61%	6
8	TCL	TRANSURBAN GROUP LIMITED	31.025	31.650	-1.97%	5
9	SGH	SGH LIMITED	231.067	235.067	-1.70%	4
10	NHC	NEW HOPE CORPORATION LIMITED	53.025	53.933	-1.68%	4

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.

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WEEKLY REPORTS

Uranium Week: Trump's Agressive Nuclear Push

President Trump's latest executive orders have charged the demand dynamics for uranium, while short interests in Australian stocks have yet to budge.

-What do the persistent short interests know?
-President Trump shifts the uranium demand curve
-U308 spot price continues to trend higher

By Danielle Ecuyer

Ok, it is not the author's job to assess why uranium stock short interests remain stubborn in the face of changing global dynamics around nuclear energy, but honestly, it is challenging to understand why anyone would want to bet against the U3O8 sector at a time of rising AI data centre demand for energy, alongside growing geopolitical uncertainty around uranium supply chains.

President Trump views AI data centres as "critical defence facilities" and one doesn't have to look too far to see why in the global race for artificial intelligence and data supremacy, led by the world's largest technology companies.

Energy security and artificial intelligence are two of the most important secular megatrends, which are becoming inextricably linked.

Thus, for the uranium sector, it is hard to look past the news from last Friday as *the* key event for the global U3O8 industry.

Make America's nuclear industry great again

Citi phrased President Trump's new orders as marking the **"most aggressive US nuclear policy act in decades".**

The President signed four executive orders under the Defense Production Act to scale US nuclear energy to **"reestablish the United States as the global leader in nuclear energy",** including a 2050 target of 400GW (up from 100GW currently), inferring an almost doubling of global uranium demand in the US, or adding around 150mlbs per annum of uranium demand for the US alone!

Canaccord Genuity estimates annual U308 demand to grow at a compound average growth rate of 6% to 2050 for the United States.

The four orders are:

-Accelerate reactor approvals to an 18-month deadline for project reviews;

-Pilot program for experimental reactors such as small modular reactors (SMRs) to lower the cost barrier to entry and reduce regulatory imposts;

-Reform of the Nuclear Regulatory Commission aimed at eliminating bureaucracy;

-Strengthen domestic uranium supply chains with the Department of Energy working alongside the private sector to guarantee domestic fuel processing.

Citi stresses the orders include near-term targets, including 5GW of upgrades to the existing fleet and ten new reactors to break ground by 2030, alongside the unburdening of regulatory and bureaucratic obstacles and delays.

AI is one of the main drivers, data centres are the key facilities underpinning the rollout of the technology, including the identification of 16 federal sites for AI infrastructure powered by nuclear energy. SMRs are viewed as "critical" to the success of AI. The pilot program is to construct three SMRs.

For more reading on AI fueling demand for data centres, see this recent FNArena update: https://fnarena.com/index.php/2025/05/22/ai-investments-fuel-australias-data-centre-future/

Nuclear energy receives a tax credit extension, for now

The nuclear industry also received a lifeline in the US Budget Bill ("Trump's Beautiful Big Bill"), which allowed for a carve-out from the removal of tax credits for clean energy under the Inflation Reduction Act, sooner than originally anticipated.

Nuclear projects that commence construction by 2031 will qualify for production tax credits, as well as a full tax credit for electricity produced by existing nuclear plants until 2032.

The legislation is subject to Senate approval, having passed the House of Representatives last week.

Taiwan the next country to back track on nuclear energy

The last two Uranium Weekly updates outlined the changing outlook for the global nuclear industry, and multiple countries have walked back plans to close existing nuclear energy plants.

For more details, see the following reports, including all the up-to-date ratings and target prices for ASX-listed U3O8 stocks:

https://fnarena.com/index.php/2025/05/20/uranium-week-europes-nuclear-about-face/
and
https://fnarena.com/index.php/2025/05/13/uranium-week-a-fundamental-disconnect/

Taiwan is the latest country to announce a national referendum on restarting a nuclear reactor that shut down last week. According to Bloomberg, this potentially paves the way for the government to overturn its anti-nuclear policy.

The vote is scheduled for August 23 on whether the territory's last nuclear power plant, Maanshan, now closed, could resume operations.

Concerns are rising about the island's ability to meet the increasing power demand from the world's largest chip manufacturer, TSMC, on top of energy security concerns if China were to initiate a military blockade of the island.

Contrast this news with the latest short interest positions for U3O8 stocks in Australia. **Boss Energy** ((BOE)), **Paladin Energy** ((PDN)), **Deep Yellow** ((DYL)), and **Bannerman Energy** ((BMN)) occupy the first, second, seventh, and nineteenth spots in the Top 20 Largest Shorts on the ASX200, according to ASIC data up until May 19.

Stocks such as Paladin and Boss have rallied over 20% post the Trump executive orders (May 23) from May 20 and had already started to move off their 52-week lows as the U3O8 spot price recovered.

Brokers including Ord Minnett and Canaccord Genuity have been at pains to emphasise a short-covering rally was likely at some stage.

According to Ord Minnett's estimates, the short interest for Boss, while still the highest on the ASX, has retreated to 21.5% (May 20) from a peak of 26%. The change suggests to the broker the position is closing.

Short interests on Paladin and **Lotus Resources** ((LOT)) remain constant.

Regarding Trump's declaration of an Energy Emergency, Ord Minnett notes more mine supply is a negative for miners. A small uranium-vanadium mine recently received Federal approval in eleven days.

The broker continues to rate both Boss and Paladin as Buy and Lotus a Speculative Buy.

What's happening in the uranium markets

With all the bullish macro sentiment, was this reflected in the U3O8 spot market last week?

According to industry consultants TradeTech, the spot price advanced US$1 to US$72/lb, bringing the monthly gain to 8.3%. The price remains below last year's value by -21.1% but has been on an upward trend since the lows in April.

The consultants outline several transactions over the course of last week in both the spot and mid-term delivery markets.

Notably, utilities have moved forward their entry into the term U3O8 market, with some issuing formal Requests for Proposals and others engaged in off-market discussions with potential suppliers.

TradeTech's Mid-Term U3O8 Price Indicator stands at US$72/lb and the Long-Term Price Indicator at US$80/lb.

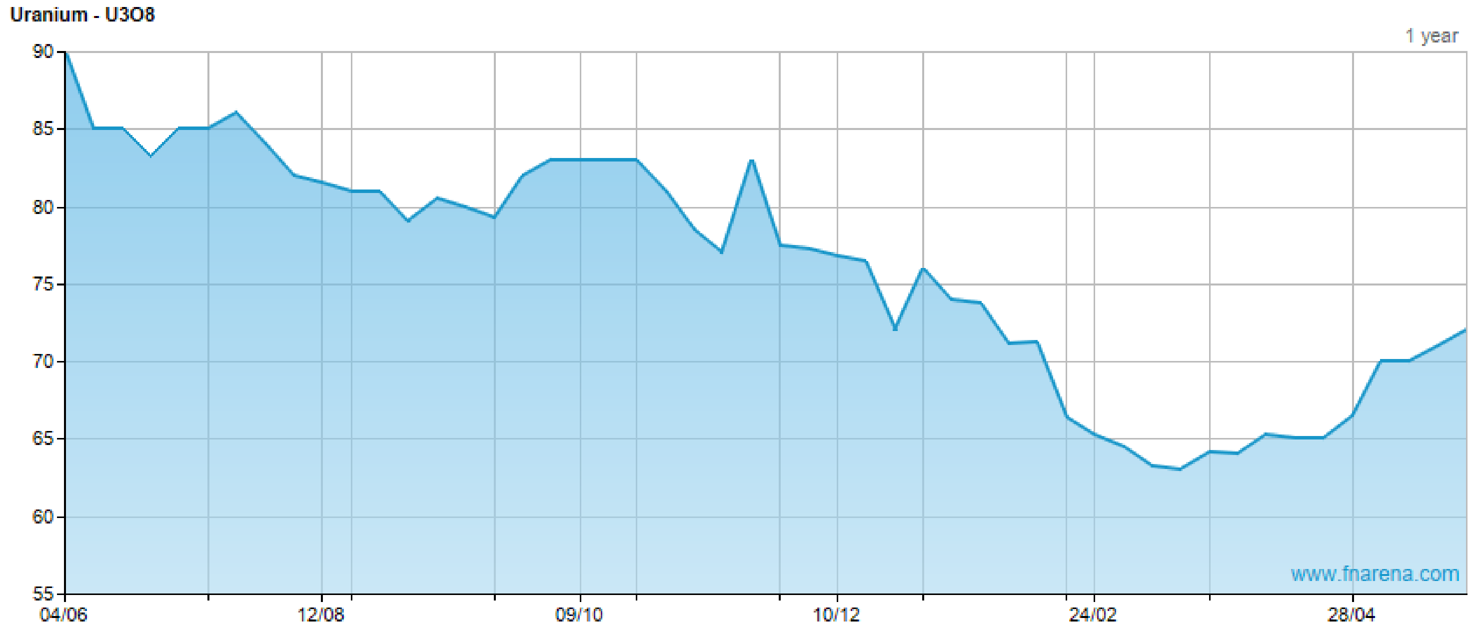
FNArena broker coverage

FNArena's daily monitored brokers have a consensus target price on Paladin of $8.507 with seven Buy-equivalent ratings, and Boss Energy enjoys a consensus target price of $3.973 with six Buy-equivalent ratings and one Hold-equivalent rating.

More U308 coverage can be found at Stock Analysis https://fnarena.com/index.php/analysis-data/consensus-forecasts/stock-analysis/

Uranium companies listed on the ASX:

ASX CODE	DATE	LAST PRICE	WEEKLY % MOVE	52WK HIGH	52WK LOW	P/E	CONSENSUS TARGET	UPSIDE/DOWNSIDE
1AE	23/05/2025	0.0700	▲14.29%	$0.10	$0.03			
AEE	23/05/2025	0.1400	▲13.04%	$0.19	$0.10			
AGE	23/05/2025	0.0300	▲11.11%	$0.06	$0.02		$0.100	▲233.3%
AKN	23/05/2025	0.0100	0.00%	$0.02	$0.01			
ASN	23/05/2025	0.0500	▼- 1.85%	$0.17	$0.05			
BKY	23/05/2025	0.5100	0.00%	$0.66	$0.30			
BMN	23/05/2025	3.0100	▲ 8.02%	$4.62	$1.76		$4.700	▲56.1%
BOE	23/05/2025	4.3400	▲11.17%	$5.16	$1.99	233.2	$3.973	▼- 8.5%
BSN	23/05/2025	0.0200	▲ 7.14%	$0.10	$0.01			
C29	23/05/2025	0.0400	0.00%	$0.13	$0.03			
CXO	23/05/2025	0.1000	▼- 2.13%	$0.15	$0.06		$0.100	
CXU	23/05/2025	0.0100	0.00%	$0.04	$0.01			
DEV	23/05/2025	0.0900	▼- 2.38%	$0.45	$0.07			
DYL	23/05/2025	1.4600	▲ 2.47%	$1.74	$0.75	-1410.0	$1.570	▲7.5%
EL8	23/05/2025	0.3300	▲ 3.33%	$0.54	$0.19			
ERA	23/05/2025	0.0020	0.00%	$0.05	$0.00			
GLA	23/05/2025	0.0100	0.00%	$0.02	$0.01			
GTR	23/05/2025	0.0100	▼-25.00%	$0.01	$0.00			
GUE	23/05/2025	0.0700	▲16.67%	$0.11	$0.05			
HAR	23/05/2025	0.0600	▲ 7.55%	$0.12	$0.03			
I88	23/05/2025	0.1200	▼-11.11%	$1.03	$0.08			
KOB	23/05/2025	0.0400	0.00%	$0.18	$0.04			
LAM	23/05/2025	0.7200	0.00%	$1.04	$0.48			
LOT	23/05/2025	0.2100	▲12.12%	$0.48	$0.13		$0.325	▲54.8%
MEU	23/05/2025	0.0400	0.00%	$0.06	$0.03			
NXG	23/05/2025	9.8200	▲ 9.22%	$13.53	$6.44		$14.650	▲49.2%
ORP	23/05/2025	0.0300	0.00%	$0.10	$0.03			
PDN	23/05/2025	6.5600	▲ 1.94%	$16.40	$3.93	-273.6	$8.507	▲29.7%
PEN	23/05/2025	0.6200	0.00%	$2.40	$0.55		$1.000	▲61.3%
SLX	23/05/2025	3.5300	▲11.11%	$6.62	$2.28		$6.500	▲84.1%
TOE	23/05/2025	0.2000	▼- 2.56%	$0.39	$0.15			
WCN	23/05/2025	0.0300	▲ 3.45%	$0.04	$0.01			



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

WEEKLY REPORTS

The Short Report - 29 May 2025

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

Summary:

Week Ending May 22nd, 2025 (most recent data available through ASIC).

10%+

BOE	21.96%
PDN	15.65%
MIN	14.31%
LTR	12.60%
IEL	12.15%
PLS	12.02%
DYL	11.43%
PNV	10.74%

Out: CTT, KAR, DMP

9.0-9.9%

CTT	9.92%
LIC	9.90%
KAR	9.90%
DMP	9.50%
CTD	9.37%
SLX	9.07%

In: CTT, KAR, DMP

8.0-8.9%

CU6	8.75%
LOT	8.47%
TWE	8.26%
LYC	8.23%

In: TWE
Out: IGO, BMN

7.0-7.9%

JLG	7.98%
BMN	7.90%
RIO	7.64%
IGO	7.60%

SGR	7.43%
JHX	7.03%

In: BMN, IGO
Out: TWE

6.0-6.9%

PWH	6.60%
STX	6.36%
RMS	6.35%
NEU	6.34%
MSB	6.33%
CHN	6.29%
INR	6.26%
NXT	6.18%
ADT	6.17%

Out: MP1

5.0-5.9%

VEA	5.96%
ZIP	5.92%
CUV	5.87%
BRG	5.79%
AD8	5.61%
SFR	5.56%
NVX	5.54%
GMD	5.53%
PTM	5.52%
IPX	5.48%
IMU	5.33%
PEN	5.20%
WHC	5.19%
NCK	5.18%
WEB	5.16%
CIA	5.08%
CKF	5.02%

In: WHC, WEB, CKF
Out: SYR

ASX20 Short Positions (%)

Code	Last Week	Week Before	Code	Last Week	Week Before
ALL	0.8	0.8	NAB	1.0	0.8
ANZ	0.5	0.4	QBE	0.5	0.4
BHP	0.6	0.5	RIO	7.6	7.7
CBA	1.1	1.1	STO	0.5	0.4
COL	0.6	0.7	TCL	0.8	0.7
CSL	0.5	0.5	TLS	0.4	0.5

FMG	0.9	1.0	WBC	0.8	0.9
GMG	0.6	0.4	WDS	3.4	3.4
JHX	7.0	7.4	WES	0.6	0.6
MQG	0.8	0.8	WOW	1.0	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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FNArena is proud about its track record and past achievements: Ten Years On

WEEKLY REPORTS

In Brief: Webjet, Myer & Goodman Group

This week's InBrief focuses on turnaround situations and highlights companies investing and positioning for medium term growth.

-Webjet flies above expectations
-Myer looking to enhance and improve customer experience (and spending)
-No upgrade from Goodman

By Danielle Ecuyer

Quote of the week comes from economists at Citi:

"With the April data missing key services prices, the RBA won't rush to a conclusion on the likely outcome for Q2. That said, the ABS's YoY indicator is range bound at a comfortable 2.4%, which gives time to assess the domestic labour market and global developments ahead of the next RBA Board meeting."

Webjet Group, bears be gone

Webjet Group ((WEB)) pulled the proverbial rabbit out of the hat with its FY25 investor briefing.

Canaccord Genuity explained the size of the better-than-forecast FY25 underlying earnings (EBITDA) was less significant than the confidence and relief investors could feel around the revenue margin, which was sustained above 6.5%.

Although management had indicated the margin would stabilise, there were nevertheless concerns, probably heightened by other travel-related companies reporting underwhelming earnings and margin pressures.

Wilsons described the FY25 result as a "standout" in the ASX travel sector alongside the positive trading update. For the first eight weeks of 1H26, bookings and total transaction values are up 29% and 28%, respectively, on a year earlier.

More surprising are US-inbound source regions rising between 23%-58%, excluding the EU, up 7%.

Canaccord notes some softness in certain markets, but importantly, total transaction values are generated via market share rather than market growth. The analyst explains the return of operating leverage for the group will enhance share growth and be more apparent in FY26 and into FY27.

Jarden believes Webjet is benefiting from AI-powered tools for inventory, which is giving the broker increased conviction around share gains and growth in total transaction values.

Wilsons points to the only blemish as the flagged reduction in FY26 earnings (EBITDA) margin for WebBeds to 44%-47% from 50% previously, which can be accounted for by investment in sales and contracting staff to increase exposure to higher-margin contracted hotels.

Management confirmed a return to circa 50% WebBeds earnings (EBITDA) margins in FY27 and a total transaction value target of $10bn by FY30 at a 50% margin.

Jarden observed the company is seeking new opportunities to grow scale through improved connectivity with customers.

Jarden, Wilsons, and Canaccord Genuity all expressed increased confidence in the group's position and outlook.

Wilsons upgraded its target price by 11% to $6.39 while retaining a Buy-equivalent rating, stressing Webjet is the most "resilient" of the ASX travel stocks in the current uncertain macro environment. These results are seen as reflective of management's ability to deliver on its growth targets.

While acknowledging the positive share price response to the results, Canaccord believes there is additional upside as operating leverage emerges alongside expected growth in total transaction values. The stock offers re-rating potential in terms of the valuation ascribed. Target price was lifted 6% to $6.70 with an unchanged Buy rating.

Jarden is also Buy-equivalent rated with a more conservative target price of $5.40, down from $5.60 due to tweaking of its valuation modeling against earnings upgrades. This analyst also believes there is scope for the stock to re-rate closer to a platform multiple if it can achieve higher return on invested capital and a large total addressable market.

Goldman Sachs re-iterated growing confidence in medium-term revenue margins of around 6.5% due to the investment in contracting. Target price set at $7.10 with a Buy rating.

Optimising the retail engine

Myer Holdings ((MYR)) outlined a detailed strategy to reset the business and underpin growth. The company is aiming to better the customer experience, in turn translating into more spending.

Management highlighted a three-to-five-year transformation plan across customer and loyalty, products and brands, development of an omni-channel network, and improving sourcing and supply chain, as described by Petra Capital.

A key focus will be on retaining a robust financial structure with the balance sheet including "prudent" capital management and targeting return on investment.

Over $30m in merger synergies are expected to be realised over the short-to-medium term.

Canaccord Genuity points to targeted improvements for the store experience such as "Just Jeans store of the future"; "Apparel curated worlds", which are designed to form clear shopping destinations and meaningful experiences for different demographics.

The broker interpreted the strategy as lifting productivity as opposed to reducing the Myer network.

As well as a number of targets including the Myer One model, which is due to relaunch in October 2025, programs and partnerships are to be extended for members to engage with Myer One loyalty programs.

The company is also seeking to launch the Myer Shoppable App, with the first phase in Aug/Sept, with a Marketplace offering to assist with inventory management for the retailer.

In terms of the property portfolio, Canaccord explains Myer has a greater store footprint versus Apparel brands and there is believed to be optionality to rationalise leases and spaces.

Importantly, Myer's brand health is highlighted as in good shape. Canaccord retains a Buy rating alongside an unchanged target price of $1.05.

Petra Capital does envisage execution for management as a potential risk, but the strategic update helped underscore the potential upside for Myer, as well as the "strengthened" leadership team. Buy rated with a 72c target price.

Goodman Group on track or not?

Goodman Group ((GMG)) is drawing scrutiny from investors for failing to upgrade FY25 guidance, with management sticking with 9% growth in operating EPS, potentially the lowest level of growth in years, points out Jarden.

The broker is quick to dismiss concerns, emphasising 9% is still 9%, and the group is in a good position to deliver on growth from FY26 onwards with the start of around $10bn in data centre projects.

The lack of announcements on capital partners across both logistics and data centres was a point of contention for the sceptics, with management alluding to heightened macro uncertainty underpinning more conservative decisions from potential customers.

Jarden highlights the ramp-up of the data centre strategy, with Goodman adding work in progress of $1.3bn of developments at a yield to cost over 10%. The analyst anticipates sizeable upside as the balance 80% of the $10bn in the data centre pipeline is commenced.

Logistics is also not a "has-been" thematic, and the residential conversion narrative is back. Management highlighted around 30% of work in progress to remain as logistics, with some potential for conversion of specific sites to residential.

Compared to a data centre pipeline of $50-$100bn, residential conversion is less material but could result in upside to net asset valuations.

Although Jarden tweaks EPS estimates slightly lower post the 3Q25 update, the forecast compound average earnings growth rate of 12%-14% per annum from FY25-FY30 remains in place. Buy rated with a $39 target price.

WEEKLY REPORTS

In Case You Missed It - BC Extra Upgrades & Downgrades - 30-05-25

Broker Rating Changes (Post Thursday Last Week)

Upgrade

BIG RIVER INDUSTRIES LIMITED ((BRI)) Upgrade to Speculative Buy from Hold by Taylor Collison.B/H/S: 0/0/0

Taylor Collison notes the outlook for Big River Industries' is improving, and the recent share price fall at the same time as rising dwelling approvals, has opened an attractive entry point for investors.

The broker has upgraded the company to Speculative Buy from Hold.

The analyst highlights the housing construction outlook has improved, and showroom foot traffic has increased. While the delay in policy rate cuts is a key risk, the analyst's base view is multi-year sustained demand rather than a one-off rebound.

No target price set.

DJERRIWARRH INVESTMENTS LIMITED ((DJW)) Upgrade to Outperform from Hold by Taylor Collison.B/H/S: 0/0/0

Taylor Collison notes Djerriwarrh Investments is now trading at a discount of -10.84% to pre-tax net tangible assets vs -6.69% in March. The equivalent Z-score is -1.06 vs -0.79.

The enhanced yield is around 7.1% grossed up for franking credits vs 6.4% in March, according to the broker.

Rating upgraded to Outperform from Hold on wider discount, Z-score and income per dollar investment.

No target price set.

ELDERS LIMITED ((ELD)) Upgrade to Overweight from Market Weight by Wilsons.B/H/S: 0/0/0

Wilsons saw how Elders posted a soft 1H25, with EBITDA below forecast and working capital pressure continuing to build.

Despite solid cost control, earnings fell short. Gross profit missed by -4%, dragged lower by Retail Products. Operating cash flow halved year-on-year, and leverage is now forecast to push past the group's comfort zone.

Yet, Wilsons sees upside. While timing of the ACCC's decision on the proposed acquisition of Delta Agricultural (due 29 May) looms as a swing factor, the broker argues the market is too focused on risk, ignoring Elders' through-the-cycle earnings capacity and potential step-up in FY26-27 as Delta integrates.

System upgrades remain a known wildcard. The broker's price target drops to $8.22 but rating is upgraded to Overweight from Market Weight.

On Wilsons' projections, Elders will be paying 36c in dividends to shareholders for many years into the future.

MICROBA LIFE SCIENCES LIMITED ((MAP)) Upgrade to Buy from Buy, High Risk by Canaccord Genuity.B/H/S: 0/0/0

Canaccord Genuity has revised its estimates for Microba Life Sciences after considering a prescriber-based model across Australia, UK and the US markets.

Target price revised down to 26c from 44c as the broker assumes a conservative market adoption rate for MetaXplore and Meta Panel in all three key markets.

The sales assumptions in the forecasts, however, only include Australia and UK, where the operations currently sit. The US opportunity is estimated separately.

Rating revised to Buy from Speculative Buy.

Downgrade

ALS LIMITED ((ALQ)) Downgrade to Underweight from Neutral by Jarden.B/H/S: 0/0/0

Jarden downgrades ALS Ltd to Underweight from Neutral due to the run-up in the share price, which is currently reflecting earnings upgrades, according to the analyst.

Research was issued before the company was due to report FY25 results today, with guidance for net profit after tax of $310m$313m, with Jarden positioned at the midpoint.

On balance, Jarden views the risks as slanted to the downside, with volatility in sampling flows and Bloomberg capital raising data indicating the commodity markets were down in Canada by -28% and Australia down -40% following a robust 3Q25.

Target price lifts slightly to $15 from $14.50.

OFX GROUP LIMITED ((OFX)) Downgrade to Market Weight from Overweight by Wilsons and Downgrade to Hold from Buy by Canaccord Genuity.B/H/S: 0/0/0

Wilsons downgraded OFX Group following a disappointing FY25 result and an accelerated reinvestment strategy that defers material benefits of its New Corporate Platform (NCP) to FY28 and beyond.

FY25 net operating income fell -6% and 2H25 missed revenue growth guidance. FY25 EBITDA declined -11% to $57.7m and EPS fell -16% to 10.7cps.

The broker expects a 15% lift in opex in FY26. Earnings (EBITDA) margin is forecast to fall to around 16%.

The accelerated spend triggers execution risk, macro uncertainty, and likely ASX300 removal in the near term, Wilsons explains.

The analyst's earnings forecasts for FY26-27 are cut by -48% to -83%. FY26 EPS is now expected at 2.7cps, down from 13.8cps.

Target price falls to 94c.

OFX Group's FY25 result missed Canaccord Genuity's forecasts at all levels, and the implied net operating income (NOI) in 2H fell -8% to $104m, lower than company guidance of over $112m.

Commentary suggests the key takeaway from the result was the company's focus on accelerating the rollout of its New Corporate Platform, and hence the requirement of -$24m higher capex and -$5m higher opex in FY26.

No NOI guidance was provided for FY26-27, but the company maintained the target of over 15% NOI growth for FY28 and beyond.

The broker cut FY26-28 NOI forecasts, which, together with higher opex, led to a -49% cut to FY26 EBITDA, -44% cut to FY27 EBITDA and -42% cut to FY28.

Rating downgraded to Hold from Buy. Target price $1.

ORIGIN ENERGY LIMITED ((ORG)) Downgrade to Underweight from Neutral by Jarden.B/H/S: 0/0/0

Jarden notes the APLNG contract price review initiated by Sinopec concluded with a price lower than its forecasts. As a result, the broker cut Origin Energy's (27.5% stake in APLNG) FY25-26 EPS forecasts by up to -3%.

The new price formula will last until the contract expiry, but APLNG has an option to request a price review in 2030, meaning there's only upside risk to the price.

Broadly, the broker reckons the rally in the company's share price is surprising given headwinds from lower oil prices, APLNG price review and the possibility of APLNG capex increase. Rating therefore downgraded to Underweight from Neutral.

Target price cut to $10.05 from $10.25.

The above dates from May 23. The below is from three days later, on May 26.

Jarden describes Origin Energy's latest update as mixed. FY25 Energy Markets earnings guidance was raised to $1.3-1.4bn from $1.1-1.4bn, due to stronger generation, favourable market conditions, and lower green certificate costs.

This prompts a modest 3.1% upgrade to the broker's FY25 Energy Markets earnings (EBITDA) forecast to $1.36bn.

The downside came from Octopus Energy, with FY25 earnings downgraded by -$100m due to unusually warm spring weather in the UK, note the analysts. One-off effects tied to the 2022 UK price guarantee scheme also weighed.

Jarden has left its valuation of Octopus unchanged but raised the Energy Markets valuation by 10c per share, lifting the Origin target price to $10.15 from $10.05. Underweight retained.

Order	Company	New Rating	Old Rating	Broker
Upgrade				
1	BIG RIVER INDUSTRIES LIMITED	Buy	Neutral	Taylor Collison
2	DJERRIWARRH INVESTMENTS LIMITED	Buy	Neutral	Taylor Collison
3	ELDERS LIMITED	Buy	Neutral	Wilsons
4	MICROBA LIFE SCIENCES LIMITED	Buy	Buy	Canaccord Genuity
Downgrade				
5	ALS LIMITED	Sell	Neutral	Jarden
6	OFX GROUP LIMITED	Neutral	Buy	Wilsons
7	OFX GROUP LIMITED	Neutral	Buy	Canaccord Genuity
8	ORIGIN ENERGY LIMITED	Sell	Neutral	Jarden

Price Target Changes (Post Thursday Last Week)

	Company	Last Price	Broker	New Target	Old Target	Change
AAR	Astral Resources	$0.18	Petra Capital	0.36	0.29	24.14%
ALQ	ALS Ltd	$16.22	Jarden	15.00	14.50	3.45%
APA	APA Group	$8.23	Jarden	8.85	8.50	4.12%
APZ	Aspen Group	$3.41	Moelis	3.83	3.30	16.06%
BC8	Black Cat Syndicate	$0.80	Petra Capital	1.82	1.53	18.95%
BEN	Bendigo & Adelaide Bank	$11.95	Jarden	11.60	11.50	0.87%
BSL	BlueScope Steel	$22.98	Goldman Sachs	28.70	27.70	3.61%
BTR	Brightstar Resources	$0.58	Taylor Collison	1.38	0.05	2966.67%
CAT	Catapult International	$5.26	Canaccord Genuity	5.00	4.20	19.05%
CCR	Credit Clear	$0.23	Petra Capital	0.49	0.60	-18.33%
DDR	Dicker Data	$8.16	Goldman Sachs	9.05	9.80	-7.65%
			Jarden	11.00	10.88	1.10%
EBR	EBR Systems	$1.11	Canaccord Genuity	2.50	2.56	-2.34%
ELD	Elders	$6.27	Wilsons	8.22	8.38	-1.91%
EVO	Embark Early Education	$0.69	Canaccord Genuity	1.09	1.04	4.81%
FMG	Fortescue	$15.68	Goldman Sachs	15.60	15.30	1.96%
GMD	Genesis Minerals	$4.52	Moelis	4.25	4.15	2.41%
IPG	IPD Group	$3.14	Taylor Collison	4.50	5.15	-12.62%
JHX	James Hardie Industries	$34.69	Jarden	42.00	44.00	-4.55%
KYP	Kinatico	$0.20	Taylor Collison	0.27	0.22	22.73%
LNW	Light & Wonder	$145.55	Canaccord Genuity	195.00	201.00	-2.99%
			Goldman Sachs	165.00	173.50	-4.90%
MAP	Microba Life Sciences	$0.16	Canaccord Genuity	0.26	0.44	-40.91%
MVF	Monash IVF	$0.77	Wilsons	1.25	1.40	-10.71%
MYR	Myer	$0.72	Canaccord Genuity	1.05	1.15	-8.70%
			Canaccord Genuity	1.10	1.15	-4.35%
NUF	Nufarm	$2.34	Wilsons	N/A	3.97	-100.00%
OFX	OFX Group	$0.77	Canaccord Genuity	1.00	2.20	-54.55%
			Wilsons	0.94	2.11	-55.45%

ORG	Origin Energy	$10.60	Goldman Sachs	10.10	10.15	-0.49%
			Jarden	10.15	10.25	-0.98%
PFP	Propel Funeral Partners	$4.44	Moelis	5.54	6.10	-9.18%
PLT	Plenti Group	$0.87	Wilsons	1.32	1.58	-16.46%
PRN	Perenti	$1.57	Canaccord Genuity	1.70	1.48	14.86%
RHC	Ramsay Health Care	$36.17	Goldman Sachs	39.00	38.70	0.78%
RUL	RPMGlobal	$3.10	Taylor Collison	3.48	N/A	N/A
SGH	SGH Ltd	$50.64	Goldman Sachs	58.60	59.30	-1.18%
SGLLV	Ricegrowers	$10.99	Canaccord Genuity	11.85	10.00	18.50%
SGM	Sims	$15.18	Goldman Sachs	12.00	14.80	-18.92%
SLC	Superloop	$2.70	Wilsons	2.85	N/A	N/A
SPZ	Smart Parking	$0.87	Petra Capital	1.56	1.63	-4.29%
TLS	Telstra Group	$4.78	Goldman Sachs	4.90	4.50	8.89%
			Jarden	4.60	4.45	3.37%
TNE	TechnologyOne	$40.77	Goldman Sachs	38.10	24.05	58.42%
			Wilsons	40.99	22.28	83.98%
VAU	Vault Minerals	$0.44	Jarden	0.59	0.57	3.51%
			Moelis	0.70	0.68	2.94%
WBC	Westpac	$31.71	Jarden	30.00	31.00	-3.23%
WES	Wesfarmers	$83.00	Goldman Sachs	87.30	80.40	8.58%
			Jarden	73.10	67.50	8.30%
WJL	Webjet Group	$0.88	Wilsons	N/A	0.90	-100.00%
WOR	Worley	$13.10	Goldman Sachs	17.25	18.00	-4.17%
WTC	WiseTech Global	$108.77	Goldman Sachs	126.00	128.00	-1.56%
			Jarden	100.00	94.00	6.38%
Company		Last Price	Broker	New Target	Old Target	Change

More Highlights

ANG AUSTIN ENGINEERING LIMITED

Mining Sector Contracting Overnight Price: $0.38

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

Petra Capital believes Austin Engineering shares are oversold, and the risk from here is to the upside.

The broker has taken into account macro-economic uncertainty and downside risk to FY25 EBIT guidance and risks associated with the incoming CEO transitioning into the position. But these risks are already priced into the share price, the broker highlights.

Buy. Target unchanged at 58c.

This report was published on May 22, 2025.

Target price is **$0.58** Current Price is **$0.38** Difference: **$0.2**
If **ANG** meets the Petra Capital target it will return approximately **53%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Petra Capital forecasts a full year **FY25** dividend of **1.50** cents and EPS of **5.80** cents.
At the last closing share price the estimated dividend yield is **3.95%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **6.55**.

Forecast for FY26:

Petra Capital forecasts a full year **FY26** dividend of **1.90** cents and EPS of **6.70** cents.
At the last closing share price the estimated dividend yield is **5.00%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **5.67**.

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

CNB CARNABY RESOURCES LIMITED

Mining Overnight Price: $0.37

Moelis rates ((CNB)) as Buy (1)

Moelis maintains a Buy rating and 80 cent target for Carnaby Resources following strong initial assay results from Trekelano, a high-grade copper-gold deposit located in northwest Queensland.

A pre-feasibility study (PFS) is targeted for 2H 2025.

The broker sees these results as reinforcing the geological prospectivity of the Duchess project area and notes potential for an upgrade to the current production outlook.

Moelis highlights the advantage of existing rail and processing infrastructure at Duchess, allowing for a rapid and capital-efficient development.

In short, the broker believes the current valuation gap offers an attractive entry point for long-term investors.

This report was published on May 27, 2025.

Target price is **$0.80** Current Price is **$0.37** Difference: **$0.43**
If **CNB** meets the Moelis target it will return approximately **116%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

> Moelis forecasts a full year **FY25** dividend of **0.00** cents and EPS of **minus 3.80** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 9.74**.

Forecast for FY26:

> Moelis forecasts a full year **FY26** dividend of **0.00** cents and EPS of **minus 6.40** cents.
> At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **minus 5.78**.

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

IPG IPD GROUP LIMITED

Industrial Sector Contractors & Engineers Overnight Price: $3.43

Taylor Collison rates ((IPG)) as Buy (1)

Taylor Collison remains of the view the cycle for IPD Group will turn and earnings will grow, but in the short term, it believes earnings risks are skewed to the downside.

The broker views current challenges as cyclical, and with the narrative unchanged from 1H, expects pressure on margins. Reasons for optimism include interest rate cuts that could boost commercial construction activity.

Buy. Target cut to $4.50.

This report was published on May 22, 2025.

Target price is **$4.50** Current Price is **$3.43** Difference: **$1.07**
If **IPG** meets the Taylor Collison target it will return approximately **31%** (excluding dividends, fees and charges).
The company's fiscal year ends in June.

Forecast for FY25:

Taylor Collison forecasts a full year **FY25** dividend of **13.00** cents and EPS of **26.40** cents.
At the last closing share price the estimated dividend yield is **3.79%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **12.99**.

Forecast for FY26:

Taylor Collison forecasts a full year **FY26** dividend of **14.00** cents and EPS of **28.10** cents.
At the last closing share price the estimated dividend yield is **4.08%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **12.21**.

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

MVF MONASH IVF GROUP LIMITED

Healthcare services Overnight Price: $0.77

Wilsons rates ((MVF)) as Overweight (1)

Monash IVF has cut FY25 net profit guidance by -10% to $27.5m, citing a slowdown in IVF cycles, particularly in Victoria, where volumes fell -20% YoY.

Wilsons sees no financial impact yet from April's embryo mix-up and notes market share has held steady at 21.8%. Forecast EPS is downgraded -10%-18% over FY25-27, and the price target has been lowered to $1.25 (was $1.40).

Commentary highlights cycle volume softness and offshore price pressure are keeping margins under pressure. Management says May volumes improved, but not enough to offset a weak March-April. Overweight.

This report was published on May 27, 2025.

Target price is **$1.25** Current Price is **$0.77** Difference: **$0.48**
If **MVF** meets the Wilsons target it will return approximately **62%** (excluding dividends, fees and charges).
Current consensus price target is **$1.13**, suggesting upside of **46.1%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **4.80** cents and EPS of **6.90** cents.
At the last closing share price the estimated dividend yield is **6.23%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **11.16**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **7.3**, implying annual growth of **N/A**.
Current consensus DPS estimate is **4.9**, implying a prospective dividend yield of **6.4%**.
Current consensus EPS estimate suggests the PER is **10.5**.

Forecast for FY26:

Wilsons forecasts a full year **FY26** dividend of **5.00** cents and EPS of **7.10** cents.
At the last closing share price the estimated dividend yield is **6.49%**.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **10.85**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **6.9**, implying annual growth of **-5.5%**.
Current consensus DPS estimate is **4.8**, implying a prospective dividend yield of **6.2%**.
Current consensus EPS estimate suggests the PER is **11.2**.

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

SLC SUPERLOOP LIMITED

Telecommunication Overnight Price: $2.62

Wilsons rates ((SLC)) as Overweight (1)

Wilsons reiterates an Overweight rating on Superloop and raises the target price to $2.85 from $2.48, citing strong subscriber growth and momentum from Origin Energy's ((ORG)) broadband offering.

The company added 42,000 NBN services in the March quarter, and is on track to add another around 41,000 in 4Q25, driven by Origin's discounted broadband promotion, explain the analysts.

Superloop remains debt-free, generating improving cash flows, highlights the broker.

Key catalysts, according to Wilsons, include ASX200 index inclusion, sustained market share gains, and improved NBN pricing dynamics.

This report was published on May 28, 2025.

Target price is **$2.85** Current Price is **$2.62** Difference: **$0.23**
If **SLC** meets the Wilsons target it will return approximately **9%** (excluding dividends, fees and charges).
Current consensus price target is **$2.61**, suggesting downside of **-2.2%**(ex-dividends)
The company's fiscal year ends in June.

Forecast for FY25:

Wilsons forecasts a full year **FY25** dividend of **0.00** cents and EPS of **2.60** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **100.77**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **5.3**, implying annual growth of **N/A**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **50.4**.

Forecast for FY26:

Wilsons forecasts a full year **FY26** dividend of **0.00** cents and EPS of **5.30** cents.
At the last closing share price the stock's estimated Price to Earnings Ratio (PER) is **49.43**.

How do these forecasts compare to market consensus projections?

Current consensus EPS estimate is **7.0**, implying annual growth of **32.1%**.
Current consensus DPS estimate is **N/A**, implying a prospective dividend yield of **N/A**.
Current consensus EPS estimate suggests the PER is **38.1**.

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

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